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GLOBAL HUMAN CAPITAL MANAGEMENT

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# Human Capital in the Middle East

## A UAE Perspective

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*Edited by*  
Vijay Pereira  
Mark Neal  
Yama Temouri  
Wardah Qureshi

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Vijay Pereira • Mark Neal  
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Editors

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# Foreword

The “Middle East” is a modern geographical term coined to denote and distinguish the transcontinental area ranging between Western Asia and Egypt. The term is claimed to have originated in 1850 in the British India office. Technically comprising seventeen nations, populated by around 371 million people, the region’s other indigenous names include the Maghreb (which includes North African nations along the Mediterranean Sea such as Morocco, Algeria, Tunisia, Libya); Bilad al-Shaam (i.e. the Levant including Lebanon, Jordan, etc.); and the Mashriq (including Syria, Iraq, Kuwait, and the nations of the Arabian Peninsula, including Saudi Arabia, Oman, and the United Arab Emirates [UAE]). Economically, the Middle East has been known for many centuries as a vibrant hub of trading, and more recently for its vast oil reserves. Culturally and in religious terms, it is the birthplace of the three monotheistic religions, namely Christianity, Islam, and Judaism. Thus the Middle East has for long been a rich region culturally and economically, which has further made the region attractive to expatriates from various corners of the world. Middle Eastern countries are going through rapid changes, which has added to the attraction. At the time of writing, countries in the Middle East have increasingly opened relations beyond the region. Locals are travelling globally for education, business, tourism, and so on, and the UAE passport is among the most welcomed worldwide, with easy entry permitted in 179 countries (of which 118 countries are visa-free

and 61 provide visas on arrival). Overall the region is opening up and developing rapidly; however, in respect of information and knowledge on different aspects of the region, there is still a large gap.

To this end, this book is timely because it portrays an important aspect, that of human capital in one of the globally most prominent of the Middle Eastern countries, the United Arab Emirates. I applaud the editors Dr. Vijay Pereira (my teacher and mentor during my doctoral thesis), Dr. Mark Neal, Dr. Yama Temouri, and Dr. Wardah Qureshi for this contribution to new knowledge within the business and management domain in the context of the Middle East. The UAE is economically and culturally among the most influential nations in the region, as it is also unique in the world because it is the only country whose population profile includes nine expatriate residents for every Emirati resident, a ratio which is also reflected in the workplace. Though it is a young country (established in 1971), its leaders (led and inspired by the late Sheikh Zayed's legacy) have followed on one hand a path of tolerance, compassion, happiness, and good governance and on the other have been futuristic in terms of leading in artificial intelligence, moving towards being a knowledge economy (away from its dependence on oil), and being drivers and motivators of innovation. Culturally too, the UAE has always been welcoming and tolerant to other religions and faiths. Consider the meeting between Roman Catholic Pope Francis and the Grand Imam of Al-Azhar, Ahmed el-Tayyeb, who signed the "Document on Human Fraternity for World Peace and Living Together" in Abu Dhabi in February 2019. As an expression of this spirit of tolerance, ground has already been broken for the construction of the Abrahamic house that will have a mosque, a church and a synagogue in one location. Thus the UAE becomes an interesting place to research human capital management, and the book identifies key themes of scholarly and practical interest in the UAE, such as happiness and human capital in the UAE, employee incentives, restructuring and integration of employees, employer and nation branding, and human capital and innovation. The various chapters under these themes have been uniquely authored by recent master's level students who have lived, worked, and studied in the UAE under the guidance of the experienced editors.

I am sure this book will be valuable to students, researchers, and many other stakeholders interested in human capital management in the UAE. As the late Sheikh Zayed bin Sultan Al Nahyan said, “No matter how many buildings, foundations, schools and hospitals we build, or how many bridges we raise, all these are material entities. The real spirit behind the progress is the human spirit, the able man with his intellect and capabilities.” As a local Emirati, I am proud of this heritage and confident that the UAE will continue to lead by example.

UAE Ministry of Foreign Affairs, Dubai

Kamal Al Yammahi



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**Tijan Muhanad Younus Al Naeemy** has been in charge of the administration and operations workflow in an entity operating in the legal sector. She has been participating in projects related to improving the responsiveness of the organization's system in relation to clients' requirements, while analyzing employees' feedback and convenience. She graduated with distinction from the University of Wollongong in Dubai, with a master's degree in business management. Her research interests include exploring the effects of organizational change on employees, while drawing focus on the psychological element as the driver and root cause behind employees' response to change. Her future projects are aimed at exploring

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**Tasleem Firdous** holds a bachelor's degree in business administration, majoring in finance, from the American University in Dubai, which she graduated magna cum laude. She has actively participated as a volunteer in conferences and events. Currently, she is studying for a master's degree in business, majoring in human resource management, at the University of Wollongong in Dubai. Her academic interests include human resources and business management. After graduation, Firdous hopes to pursue a career in human resources.

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**Mark Neal** is Chair of the Department of Humanities and Social Sciences at Khalifa University, United Arab Emirates. Previously he worked in the following roles: Academic Director of MSc in International Management (MENA) at SOAS, University of London, UK; Full Professor and Head of Research at EIT, New Zealand; Director of Professional Development at AIT, Thailand; and Assistant Professor in Industrial Sociology at Aston University and the University of Reading, UK. He led the United Nations University/ Ministry of Education, Japan ProSPER.Net project, “Integrating Sustainability in Asia-Pacific Business Schools”. He has published in journals such as *Leadership Quarterly*, *Academy of Management Learning & Education (AMLE)*, *Journal of Consumer Culture*, *Journal of Management Education*, *Industry and Innovation*, *European Sociological Review*, *Sociology*, *Current Issues in Tourism*, and *Tourism Management*. He is currently researching into leadership and innovation issues in MENA and South East Asia and recently authored *Oxford Dictionary of Business and Management in the Middle East*, published by Oxford University Press.

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Europe, consulting for the UK, Germany, and Indian governments. In terms of Pereira's research interests, he is a global expert on outsourcing and offshoring strategies. He is Associate Editor (Strategic Management and Organization Behavior) for the *Journal of Business Research*. Pereira has published widely, in over 100 outlets (including 45 Q1 outputs). Apart from guest editing around 20 special issues in top-tier journals, and around 9 books, on topical areas of research, he is currently on the editorial and advisory board for the journals *Production and Operations Management*, *International Journal of HRM*, and *Asia Pacific Journal of Management*. He is also the elected Vice President of the Academy of International Business, MENA region; the elected Secretary of the Indian Academy of Management; the President of the European-Mediterranean Academy of Management, UAE chapter; and the country expert and advisor of the Emerging Markets Society.

**Amnah Qasim** holds an MSc degree in human resource management from the University of Wollongong in Dubai. She is working in the Talent Acquisition Department of Mubadala Investment Company in the UAE. She is interested in research topics related to human resource strategies in general, and more specifically issues related to aligning talent with business needs and company goals, strategies of attracting talent and reducing employee turnover, how employers can reduce the impact of transitional changes on the employees, and how to keep them motivated.

**Wardah Qureshi** is currently a PhD student in management at ISM University of Management and Economics, Vilnius, Lithuania. She is primarily a medical doctor. In addition to her clinical practice, she has been heavily involved in healthcare education and training as well as healthcare quality over the last 13 years. She has completed Master of Business as a top graduate, specializing in innovation and entrepreneurship, at the University of Wollongong in Dubai. Her research interests include challenges in implementation of digitization and emerging technologies in healthcare as well as knowledge management and capability building of human capital in healthcare through training.

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**Latika Varlani** is currently working as a talent acquisition specialist for one of the leading pharmaceutical companies in the UAE. She completed Master of Business as a top graduate, specializing in human resource management, at the University of Wollongong in Dubai. Her research interest includes improving the recruitment and training methods for retail employees.



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# 1

## Introduction

Vijay Pereira, Mark Neal, Yama Temouri,  
and Wardah Qureshi

The strengths of human capital through greater productivity, efficiency and overall development has been recognized as one of the most critical factor in the growth of a nation. Many resource-poor countries have experienced exponential growth during periods of sustained investment in developing and training higher quality human capital which has led such countries transform themselves from underdeveloped to emerging markets. The economies of South Korea, Taiwan and Singapore are notable examples. On the other hand there have also been many resource-rich countries like Nigeria and Venezuela who are still largely struggling

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economies, partly due to a lack of developing their high potential and quality human capital. Thus, it is well known that a nation's human capital is a crucial ingredient and factor for its economic and social transformation. The World Economic Forum (2013) emphasizes that a "nation's human capital endowment—the skills and capacities that reside in its people—can be a more important determinant of its long-term economic success than virtually any other resource" (World Economic Forum, 2013).

Given the above rationale, for developing nations, the most substantial agenda and priority should be the development of human capital. However, developing more advanced and wide-ranging human capital for the attainment of sustainable national growth requires innovative approaches towards education and training to fulfil the gaps in the skill-set of the workers. To develop training programs and to establish a competitive curriculum, an in-depth investigation is required to identify the gaps and to plan relevant strategies that are timebound, achievable and practical when it comes to the development of competitive human capital.

The purpose of this book is to provide evidence on the role of human capital in the Middle East. The existing research evidence for this region with regards human capital is limited, despite the fact that the region attracts and caters to a significant number of employees (i.e., expatriates) from across the globe. From an academic point of view and also from a business and managerial perspective there are a variety of scholarly and practical reasons which support the topical need for the analysis and evidence provided by this book. An overarching one is the strong scarcity of reliable literature and its systematic contextual analysis on the topic of human capital and HRM, while at the same time observing a growing interest of both researchers and practitioners in the region of the Middle East (see Afiouni, Ruël, & Schuler, 2014; Budhwar & Mellahi, 2016; Budhwar, Pereira, Mellahi, & Singh, 2018). Moreover, the Middle Eastern context is a unique and interesting ground for studying and researching issues in relation to human capital and HRM because of the unique nature of the workforce in this region, who are predominantly expatriates from different parts of the world.

The organizational composition in the UAE includes employing a mixed workforce, consisting of individuals from varied nationalities seeking work opportunities (Budhwar et al., 2018; Suliman & Al-Junaibi, 2010). However, one of the challenges in promoting long-term growth

and global competitiveness in the UAE is employee engagement and happiness in the organizations, which is seen to be gain significance in the recent years. A survey by Tower Perrins in 2017 indicates that over 95 percent of the workers believe that they would be more productive if they were happier and engaged at the workplace (see also arguments by Khoury & Tozer, 2013).

More generally, the UAE is the most diversified economy in the GCC region. In 2019, the UAE was ranked 25th (out of 140 countries) by the World Economic Forum in the Global Competitiveness Report, which is two ranks higher than the previous year ([http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)). However, in 2015 the UAE government announced their vision to become among top ten innovative countries in the world by 2021. This raises the question of what global best practices are of importance which UAE companies can draw on to overcome their weaknesses in innovation and productivity in order to achieve the UAE's vision of 2021. The growing interest of businesses, researchers and policy makers in the region is increasing as it continues to economically grow amidst socio-political and security-related developments, some of which are still unfolding. In this regard, there are regular calls for such analysis that focusses on under-researched parts of the world (e.g., Gao, Zuzul, Jones, & Khanna, 2017). The influence of the unique socio-cultural and the rapidly changing institutional set-up of the Middle East, for example, in terms of the nationalization programs being pursued dealing with recruitment and development of citizens to increase their employability, thereby reducing the country's dependence on an expatriate workforce, is not yet adequately researched and understood.

In the absence of robust evidence on human capital development and strategy for the UAE, the nature and intensity of forces determining the approaches adopted by firms managing human resources (HR) is not clear. The same is true in failing to highlight the context-specific nature of human capital through the HRM function and the prevalence of dominant indigenous HRM approaches for the region (Afiouni et al., 2014; Budhwar et al., 2018; Budhwar & Mellahi, 2016). These crucial factors create significant research avenues for further theory development and deriving context specific best HRM practices, leading to better suited human capital development. Accordingly, the objectives of this book are twofold: first, to highlight the current state and role of human capital in

the sustainable growth of the UAE, and second, to set an agenda for future research in the context of human capital and HRM for the region.

## Themes of the Book

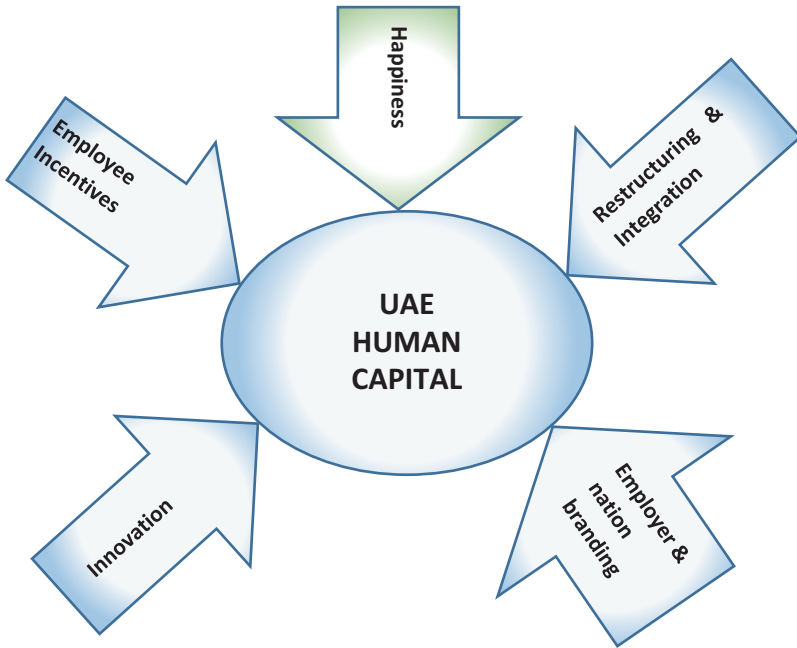
The chapters of this book will not only explore the limitations and gaps from different industries like the hospitality, e-commerce, marketing, real state and healthcare sectors, but will also look into the factors that affect the quality and retention of employees in UAE market, such as long working hours, total reward system, cross-cultural training, employee engagement and turnover. Each chapter of the book endeavors to provide practical implications that HR managers are able to use from global best practices as well as indigenous HR policies and processes.

This book will also provide insights on the impact of a merger between two large UAE banks on its employees. Furthermore, as is evident from the following model, we argue that the role of human capital is influenced by five themes, the evidence of which we reproduce throughout the various chapters. The five themes, as depicted in the following model are happiness; restructuring and integration; employer and nation branding; innovation; inclusivity and diversity; and employee incentives.

The book follows the structure of the following themes and, therefore, each of the chapters of the book aligns with one of the themes of the model and offer context specific evidence. These themes are discussed in Fig. 1.1.

## Happiness

The enthusiasm and keenness of the UAE Government for building happy human capital is evident from the fact that in 2016, the post of Minister of State for Happiness was established. Her Excellency Ohood bint Khalfan Al Roumi is the appointed Minister of State for Happiness and Wellbeing. The purpose of this ministry is to create happy and productive work environment at federal government offices, local



**Fig. 1.1** Themes of the book chapters. Source: Authors

government entities and private sector. (<https://government.ae/en/about-the-uae/the-uae-government/government-of-future/happiness>).

UN World Happiness Report (2018) declared that the UAE is the top happiest country in the Arab world, a ranking maintained for the fourth consecutive year. Global ranking was 20th among 156 countries (<http://worldhappiness.report/ed/2018/>).

The Government of UAE is well informed of the critical fact that the employee's happiness and engagement at workplace is directly reflected in the quality and volume of services (Amhalhal, Anchor, & Dastgir, 2015; Di Paolo, 2016; Prajogo & Cooper, 2017). Happiness and wellbeing is the part of the UAE national agenda and the government uses composite indicator, 'Happiness Index', to measure and analyze the levels of individual happiness. By year 2021, the ambitious UAE government is aiming to be among top five happiest countries of the world (National program for happiness and wellbeing, 2019). The evidence-based research



of Walsh, Boehm and Lyubomirsky (2018) has shown that workplace happiness correlates with the career success and leads to improved outcomes of the employees.

## Employee Incentives

Motivated and happy employees are the assets of an organization. Pervious and current researches have proved that the rewards and motivation have a positive relationship with job satisfaction (Arokiasamy, Tat, & Abdullah, 2013; Gabriel, Cheshin, Moran, & van Kleef, 2016; Jehanzeb, Rasheed, & Rasheed, 2012; Karadas & Karatepe, 2019; Pang & Lu, 2018; Victor & Hoole, 2017). According to Herzberg, increasing rewards can result in temporary motivation; whereas, the intrinsic factors like “achievement, recognition, responsibility and growth opportunity or career advancement” can increase motivation for longer period of time (Herzberg, 1968).

The UAE has diverse workforce and poses the challenge of managing rewards and incentives for both local and expatriate population. The expatriate work force outweighs the Emirati nationals, especially in the private sector (Younies, Barhem, Gantasala, & Al-Tawil, 2017). According to the results of empirical analysis by Fadillah and Ismail (2018), the employees of public organizations of the UAE are not satisfied with the current bonus system but believe that incentive system of the government is fair. However, the employees believe that the reward system in the Incentive Act of UAE needs further improvement because they rarely receive a reward for outstanding performance. In addition, the research revealed that most of the employees expressed the lack of information on the mechanism of the current incentive system.

In January 2019, the Federal Authority for Government Human Resources (FAHR) announced a unique conference, “The First Workers Incentives and End of Service Benefits Conference & Exhibition”, to be held on 26 February 2019 at Dubai. H.E. Dr. Abdulrahman Abdul Mannan Al Awar, Director General of the Federal Authority for Government Human Resources said: “We wish to improve the work environment for Employee Benefits and the rights of employees in the UAE. It is a vital topic for all stakeholders in the UAE and the world. The

UAE is a regional pioneer in following the best global practices in supporting and providing a strong foundation for a productive and fair business environment. Our goal is to increase productivity to the benefit of employers and employees, and the national economy in general” (FAHR, 2019).

## Restructuring and Integration

Many organizations operating in the UAE have been witnessing organizational change in the context of merger and acquisition. Some of these examples include (but are not limited to) the merger of two big oil companies, Zakum Development Co. (ZADCO) and Abu Dhabi Marine Operating Co. (ADMA-OPCO); the consolidation of three firms Abu Dhabi Petroleum Ports Operating Company (IRSHAD), Petroleum Services Company (ESNAAD) and the Abu Dhabi National Tanker Company (ADNATCO); the US\$135 billion merger of Petroleum Investment Company (Ipic); Mubadala Development Company and International; the merger between Emirates Bank International (EBI) and National Bank of Dubai (NBD) (Salim, 2013) and the merger of National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) (NBAD, 2017).

The concept of merger and acquisitions (M&A) mainly originated from the western context, as it explored cases of change occurring to organizations from different sectors in the market (Yousef, 2017). Bebenroth and Ismail (2014) argues that according to statistical data, most M&A fail and urges that this failure is attributed to cultural conflict that arises during the integration process. Similarly, Lok and Crawford (2004) and Al-Ali et al. (2017) agrees that after merger, cultural differences between merged organizations lead to consistent downfall in employees’ performance. Thus, the consolidated firms begin to blame one another for the deteriorating performance, as reflected on proven evidence from the merger of Daimler-Chrysler case (Ager, 2011; Siegel & Simons, 2010).

According to Erwin and Garman (2010), Dorling and Dorling (2017) and Senior et al. (2017) merger initiatives fail because organizations put

too much focus on the potential benefits while neglecting the important factor of culture in the process. On the other hand, many authors have argued that other factors such as conflict of interest among employees, lack of shared trust and poor leadership and management practices, cultural incompatibility and cultural clash contributes to the failure of M&A (Bönigk & Steffgen, 2013; Islam, Khan, Ahmad, Ali, & Ahmed, 2014; Lawrence, Ruppel, & Tworoger, 2014; Ndaba & Anthony, 2015).

Senior et al. (2017) argue that organizational restructuring occurs due to mergers and acquisitions. This theme of the book would present and analyze three distinctive elements: organizational culture, employees' psychological perception and the influence of organizational restructuring post-merger on employees and will explain the link between the role of organizational culture and its influence on determining the success or failure of the aspired change initiative.

## Employer and Nation Branding

Nation branding has factual and positive outcomes. Despite the debate around the existence of nation branding, many researchers agree on the fact that 'nation branding' is not a myth and that each nation has a brand and an image (Andrei, 2017; Anholt, 2007; Dinnie, 2008; Fan, 2010; Zeineddine, 2017). A well-planned progressive strategy for nation branding can enhance the country's ability to attract tourists, investors and talented workforce alike (Zeineddine & Nicolescu, 2018). Although, the UAE has taken initiatives to do branding of the nation and has achieved some success in the middle-eastern region, yet the need to investigate the global best practices to strengthen its nation branding, in order to be ranked among the Top 10 Most Valuable Nation Branding, still exists (Brand Finance, 2017).

The UAE is a multicultural work destination, reflecting many races, cultures, ethnicities and origins. It is estimated that more than 80 percent of the UAE labor workforce is made up of expatriate workers, a compound of more than 100 nationalities (Ababneh & Hackett, 2019). According to a 2018 report, the share of employed UAE nationals out of the total workforce, both expatriates and nationals, across all sectors was

7.19 percent only (UAE Vision, 2018, 2021). Thus, the UAE depends heavily on expatriate skilled labor. In coming years, the UAE is expected to face a shortage of highly skilled workers. The labor gap will widen by 2030 and is worth \$50 billion (Arabian Business, 2018; Khaleej times, 2018).

Due to mobility of the talent and unfavorable immigration policies, attracting talented workforce remains as an arduous challenge for the UAE. Contemporary nation branding strategy can play an effective and dexterous role in captivating the capable and expert labor pool (Silvanto, Ryan, & McNulty, 2015).

## Innovation

According to global innovation index (GII) 2017, the UAE was ranked 35th among 127 countries, but in year 2018 the ranking dropped to 38th position (GII, 2019). The government is aiming to be among the top ten innovative nations. In the scope of Vision 2021, the government of the UAE has set the agenda, aiming at building a world-class healthcare system. The mandate is to achieve this objective by enhancing the healthcare system's readiness to deal with epidemics and health related risks. In the fiscal year 2017, a budget of AED 48.7 billion was allocated for the Innovation, out of which AED 4.2 billion (8.6 percent) was granted to healthcare innovation and protection of society (MOF, 2019).

The healthcare of the UAE is at the divergence and cusp of health innovation. Automation, artificial intelligence and nano-technology are being introduced in the UAE health system (Gulf News, 2019). The implementation of the healthcare innovation demands skilled human capital, which can foster the new challenges. An organization can improve the performance and enhance its innovation capability by building and employing efficient workforce (Kim, Pathak, & Werner, 2015). With innovation implementation strategy, the concerned authorities should diffuse knowledge to stakeholders to strengthen the human capital (Chatain & Meyer-Doyle, 2017; Greer, Lusch, & Hitt, 2017). Proactive behavior of employees acts as a precursor of the innovation performance (Escrig-Tena, Segarra-Ciprés, García-Juan, & Beltrán-Martín, 2018).

Cognitive flexibility of the employees plays an important role in discovering new strategies (Huebner & Fichtel, 2015).

The findings are that the UAE health system is challenged by physicians/nurses shortage, especially the national personnel, high turnover rate and retention problem, skill-mix imbalance, weak knowledge base and inadequate investment in human resources (Hannawi & Salmi, 2014). With these current problems, it is interesting to explore that how UAE healthcare can develop resilient human capital by knowledge integration to embrace the challenges of forthcoming healthcare innovation integration.

## Outline of the Book

The book comprises 11 chapters, including this introduction chapter. The rationale and story behind this book was the lack of primary research and investigation into topics of human capital management in this region. To this end, master's level students, at a foreign university in Dubai, the UAE, were encouraged to dig deeper into real-world cases, research questions and topics that were unique to the region. This interest was incentivized by the professors teaching the students, as it was announced that the work of those students who achieved a high grade would be rewarded by being included in this book series. Thereafter, each chapter was carefully chosen, based on availability of space under each theme that emerged against the above thematic diagram, that is, the fit and the score they achieved. Further, each chapter was then developed along with the students to a level acceptable to publish.

Chapter 2 by Latika Varlani explains that the globalization has led to increased cultural diversity in many industries, of which the hospitality industry stands out the most. The hospitality industry has not only a culturally diverse customer base to serve but also a very culturally diverse workforce to manage compared to other industries. This chapter aims to investigate to what extent developing cross-cultural competencies in the hospitality industry through cultural training of their employees will lead to improved ability and motivation in providing good customer service and consequently competitive advantage for the hotel. Although, the

previous literature shows evidence for this relationship, it is far from clear to what extent this is evident in the UAE hospitality sector. The qualitative research design is based on secondary data collected from online sources. Data was collected primarily for two international hotel chains which operate in the UAE, namely, Accor and Ritz Carlton. In addition, hotel industry analyst reports were used as these provided rich data on trends in human resource practices in the UAE hospitality industry. Data was thematically analyzed. The findings of this research indicate that cross-cultural training does have a positive and noticeable impact on the ability and motivation of individuals, especially on the ability of individuals. Hospitality industry firms recognize this link and have developed their cultural training programs to develop cross-cultural competencies of their employees. Increased interaction between employees especially with senior employees with valuable cross-country experience is one of the preferred strategies in this regard. The findings also show that the UAE hospitality industry also faces a number of challenges such as language issues, lack of understanding on when and what kind of training to provide. Such challenges must be overcome by adopting, if necessary, novel approach towards cross-cultural training as its benefits outweighs the costs.

Chapter 3 by Alia Al Nuaimi explores the common causes of low employee engagement at the workplace in the UAE and recommends solutions in order to minimize this issue. The UAE is one of the countries which have low employee engagement issue and can use the findings of this paper to minimize this issue. We use both secondary quantitative and qualitative data from various sources to uncover the UAE-specific factors that lead to low employee engagement which we relate to the vast literature on this topic. Our findings show that employee engagement is linked with other issues such as job satisfaction and turnover. In addition, common causes of low engagement are low salary, lack of career opportunities, low work life balance, lack of training and development, and lack of challenging tasks. The recommended solutions include revising the compensation plan, flexible working environment, employee recognition, training and development, supportive leaders and performance system. These findings are the contribution of this paper. However, this paper is limited to the secondary data. Therefore, future research can use this

thematic framework to build on the findings and validate using primary data. The results of the secondary data are used to develop a thematic framework which can be used by human resource managers in UAE organizations. The previous findings and the new findings of this paper are placed in a framework in order to clearly demonstrate the contribution of the author.

Chapter 4 by Amnah Qasim investigates the factors that lead to the exceptionally high turnover levels for employee in the hospitality industry in the UAE. Discussions on the increased turnover rates have for a long time been on the top of the agenda for human resource departments and professionals. In an industry where consistency in service is key, the majority of industry players spend substantial sums of money in training and development of systems but are still affected by high turnover levels. The trainings that are organization specific, in terms of methodology and services approach, are meant to enhance the human capital capability. However, high turn over rate can results into heavy impacts on an organization in terms of cost and time. The result has seen more and more organization going through the rigorous recruitment process so as to replace the employees that have left. These aspects are time consuming which limits the organization's ability to focus on the core activity of their businesses. The in-depth analysis revealed three main factors as the major cause of higher employee turnover in the UAE hospital industry. These are the low state of employee motivation followed by poor wage benefits to the workers and finally the imbalance between work and life. These factors can be addressed within reasonable HR approaches so as to improve employee retention rate in the UAE hospitality industry. Several recommendations are discussed and call is made for further research by the HR professionals for future policy development.

Chapter 5 by Tasleem Firdous investigates whether employee engagement has an influence on the turnover of employees in the UAE. A qualitative research design is used to analyze the relationship between employee engagement and three variables, namely culture, job tenure and the type of industry. The author has used the ability, motivation and opportunity (AMO) framework to explain the various relationships. It is important to note that although previous literature explains the relationships, there is a scarcity of literature aimed specifically at the industries in the UAE. Therefore, this chapter contributes to the existing literature where

all variables are studied together and in the UAE context. In terms of data analysis, secondary qualitative data is gathered from two online-based discussion forums, for four firms in the UAE—Apparel, DHL, Petrofac and Siemens—for a period of five months starting from 1 September 2017 until 31 January 2018. The comments have been analyzed through two techniques—content and thematic analysis. The findings show that employee engagement, indeed, affects the level of employee turnover for a firm. Furthermore, workplace culture can have an impact on the level of engagement displayed by employees. As a result, engaged employees tend to have longer job tenure with the firm. The type of industry, in which they are employed in, also seems to affect both engagement and turnover. The findings also correspond to the theory used in the research. Based on the findings, certain strategies are recommended for the management to help them create a supportive work culture in their respective industries, enhance empowerment and reduce turnover.

Chapter 6 by Yasmine Karim examines the relationship between productivity of individual employees and the company performance based on the length of the working hours. The length of working hours is a factor known to cause both positive and negative effects on an individual and the company in general. Despite extensive research in this arena, there is a limited evidence from emerging economies, such as the UAE with a large labor-force, lower-skilled jobs in the service sector. The commonly held view that a reduction in working hours leads to an increase in productivity is generally supported by the literature. This study finds that a reduction in working hours in combination with adequate break and rest periods yields benefits in three main areas: psychological, motivational and organizational. However, this correlation was found to be positive if weekly hours are dropped beyond a specific number of hours. To examine the findings in relation to the existing literature lower-end jobs in the service sector, the data was compared from four different countries developed and developing economies. The data relates to the service sector productivity ratio has (output) and weekly working hours (input) and found the results to be congruent with the literature. In addition to the working hours, the study identified set of other variables that impact productivity and analyzed these variables and established



interlinkages among them. As a result a model that is employable for studying productivity was developed by the author.

Chapter 7 by Nour Al Mojahed reviews the impact of a total reward system on employee's motivation among executive management in the real estate industry of the GCC, especially in the UAE context. The research is conducted on the basis of a quantitative data collection method and a research design using a survey questionnaire that has been used to gather the opinions of employees. The survey is conducted from a sample of 250 executive-level employees who are working in the real estate firms. The measurable responses are unwrapped in this research analyzed on the basis of a 5-point Likert scale and this secondary data has been analyzed by using SPSS. The regression analysis, descriptive statistics and correlation results show that monetary rewards have a positive relationship with the motivation level of the executive employees. Moreover, non-monetary rewards also have a positive relationship with the motivation of executive level employees working in the real estate firms. On the basis of the findings, the author offers several recommendations which includes having an appropriate mixture of monetary and non-monetary reward systems to be used in order for organizations to enhance the motivation level of their executive employees.

Chapter 8 by Tijan Muhanad Younus Al-Naeemy takes into consideration the effects of radical changes in the context of mergers and acquisitions in the UAE's banking industry and relates the findings with the existing literature, by learning from previous cases introduced in the western studies. Thus, it explores the effects it would have. More specifically, we focus our analysis on employees' psychology after the post-merger and their attachment to the organizations' culture and their work productivity. The papers draw analysis on the merger of the UAE's largest two banks, National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) and the approaches taken during such radical change. This study highlights the issues faced post-merger by designing three models. Moreover, a model of solution is also proposed; we also offer recommendations to reduce employees' negative psychological emotions, cognition and behavioral outcomes experienced post-merger.

Chapter 9 by Myriam Saad examines the main elements influencing nation branding and explores potential opportunities for the UAE to

strengthen its nation branding. Although the existing literature regarding nation branding has analyzed many developed and emerging countries, there is surprisingly limited work on the UAE as a brand. Hence, this chapter investigates the best global practices which the UAE can take into account in order to be ranked among the Top 10 Most Valuable Nation Branding. This study uses an exploratory qualitative research design applied to the UAE and aims to provide insights into nation branding and recommendations to follow from global practices. Findings from this research can guide to develop the nation branding in order to understand the basics of the topic, and main elements to focus on to enhance nations' ranking. Products, tourism, political and cultural brandings has been classified as main elements of nation branding after analyzing main determinants' rankings from Anholt-GfK Roper Index. Therefore, this study contributes to existing researchers by providing a thematic study based on indices.

Chapter 10 by Sabahat Momin investigates the factors that have led to the gradual acceptance and implementation of B2C cross border e-commerce in the GCC region, comparing the trend with the neighbor Saudi Arabia. The steady rise in information technology and social media and e-commerce over the past few years has shaped the way MNCs multinationals manage and conduct international business. Having contributed to the growth of many organizations, online retailing has been adopted and implemented by sellers and buyers all over the world as a thriving trend. It can be observed that until 2015–2016, researchers and industry experts strongly presumed that there would be no scope for cross-border ecommerce and online retailing in Dubai. However, as of 2017, there has been a gradual but steady rise in cross-border B2C online shopping amongst the consumers in Dubai. It also examines ecommerce adoption as a technological innovation by using the adoption model of theory and finally draws a comparison between the performance of online retailing in Dubai with that of Saudi Arabia, by using consumer demographics and buying patterns as inferences. Also, the possibilities and opportunities of future jobs in the e-commerce sector will also be discussed. Based on the current trends of e-commerce, it is recommended that how the UAE can develop future human capital.

Chapter 11 by Wardah Qureshi discusses the pressing need of knowledge integration towards the development of resilient healthcare human capital, which is ready to endorse and embrace the implementation of the forthcoming healthcare innovations. The UAE healthcare system is challenged by physicians and/nurses shortages, especially the national personnel, high turnover rate, retention problems, skill-mix imbalance, weak knowledge base and inadequate investment in human resources. The UAE government is aiming to be among the top ten innovative nations by the year 2020. In the scope of Vision 2021, the government of the UAE has set the agenda, aiming at building a world-class healthcare system. The mandate is to achieve this objective by enhancing the healthcare system's readiness to deal with epidemics and health related risks. The healthcare innovation strategy is meant to promote advanced technologies and to stimulate the growth of the biotechnology, pharmaceutical industries and medical research. This chapter investigates the current challenges and will explore the UAE healthcare system's preparedness and human capital readiness for the upcoming healthcare innovation strategy. The implications of healthcare innovation strategies require a sophisticated approach of continuous improvement, carefully crafted change management procedures and above all, well-trained and competent human capital (i.e., physicians and nurses). If innovation is imposed superficially, then desired outcomes cannot be achieved. Moreover, outsourcing technologies and experts will not lead to sustainability of healthcare innovation. Professional research and development is pivotal for well-established and sustainable innovation because abrupt deployment of the technologies can lead to generation of fear and resistance among the employees.

Comprehensively, this book aims to contribute in three pivotal ways. *One*, there is a lack of a collection of studies on human capital and HR issues in the Middle Eastern context, as recent confirmed by Budhwar, Pereira, Mellahi and Singh's (2018), who recommend the need for such outputs, which we aim to do through this book. We, therefore, highlight the current state and role of human capital in the sustainable growth of the UAE. *Two*, the Middle East is evolving with a drive to become more innovative on the back of liberalization policies. However, the complexity of managing people working in this context from over the world and the

high number of expatriates compared to the locals brings up challenges which need to be addressed. We, therefore, outline an agenda for future research in the context of human capital and HRM for the UAE. *Three*, there is a certain gap in the existing body of literature (i.e., books) the exceptions being Budhwar and Mellahi (2016) and this will be a welcome addition which we plan to continue and update every two years. This addition to new knowledge will not only be helpful to students and academics but also to practitioners interested in the region.

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# Theme I

Happiness and Human Capital in  
the UAE



# 2

## The Impact of Cross–Cultural Training on Employee Performance in the UAE Hospitality Industry

Latika Varlani

One of the key developments noted by several researchers is growing cultural diversity in communities around the world (Bean, 2008). With around 84% of the local population comprising of expats, the UAE is probably one of the most culturally diverse countries in the world. The UAE relies significantly on this culturally rich community for its economy (IOR, 2017). Firms operating in this diverse business environment require culturally competent workforce. The discussion in this chapter contributes significantly to existing literature. Firstly, it establishes the link between cross-cultural training and employee performance in hospitality industry. Secondly it highlights the challenges that hospitality industry faces in providing cross-cultural training to the employees.

The United Arab Emirates is considered as the most diversified country in the Gulf Region. Training and development of the diverse employees could be a significant challenge for the organizations in the UAE. The study of Wilkins (2001) focuses on various kinds of training and development strategies that are applied by organizations in the UAE. The

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study also finds that training and development of employees are significantly associated with their performance, as it helps them to enhance their skills (abilities) and motivation that allows improving employee performance. Training and development in hotels and hospitality industry are used for the assimilation of the employee to the dominant culture of country and organization. It has been found that companies with highly trained, skilled and motivated employees are more likely to display better performance in business and in the industry and are able to achieve the competitive advantage (Lee, 2016).

The hospitality industry catering to this culturally diverse community needs to be culturally competent. Managing cultural competence of workforce requires developing this competence through adequate training and development programs (Adekola & Sergi, 2016). However, like all business investments it is essential to evaluate the benefits of such training programs and hence it is essential for assessing whether building cultural competence by cultural training and development is likely to boost employee performance (ability and motivation). Past researches have not looked at this link in the context of UAE hospitality industry. This is a gap that this research aims to fill.

This research will address two key aims. Firstly, to identify what is meant by cultural training. Secondly, evaluate its impact on employee ability and motivation and thirdly, identify the challenges that HR managers may face in planning and delivering such training programs. This analysis is useful for HR managers to develop more effective and efficient training programs which can pave smooth ways for successfully achieving the business objectives.

## **Training and Employee Performance**

Du Plessis, Douangphichit and Dodd (2015) asserted that HR functions and practices can have a significant impact on the performance of employees in the hospitality industry. The study has also found that employees feel more motivated and display better performance when they are equipped with appropriate training and development opportunities. The study also finds the influence of training on employee work performance is very significant for increasing employee motivation. Employee work

performance is significantly contributed by HRM practices. In other words, it can be said that “HR managers intervene to develop employee ability, motivation and opportunity in order to maximize work performance in the organization” (Du Plessis et al., 2015, p. 6). Training and development are the important practices of HR that can be used to improve employee ability, motivation and opportunity. Amadi (2014) finds that training and development must be undertaken by the organizations in order to prepare their employees for future challenges. Effective human resource programs are significant to upgrade the skills and abilities of the employees.

Study of Savaneviciene and Stankeviciute (2011) has focused on the AMO framework to define the HRM practices associated with employee motivation and performance in general. The study explains that “employees’ skills and competences (A = abilities), their motivation (M = motivation) and their opportunity to participate (=O)” can be significantly affected by employee training and development. Abilities of the employees are associated with skill and competence that they possess, which can be improved through improved motivation. Providing opportunities to employees is associated with decision making and taking work responsibilities that significantly empower employees and improves their commitment towards organization. This, in turn, enhances the competitive advantage of the organization. Therefore, these three elements are considered as the drivers of employee performance in varied work environments.

Hutchinson (2013), in her book, explained that ability, motivation and opportunity (AMO) model can effectively inference the HR practices and can impact performance. This model is an effective way to know that how HR practices and strategies should be developed. The ability of the employees can be influenced by the process of selection and recruitment and through training, learning and development to ensure that capable employees are recruited. The motivation of the employees can be influenced through extrinsic and intrinsic rewards, such as, employee development, performance reviews and employment security, allowing maintaining work-life balance and providing the opportunities of personal as well as career growth can be a significant motivation factor that enhances employee performance. The study of Ružić (2015) states that employees are able to display better performance when they know that they have the skills that are necessary to complete their job (ability), secondly when they have

significant motivation towards fulfilling their job responsibilities (motivation), and when the work environment provides them necessary support (opportunity). Employment instability is a significant problem that is associated with the hotel industry. This can also be a significant challenge for HR because it results in reducing employee motivation and their interest in acquiring new skills (Ružić, 2015).

This finding is also supported by the study of Arendse (2016), who states that employee performance is significantly improved through AMO framework when effectively applied through training and development practices of HR. Arendse (2016) states that AMO framework can be decomposed in the HR practices and can have a huge impact on the employee ability, motivation and opportunity enhancement. When training and development HR practices are associated with skill, motivation and opportunity enhancement, they can result in developing high-performance work systems that can significantly improve employee performance and results in improving overall operational outcomes of the organization. Therefore, associating training and development with culture can be a significant HR practice to enhance employee capabilities to work in the culturally diverse organization (Korjala, 2012).

The study of Ružić (2015) has identified that hospitality industry has to face the poor internal labour market, for which hotels and organizations have to focus on seasonal employment and seasonal recruitment and the focus on training should be more on work position rather than on career development. This can result in lack of focus on training and development of employees and lack of skill and motivation development among employees. Therefore, the hospitality industry significantly requires focusing on employee skill enhancement and motivation and on developing the positive discretionary behaviour of employees to enhance their performance and organizational productivity (Hutchinson, 2013).

The AMO model can be a significant framework for HR managers in the hospitality industry of the UAE to manage the diverse workforce and improving organizational performance (de Menezes, Wood, & Gelade, 2010). AMO framework helps in forming the high-performance work systems. This is because AMO framework allows the employee to achieve their high job performance levels through effective ability enhancement and motivation (Pruneda, 2014). The study also explores that for achieving high-performance levels, employees must possess the required skills

(abilities) and must be willing (motivated) to their job and organizations must work towards supporting them in their performance improvement (opportunity).

Training and development have a significant role to play in the acquisition of new skills; for example, cultural training and development can improve employee's skills towards understanding and respecting other culture. According to the study of Pruneda (2014), "The AMO model follows the assumption that HRM practices aimed at enhancing employees' commitment, involvement and performance yield synergistic effects when they are coherent and harmonious" (p. 5). Cultural training and development, which is an important part of HR practices, can be an effective approach to achieving a harmonious, committed and motivated workforce. The next section discusses cultural training and its impact on employee performance in more detail.

## Cultural Training and Employee Performance

Culture can be a significant factor to consider in design and implementation of training. Lack of understanding about the nature of employee's culture and knowledge about their previous training can affect the abilities of HR to significantly provide effective training to employees and may be ineffective in enhancing their skills and motivation (Kalargyrou & Woods, 2011). Diversity also has a significant impact on training and development. Some challenges arising from the diversity are the impact of dominant culture, diversity of opinions and different perceptions towards training among diverse employee groups. Cultural training and development is a significant part of promoting cultural diversity at the workplace. Cultural training and development provides the opportunity to employees to enhance their skills, increase cultural awareness and to be sensitive towards cultural differences (Kuo, 2012).

According to the study of Sucher and Cheung (2015), cross-cultural training is also very significant for establishing the interpersonal relationships among the employees and also works as the motivation factor for the employees working in hospitality industry. The usefulness and benefit of the cross-cultural training in the context of employee ability and motivation have also been discussed by Leisen (2017). The study of Leisen

(2017) informs that main aim of training is to improve the skills and knowledge of the employees and increase their personal efficacy and understanding towards their profession and their professional requirements. Monitoring and evaluation of the staff are also very significant in the hospitality industry before providing the cross-cultural training to the employees, because monitoring and evaluation help the HR managers to evaluate employee skills and analyses the extent to which cross-cultural training is required (Leisen, 2017).

Korjala (2012) states effective cultural training and development can enhance employee performance. HR practices and employee performance are associated with each other. For enhancing the organizational performance and increasing competitive advantage, HR requires adopting the practices that can help in enhancing the ability and motivation of the diverse workforce. The major objective of this study is to find the impact of cultural training and development on the abilities and motivation of employee and how best HR practices can help in managing cultural diversity at the workplace. Cultural diversity within the diverse workforce of organizations involves differences associated with gender, race, religion, disability, ethnicity, education, sexual orientation, skills and personality. Issues of diversity are associated with various challenges that HR managers are required to manage. Study finds that development of cultural values and providing importance to culture attributes of the employees can improve the work environment and can motivate employees to display their best abilities. Therefore, the employee ability and motivation can significantly improve organizational performance. Cultural awareness and cultural sensitivity are also significant parts of cross-cultural training (Ng, 2017).

The cross-cultural training is also considered as significant aspects of hospitality industry because of the culturally diverse background of the employees as well as that of visitors. Thus, high-performance work systems are created through training and development practices of HR. The study of Al-Jenaibi (2011) finds that the UAE is under a significant pressure of employing and managing people from diverse culture and backgrounds. Therefore, the skilful management of the diverse workforces requires various adequate practices and strategies and managers, who are able to understand and implement adequate diversity strategies. The HR may face many significant problems related to communication, language,

different skills and such problem leading to complexity of designing the appropriate cross-cultural training programs (Al-Jenaibi, 2017). Developing the cultural sensitivity can be a significant challenge for the HR professionals in the hospitality industry because of the different personality traits and language barriers that can affect the effective communication of knowledge and skills (Xu, 2008).

Research has also identified that there are various ways through which HR can overcome such challenges. Involvement of the local universities and trainers is a significant approach that has been identified in the study of Leisen (2017). The local trainers and management universities can help in developing the intercultural training framework for the hotels. Some of the companies have also developed the internal understanding teams; such internal teams can discuss the knowledge with the employee on an individual basis. Another finding of the research also informs that preparing the expatriate managers and trainers can also be beneficial for the hotels to provide training to the diverse workforce (Xu, 2008).

Figure 2.1 represents the conceptual framework for this research. This is based on the literature which suggests that cross-cultural training may boost employee ability, motivation and performance which allows them to provide better customer service (i.e. improved employee performance).

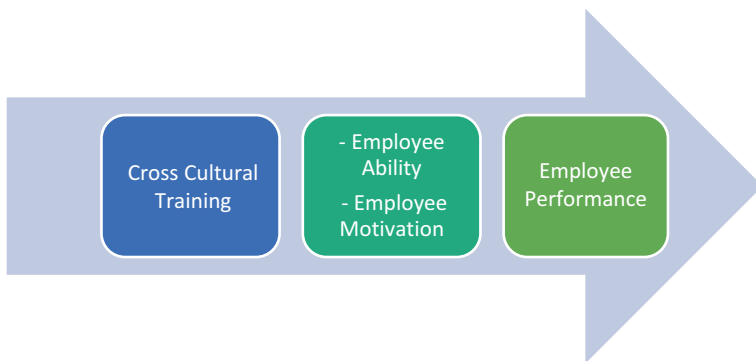


Fig. 2.1 Conceptual framework of cross-cultural training. Source: Author



## Research Methodology

This research is qualitative in design. Research can use both primary and secondary data. While primary data is more accurate and relevant as it is collected specifically for the purpose of research, it involves significant time and money investment. Secondary data is readily available and can be obtained for little investment of time and money (Saunders et al., 2015). Due to time constraints, this research utilizes secondary data collected from literature sources, published industry reports and information from the websites of hospitality industry firms in the UAE. The main focus will be on employee ability and motivation while opportunity is not discussed because it has been identified that cross-cultural training has itself been an opportunity for the employees to enhance their performance and skills. Opportunity in AMO model has been addressed through different training and development programs that organizations provide to their employees. Ability and motivation are the main elements to enhance employee performance in the diverse workplace and can help in increasing opportunities for employees (Hutchinson, 2013).

The main focus is on employee ability and motivation while opportunity is not discussed because it has been identified that cross-cultural training has itself been an opportunity for the employees to enhance their performance and skills. Opportunity in AMO model has been addressed through different training and development programs that organizations provide to their employees. Ability and motivation are the main elements to enhance employee performance in the diverse workplace and can help in increasing opportunities for employees (Hutchinson, 2013). Secondary data is collected from literature sources, published industry reports and information from the websites of hospitality industry firms in the UAE. Selection of firms for accessing information is based on purposive sampling. Firms are selected based on the following criteria:

- Firms should be from the hospitality industry.
- Firms should be UAE based or have a major presence in the UAE.
- Firms should have a website which contains information about its HR policies especially training and development.

Industry reports published within last ten years and articles published on training and development in hospitality industry within last ten years will be selected. Since no such studies have been conducted in the context of the UAE, research conducted in other parts of the world is included in the study. It is interesting to note that many organizations do not specify the details of their training and development programs online. In order to ensure that sufficient data is available, researcher carefully screened through several websites using key words such as “hospitality cross cultural training”, “cultural training hotel” and “hotel culture UAE”. The results were carefully screened to see which organizations provided the required amount of data. In the end two hotels were identified, namely Ritz Carlton and Accor. In addition, the World Hotels website was also included because it provided useful data on training and development in hotel industry in general and also provided specific hotel industry related data for the UAE.

Ritz Carlton website states: “Understanding the Ritz Carlton culture is a critical aspect of our training. We drop everything to make sure the hotel is launched from a solid cultural and operational foundation... Ritz-Carlton leadership approach is easily adopted and is customized to each international property.” This statement indicates that Ritz Carlton aims to train people according to the property and location they will be employed at. This indicates that Ritz Carlton focuses on cultural training. Similarly, Accor group website mentions: “The Academy is also a cultural forum where talent comes together to share, reflect and gain new perspectives with colleagues from around the globe.” This indicates that Accor group uses cultural training as a tool for improving human capital of its workforce.

The World Hotels website also states: “The globalization of the hospitality industry makes it necessary to manage cultural differences in hotels. The understanding of behaviors and attitudes of customers and employees from other countries will help you to develop cultural sensitivity and to successfully manage your multicultural workforce.” This indicates the rising emphasis on cultural training in hospitality industry. These statements are examples of the texts that was obtained from these websites and used for the purpose of analysis. Out of the 79 hotel websites searched, 67 had no mention of cultural training on their websites. However, 12 of the 29 websites of the international chain of hotels included in the preliminary sample had mentioned cultural training. Out of these, two were selected for this research because they had provided more details on their cross-cultural training programs.

## Data Analysis Technique

Data was thematically analysed. The key themes for analysis were “training”, “cultural training”, “employee performance”, “hospitality culture”, “hotel culture”, “employee ability”, “employee motivation”, “cultural training challenge”. Some of these themes were further subdivided under subthemes. For example, “cross cultural training” theme was subdivided under two subthemes: “cross cultural training usefulness” and “cross cultural training prevalence”. Data was analysed word by word and colour coded according to the different themes and subthemes. In cases when one sentence was found linked to two themes, it was coded according to the most appropriate theme that it represented.

After all the text has been colour coded according to the themes, the text under each themes (and colour) was separated. The sentence under each theme was then logically arranged so they appeared like a sequence. Then the researcher added her own interpretation of the texts, explaining what the findings mean. The final result of thematic analysis is presented in the next chapter.

## Data Analysis

The focus of this paper is to understand the impact of cultural training on employee ability and motivation in the hospitality industry of the UAE. Therefore, for data analysis, two different hotels have been selected in order to understand the impact of cross-cultural training on employee motivation and abilities and to identify the challenges that HR face in cultural training and development of the employees in hotels.

### Cross-Cultural Training and Impact on Employee Motivation and Abilities

Ritz-Carlton Hotels is managed by the Ritz-Carlton Hotel Company, LLC, that is mainly based in Maryland, USA. However, the company operates many hotels in the Middle East and the UAE. The company significantly includes the training and development programs for its

employees in the UAE and in other countries. The purpose of training and development in Ritz-Carlton is specifically focused on developing the employee understanding towards culture (ICMR, 2014). The hotel understands that developing the cross-cultural understanding is significant for providing excellent customer service. Therefore, it confirms the finding of the literature that cross-cultural training is not just significant to manage the diverse work force, but also significant for managing the diverse customer base and provide them effective customer service.

According to the data found from the evidence it can be said that training is considered as a very crucial part of employee engagement and development. Ritz-Carlton significantly places the focus on the design of training and learning, focus on measuring the capacity and competency of the employees and also evaluate the employee performance, in order to understand whether the learned skilled and knowledge is being delivered through customer service or not. Ritz-Carlton in the UAE provides employment to people with different skills, knowledge and cultural background. Therefore, for developing an effective organizational culture, the employees are provided with cross-cultural training to develop core competencies required for the job. For the Ritz Carlton hotel, the employee ability is to have the capacity in delivering the culturally safe and competent services and employee motivation is judged according to employee loyalty towards the hotel.

The study of Solnet, Kralj and Kandampully (2012) has also identified that improving employee abilities and motivations is a significant approach that is followed by employee training and development in Ritz-Carlton. One of the impart aspect of cross-cultural training in Ritz Carlton is the need analysis of the cross-cultural training. Cultural intelligence is improved by providing the training about the custom, values, language and belief of the other cultures. It is because need analysis helps to understand if intercultural training is an important or not, because some time the expatriates have good cross-cultural communication skills or some may not have the cross-cultural responsibilities within the hotel. Therefore, need analysis work as a selection criterion for the HR professionals (Solnet et al., 2012). Enhancing the cultural intelligence of the employees becomes the significant part of cross-cultural training.

Another important aspect of cultural training that enhances the employee motivation and ability is the delivery of the cross-cultural

training course with the theoretical support of different cultural theories of Hofstede's, Trompenaars and Hall. These theories help the employees to understand the cultural differences and also increase their ability of cultural communication. Therefore, Ritz Carlton takes the support of the various trainers and professionals for the development of courses for their employees (ICMR, 2014). These courses work as the opportunity for the employees to enhance their capabilities and improving their cultural or cross-cultural communication (Hall & Johnson, 2009). The goals of the different courses and modules are designed considering the different needs of the employees. For example, for the expatriates with some level of cross-cultural knowledge weekly training programs are carried out, while those with lack of such skills broad intercultural training programs are conducted by the hotel (Schaefer, 2015).

The study has also identified that Ritz-Carlton is known for driving customer satisfaction and achieving financial success through encouraging employee motivation and engagement. According to an article by Schaefer (2015), Ritz-Carlton has demonstrated a strong organizational culture, by developing the cross-cultural competency among employees, which is also a core competence required for the employee working in Ritz-Carlton. Another important aspect of cross-cultural training that has led to improved ability and motivation of the employees in Ritz Carlton is the development of intercultural training programs (Grobelna, 2015). Through such programs, the employees are informed about the objective characteristics of the various cultures that they may come across during their job. The objective characteristics include the information about currency, architecture, government systems, customs and beliefs and languages (Leisen, 2017). Therefore, the major significance of this aspect of cross-cultural training is to enhance the cultural awareness of the employees on the basis of general dimensions on which various culture differ from each other (Grobelna, 2015).

The employees in the hotel Ritz-Carlton are trained for building a strong culture within the organization. The significance of employee cultural training and development is also associated with enhancing their abilities to provide culturally safe and competent services to the diverse customers. Study of Chen, Cheung and Law (2012) identified that cross-cultural training and development opportunities provided to the employees have significantly helped in developing the strong organizational

culture in Ritz-Carlton. The strong organizational culture also reflects the presence of the motivated employees that are committed to delivering quality services (Chen et al., 2012). According to the analysis of the various resources, it has been found that employees at Ritz-Carlton receive compulsory training of 250 hours in the first year of their employment. This helps in enhancing the operations of the hotel and improves employee abilities. According to the findings of Bacon and Pugh (2004) Ritz Carlton Hotels, the hotel has been able to develop the extraordinary business performance and have earned customer loyalty through its effective training and development opportunities that it offers to its employee. Therefore, employee engagement and motivation factors are considered to be at the core of hospitality industry (Solnet et al., 2012).

Similarly, Accor Hotels also provide various opportunities to their employees for the lifelong skill development in addition to the personalized and motivational support. These facilitations are aimed at the development and advancement of the core competencies. This hotel group also constantly engages their employees in the cross-cultural training programs with ongoing motivation towards constant learning (Rai, 2017).

Development and training of the employees at Accor Hotels is at the core of its policies and programs. HR has the policy of Group Talent and Culture that helps in providing cross-cultural training to the employees and motivates them to display more professionalism and satisfy customer needs (Training at Accor, 2018). Therefore, training and development programs can be considered as the opportunities that are very important for employee ability and motivation. The hotel has a significant focus on the expatriate employees (Training at Accor, 2018). This is because the Accor Hotels acknowledge the diverse population of the UAE and ensures that diverse workforce should be capable of providing effective services to diverse customers. For this purpose, the main aspect of cross-cultural training applied in Accor Hotel is an intercultural training program. Inter cultural training programs have also been strongly supported by the various studies as an important tool for cross-cultural training (Chen et al., 2012; Grobelna, 2015).

Dewald and Self (2008) identify the significance of the cross-cultural training in the hospitality industry and informed that such training helps the employees to adjust in the living and working condition in a foreign environment and also develop the understanding towards other culture.

This can also be the motivating factor for employees. This study also informs that through such training and development program, the employees feel valued as they get the opportunity of lifelong learning (Dewald & Self, 2008).

## **Challenges Faced by HR Professionals in Cultural Training and Development**

Providing the cultural training and development opportunities to the employees in the hospitality industry is not free from challenges. HR managers have to face many challenges in developing culturally competent employees. Cultural awareness, understanding of culture and sensitivity towards different culture is a very complex process for the HR (Grobelna, 2015). The first significant challenge that HR managers have to face is recruiting the training managers, who have the significant knowledge and understanding of cross-cultural training. The lack of training personnel can be a significant issue for the HR.

One of the major issues that HR managers face in providing cultural training and development is the communication barrier. The UAE is a place with a diverse population and diverse workforce. Therefore, communication with the employees with different backgrounds, different ethnicity, languages, different language preferences and different values and beliefs becomes very difficult for the HR managers. The communication barrier can significantly increase the problems of poor coordination, low morale and confusion among teams and employees. Such teams are also unproductive for the organization and can cause significant loss (Madera, 2011). Communication barriers can also increase the workplace conflicts and affect the productivity and performance of the organization. Different cultural values can also influence the actions and decisions of employees (Al-Jenaibi, 2013). Therefore, HR requires taking a more personalized approach towards this issue in order to understand and accept the cultural difference at the workplace. Therefore, for resolving this problem the first focus of the Accor Hotels is on conducting an effective recruitment, where only appropriate employees are recruited, who have some significant skills and abilities and their abilities are further enhanced through training and development.

Ritz-Carlton has a different approach towards handling diversity within the organization and has developed many strategies through which HR can overcome the training and development challenges. The HR policies and personnel embrace the significance of culture. The organization also informs that cultural imprinting is very significant for them. Therefore, for developing the solid foundation for culture and cross-cultural awareness, Ritz-Carlton has specifically customized its leadership according to the needs of the hotel and its location. Also, the old (existing and experienced) employees are engaged in the new hotels as staff coaches and mentors and to fulfil the coaching needs of the newly appointed diverse workforce (American Management Association, 2018).

The HR may also find the complexity in designing the appropriate cross-cultural training programs that could help in enhancing the employee performance, abilities and motivation. Dewald and Self (2008) has found that cross-cultural training can be of various types and may also have different durations of training. For example, pre-assignment training, training for cross-cultural awareness, training for cross-cultural communication skills, language training or a specific country or regional training. Grobelna (2015) found that different kind of cross-cultural competences are significant; therefore, it becomes difficult for the HR managers to identify the most appropriate training program for the employees. Culture and communication are strongly associated with each other because effective communication is significant for communicating with customers with a diverse background. However, cultural awareness and sensitivity training is also significant for hospitality employees, so that they could provide the personalized services to the customers.

Therefore, the HR has to face the challenge of deciding or choosing the correct cross-cultural training program for the employees, according to their job and responsibilities. The interpersonal interaction among the people from different cultures and nationalities is likely to increase in UAE hospitality industry. Therefore, the professionals working in the hospitality industry are required to understand different cultures. Therefore, it is the responsibility of the HR to develop such training and learning programs that could enhance employee abilities and motivation to provide better services in a diverse environment. Grobelna (2015) provides the example of Accor Hotels and informed that they are finding cultural diversity as a major problem, as the company has operations in



various countries all over the globe. The hotel Managers have to work in the different and culturally diverse environment, which could be away from their home environment (Grobelna, 2015). Therefore, cultural knowledge and awareness are very significant for different employees with different job responsibilities.

However, the HR at Accor Hotels has significantly been able to solve these issues. Accor Hotels have developed a strong training and development policy and program through which they continue to train their employees currently after their recruitment, because the company believes in strengthening the employee abilities and skills from the early state, so that they could evolve and developed as motivated employees and participate effectively in company operations. Lack of Leadership skills could be another significant challenge that HR managers can face in the hospitality industry of the UAE (Bealer & Bhanugopan, 2014). Ritz-Carlton has based its operation on the Gold Standard and conducts daily hotel line-ups for 15–20 minutes with all the hotel employees across the globe. This has been a significant part of the strong leadership that focuses on providing constant support to the employees. Therefore, HR in Ritz-Carlton strives to develop the strong leadership and give the opportunity to employees to emerge as strong leaders in order to build a culturally sensitive workforce.

Ritz-Carlton has resolved the problem of leadership by focusing on developing transformational leaders, who could also provide the extensive three-step training to employees and motivate them to align their performance with standards of the Hotel (Schaefer, 2015). Another aspect of the effective cultural training and support of leaders in Ritz-Carlton has given rise to enhance the sense of commitment among employees, because the hotel not only provides training to fulfil their jobs but also helps them grow as individuals in the diverse working environment. To overcome the problem of leadership in cultural training and development, Ritz-Carlton has adopted the transformational leadership model because its focus is not just on achieving organizational goals, but also on empowering and engaging employees. Grobelna (2015) found that “Ritz-Carlton fosters a work environment where diversity is valued, quality of life is enhanced, and individual aspirations are fulfilled” (p. 111). Therefore, it can be said that both the hotels are significantly focusing on providing cross-cultural training and development opportunities to their employees, which is very important for leading employee abilities and motivation. Also, both hotels have focused on finding a solution to challenges that HR finds in cross-cultural training and development.

## Discussion

The data analysis of the research also helps to confirm the finding of Sucher and Cheung (2015) that states about cross-cultural training to be beneficial in enhancing the motivation of the employees and increasing their ability. Therefore, cross-cultural training can be considered as an opportunity for the employees to enhance their skills and improve their practice. The main focus of the study has been placed on motivation and ability of the employees and not on the opportunity because training and development programs themselves serve as the opportunities through which employee engagement and development can be achieved.

These findings also display the usefulness of the cross-cultural training and confirm the finding of Leisen (2017) about benefiting the hospitality industry employee in improving their abilities. The findings about the cross-cultural training in Ritz Carlton hotel confirm the finding of Leisen (2017), which informs about monitoring and evaluation. Ritz Carlton also evaluates the skills of employees through monitoring and evaluation and confirms that which employees require more specific cross-cultural training in order to save time, cost and resources. Monitoring and evaluation of the employee skills and performance also help the hotels to delegate the duties according to their skills.

Evidence from the literature included in this research also informed that cross-cultural training has a significant impact on the employee performance. Performance of the employees is improved, when their skills and knowledge are enhanced. Performance of the employees has also been associated with motivation, as the highly motivated employees will display better performance (Korjala, 2012; Wilkins, 2001). Employee performance also affects the success or failure of the business. As discussed in the findings regarding the Ritz Carlton and Accor Hotels, both hotels focus on the employee motivation, because they consider it as an important aspect of employee performance (Solomon 2013; Lee, 2016).

Other important aspects of the cross-cultural training that has been identified in the literature are cultural awareness and cultural sensitivity. The data obtained from the analysis of the two hotels also informs that both hotels have developed some form of strategies to enhance employee's cultural awareness and cultural sensitivity towards other cultures. According to the findings of the literature, the training and development

of employees is associated with their performance (Kalargyrou & Woods, 2011). Therefore, the main aim of the business is to enhance performance and customer satisfaction. Cultural awareness and cultural sensitivity training in the Ritz Carlton and Accor Hotels have resulted in enhancing the reputation of the hotels and also building loyal customers.

The two important aspects of training and development are to provide just in time training and lifelong learning. The employees must be prepared for working in the highly diverse environment. Therefore, the employee ability and motivation are significant factors that must be developed. The findings of the study informed that employee ability and motivation developed through cross-cultural training can be long lasting and can significantly impact transfer of training. The ability can enhance the cross-cultural communication and can motivate employees to display better performance. It is because cross-cultural training also involves the psychological and professionals needs of the employees that motivate them to improve their performance and productivity.

The literature and findings of the data informed that HR may have to face some significant challenges while providing cross-cultural training and improving employee performance. Some of the key challenges that were identified in Ritz Carlton and Accor Hotel are problem in managing the cultural difference in employees, identifying the right individuals or professionals for delivering training, language barrier, employees with different knowledge and skills, developing the appropriate training program, developing effective cross-cultural training module and courses, developing the culture of continuous training and knowledge enhancement of employees and developing correct models and framework to enhance cultural sensitivity and cultural awareness.

## Key Findings

This report has placed its focus on identifying the significance of cross-cultural training in the hospitality industry of the UAE. The purpose of cross-cultural training is to enhance the employee ability and motivation through AMO model. This report discussed the development and enhancement of ability and motivation among the employees to improve

their performance in order to provide effective services to the diverse customer base. Therefore, this report answered the two research questions, firstly it informed about the various aspects of cross-cultural training and development that lead to an employee ability and motivation in the UAE hospitality industry. The different aspects of the cross-cultural training identified through this research are Cultural intelligence, theoretical knowledge, intercultural communication and cultural etiquettes, cultural awareness and cultural sensitivity. According to the findings, these components help in enhancing the ability and motivation of the employee thus leading to better employee performance. This research also confirms the findings of the literature that employee performance is improved when various components of the cross-cultural training focus on the improving the ability and motivation of the employee. AMO model also helped to support the framework of the research. AMO model helped to support the findings of the literature by informing that various practices and strategies of human resource can help in improving employee performance and productivity.

Another aspect of the findings identified through literature review and data analysis is regarding the challenges that HR professionals may find in cultural training and development and how those challenges can be overcome. The challenges identified are language barriers, identifying the right personnel for training employees, cultural differences among employees and designing programs with such cultural differences etc. It has been found that there are various strategies and practices through which HR can overcome such problems. Employee engagement programs and inter-relationship practices can be very significant in delivering the quality and appropriate cross-cultural training (as in the case of Accor Hotels). Engaging the employee through various programs according to their skills and abilities can improve their performance. Hotels can also identify the right personnel to provide training to employees. Developing the appropriate cross-cultural training programmes and modules while considering the cultural and language barriers can also be beneficial. The training programs can also be conducted on a continuous basis as in Ritz Carlton and Accor Hotels in order to develop lifelong learning skills among the employees. Periodically reviewing the quality program through internal and external feedback can also help HR to identify the problems and rectifying them.

It has also been found through this research that cross-cultural training can be used effectively and can work as an opportunity for the employees of achieving lifelong learning. Cross-cultural training in the UAE provides the opportunity to the employees to work effectively and adjust in the new dominant cultural environment. Since the number of expatriates is very high in the UAE; therefore, it becomes significant that employees are satisfied with their living and working conditions in order to display high performance at the workplace. The employee training allows them to understand the culture within which they are working and to understand the various other cultures in order to provide effective services to customers.

## **Contribution**

This research contributes significantly to existing literature. Firstly, it establishes the link between cross-cultural training and employee performance in hospitality industry. Secondly it highlights the challenges that hospitality industry faces in providing cross-cultural training to the employees. It provides valuable insight into what kind of cross-cultural training be provided by hospitality industry employers. Interaction with experienced members who have worked in cross-cultural environments can be a useful method in this regard as they can reflect back on the challenges they faced during their real-life work experiences. The lessons from this research can be used by HR managers in hospitality industry to design and deliver adequate cross-cultural training programs for their employees.

## **Limitations**

The first limitation of the study is that it includes the data published within the last ten years; therefore, the research may not reflect the current findings only. However, it can be said that due to the limited evidence in the literature and limited data available, it was significant to include the research evidence from the last ten years in order to provide

some effective evidence. This was also important to get some decent amount of evidence for the purpose of research. Another limitation could be that research only provides the secondary data, because of the limitation and restriction on collecting the primary data. The secondary data may not be accurate and authentic as the primary data. Therefore, the data collected may be obsolete and can also display confidentiality issues. The third limitation of the study is associated with sample collection, as it was restricted to hospitality industry of the UAE and the main focus was on websites informing about training and development. Therefore, the sample used to generate secondary data is very small.

## Future Scope

The future research can enhance the scope of the study. The research can be broadened and more hotels can be included in the study to understand the trends in the industry more effectively. The future research can also focus on collecting the primary data that could be the semi structure interviews, or surveys and can provide the better insight into cross-cultural training in hotels in the UAE.

## Conclusion

The above finding also confirmed by the training and development policies of Accor Hotels, as the company believes that cultural training and development programs can develop the sense of belonging and being valued among employees that motivates them to constantly work towards achieving organizational goals (Training at Accor, 2018). Accor Hotels have the special employee engagement programs that are based on the firm belief that positive inter-relationship at work is very significant for translating the learning in better and effective relationship with the customers (Prasad, 2014). Accor Hotels provide the variety of the training and learning programs for its employees, so that employee could have better abilities and motivation towards their personal development needs and development of the skills that are significant for providing quality

services. Therefore, it can be said that one significant aspect of the cross-cultural training identified in the development of ability and motivation among employees of Accor Hotels is also associated with the development of inter-cultural bonding (Training at Accor, 2018). The employees are supported to develop the cultural awareness through diversity training (Prasad, 2014).

Cultural awareness is an important aspect of cross-cultural training through which employees learn to understand differences and develop the better communications skills to improve productivity. This productivity helps in increasing ability and motivation. Therefore, cultural awareness also works as an opportunity for the employees, which they can use to enhance their performance (Xu, 2008). Another important aspect of cross-cultural training is a cultural sensitivity that is also considered in training and development programs in Accor Hotels. Cultural sensitivity is developed among the employee through training and development by informing the employees about different values and beliefs in different cultures, using various case studies, and also by conducting the training test in order to evaluate their skills (Training at Accor, 2018). In order to develop cultural sensitivity, the employees are provided with the knowledge about the relationship between cultural values and communication styles. This knowledge helps to develop cultural awareness and cultural sensitivity among employees.

The training and development programs targeting the development of cultural competency among the employee are delivered through formal and informal learning opportunities at Accor Hotels and also at Ritz-Carlton. Therefore, it can be said that both hotels are dedicated towards providing the cross-cultural and cultural training to their employees through different programs and learning opportunities (Rai, 2017). The organizational performance of both the hotels also informs that such training has a significant impact on the organizational goal achievement (Prasad, 2014). Cross-cultural training and development opportunities are also associated with the development of the competency of cross incorporation of different ideas and perspective for improving customer service (Solnet et al., 2012).

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# 3

## Low Employee Engagement in the UAE: Causes and Solutions to Overcome the Issue

Alia Al Nuaimi

According to Prathiba (2016), employee turnover and low engagement at the workplace are universal challenges faced by many industries. It has become the top business priority for senior management. Organizations require employees with high performance and who are work engaged to grow and survive in the current challenging globalized economy. Highly engaged employees can increase productivity, be innovative and be committed to the organization. These capabilities will allow the management to depend on such employees to lead and respond quickly to organizational changes. Therefore, *Gulf News* has been publishing the results of ongoing studies and researches that have been exploring the underlying reasons for low employee engagement. As employee engagement impacts on organizations' productivity, it is crucial to find solutions for this issue (Maceda, 2014; Maceda, 2017a, 2017b; Nair, 2017).

This chapter contains the following sections: literature review about causes and solution for low employee engagement, research

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methodology, collected and analyzed secondary data, discussion on the findings of this study, conclusion and the limitation of this study.

The purpose of this chapter is to:

- Investigate the concepts of employee engagement, job satisfaction, turnover and the relationship between them.
- Explore the common patterns and reasons for low employee engagement.
- Explore the solutions to minimize the issue of low employee engagement.

The concept of employee engagement has been defined and linked with the emotions of employees. These emotions are directed towards the organization in terms of passion and desire to perform better at workplace (Al Shehhi, 2017; Jindal, Shaikh, & Shashank, 2017) or optimistic and positive attitude to finish the job (Byrne, Weston, & Peters, 2016). This study explicitly focuses on the above mentioned emotions, which has resulted into the development of a conceptual framework that can be investigated further in forthcoming researches. As this study depends on secondary data, future research should validate the findings of this framework with primary data and take it forward. In addition, the findings provided in this chapter can be used by human resources (HR) of any organization, as the findings are based on information gathered from studies conducted in different countries and sectors worldwide. Hence, this framework can be used to resolve the low employee engagement issue within the UAE as well.

## Research Questions

The objective of this chapter is to find the relationship between employee engagement, job satisfaction and employee turnover. In addition it aims to answer the following questions:

- What are the common causes for low employee engagement?
- What are the solutions to enhance and overcome the issue of low employee engagement?

## Employee Turnover and Employee/ Work Engagement

One of the HR concerns is how to engage the employees at work to ensure increased productivity (Dsc.gov.ae, 2018). This section reviews the relevant research and studies on employee turnover, work engagement, job satisfaction and leadership and discusses the relationship between these concepts, which aid in exploring the reasons for low employee engagement and identifying the solutions. In addition, it critically analyzes the findings of previous studies (the literature review) to understand the limitations and common patterns. This will help in meeting the objectives of this chapter and to fill the gaps.

Employee turnover is one of the challenges which human resource (HR) managers and fast growing economies are facing. It costs the company money and disturbs operations (Iqbal, 2010). The concepts of employee turnover, job satisfaction and work engagement are all related (Schubert-Irastorza & Fabry, 2014). The study by Tosum and Ulusoy (2017) support the positive relationship between job satisfaction and employee performance. Motivated employees show higher levels of performance and their intention to leave the company is low as they exhibit high positive attitude, dedication and enthusiasm toward their job. Employee work engagement is driven by the interaction of resources and job demands. Resources are divided into job resources and personal resources. Examples of job resources are support from supervisors and colleagues, performance feedback, professional growth and opportunities for growth. Examples of personal resources are self-esteem and optimism. A positive interaction between job demand and resources results in better employee engagement and job satisfaction. For instance, an employee who performs well at a given job (job demand) and receives positive feedback (job resources) will feel more competent and have more self-esteem (personal resources). On the other hand, if the employee experiences negative interaction between the job demand and (personal and job) resources, this will lead to disengagement and higher employee turnover.

In a study conducted by Smith and Macko (2014), food retailers in the UK faced heavy employee turnover. As per the results of the research, these employees had low levels of engagement; 60% of the employees did

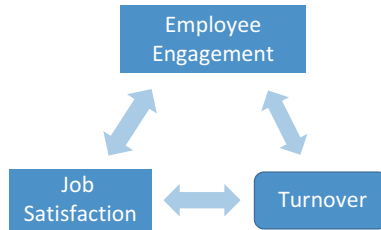
not feel engaged. The findings of this study demonstrated that low employee engagement was not considered relevant to employee turnover by the firms. This indicates that organizations should opt for additional awareness in regards to the relationship among the concepts of employee engagement, job satisfaction and turnover. This inadequacy of understanding from organization could possibly be due to unavailability of a standard holistic framework or could also be due to insufficient researches, demonstrating and emphasizing the relationship of these concepts.

## Job Satisfaction

Job satisfaction is: an assessment of the favor-ability of a job; multidimensional; and typically arrayed along a positive to negative continuum (Judge et al. 2017).

Job satisfaction it is the reflection by the employee's feelings, evaluation and opinion about the work or the workplace environment. There are various factors for job satisfaction such as job security, career opportunities, pay and working hours. There is a positive relationship between job satisfaction and turnover. Employers can retain their employees by providing opportunities for increased job satisfaction, because research shows that some of the important reasons employees leave their jobs are lack of recognition, lack of interesting work (routine), lack of career opportunities and lack of training for development (Alam, 2012). This is supported by another study conducted by Ahmad, Kashmoola and Kheng (2017), which also emphasized the relationship between job satisfaction and employee turnover. The study also inferred that companies should adopt strategies to increase the level of job satisfaction to retain employees.

Ibrahim (2015) aimed to determine the causes for retention of employees in three UAE banks and to examine the effectiveness of their retention strategies and therefore conducted interviews with their human resource stakeholders. The results supported previous studies by Alam (2012) and Ahmad, Kashmoola and Kheng (2017) and concluded the reasons for employee retention as job satisfaction, performance appraisal, feedback, pay, training and work-life balance. Further analysis highlighted that low salary and limited professional development opportunities were the major reasons for turnover (Ibrahim, 2015).



**Fig. 3.1** Conceptual framework for the relationship between job satisfaction, employee engagement and turnover. Source: Author

As per the literature review, the first finding and the contribution of this chapter is the relationship between job satisfaction, employee engagement and turnover. This relationship is demonstrated in Fig. 3.1.

## Factors Related to Job Satisfaction

According to Alam (2012), the pharmaceutical sector uses Medical Promotion Officers (MPOs) to distribute and market their medicines. Formal interviews were conducted with 40 MPOs to find out factors for job satisfaction and turnover. The answers were analyzed using the Likert scale, which involves five points ranging between strongly agree and strongly disagree. As per the results presented, the reasons for being satisfied were safe working conditions, recognition for job achievement and flexible working hours. On the other hand, the reasons for not being satisfied and being less motivated are workload, stress, low work–life balance and unbelievable sales targets/KPIs by the pharmaceutical sector.

My perspective on the findings is that previous studies looked mainly at the causes and reasons of low job satisfaction. However, there was limited emphasis on the symptoms of low job satisfaction and the relation with employees' commitment and engagement to work. In addition, there was not enough focus on the solutions which are as important as the causes to resolve this issue. This is why this chapter aims to focus on emphasizing the relationship between job satisfaction, employee engagement and turnover, following the causes and solutions. As the causes have been explored in depth in earlier studies, this chapter will look into the



common causes which have been mentioned and accordingly the solutions which can minimize these causes. The following sections explore some of the factors related to job satisfaction discussed in detail in previous studies.

## Boredom

Cleary, Sayers, Lopex and Hungerford (2016) conducted a research to investigate the reasons for boredom at work for mental health nurses and the possible ways to address this issue by both the employee and the employer. As boredom at work can make the employee feel stressed, distracted and overloaded, it will lower the engagement and satisfaction toward the job, which in turn will impact the level of support and service provided. Several factors contribute to boredom at work, such as micro-managing the employees, routine work, limited opportunities for career advancement, overloading the employee and lack of support and direction. Therefore, different strategies have been suggested by Cleary, Sayers, Lopex and Hungerford (2016) to minimize boredom at work. First of all, boredom can be eliminated through empowering the employees, as this will allow them to have a sense of responsibility and challenges them accordingly. Moreover, employees will get motivated to manage the work in the best possible way to achieve certain performance levels, which will increase their work engagement. The second approach to reduce boredom is through providing breaks, allowing them to take leaves and spend time on mindless activities. The third approach is through creating meaningful environment, as employees feel more engaged and satisfied if their work becomes important and meaningful for them. It is the responsibility of not only the employers but also the employees to make it so. Some of the approaches are through engaging with customers, colleagues and service providers.

## Lack of Recognition and Career Advancement

According to Iqbal (2010), the strategic solution to retaining employees is to increase their job satisfaction level. Exit interviews allow obtaining the reasons for the turnover. Some fast growing economies like the Kingdom of Saudi Arabia (KSA) were not aware of the reasons for employee turnover and retention. Therefore, the aim of the study was to investigate the reasons and devise some strategies to minimize employee turnover and improve work engagement. A survey conducted using [bayt.com](http://bayt.com) received 13,376 responses. Seventy percent of the responded participants were planning to leave their current job, with the major reason for this decision being lack of job satisfaction. The following were identified as reasons for the lack of job satisfaction in Saudi organizations. The first one was that employees were not happy with the performance system; 52% claimed that they did not receive honest feedback from their managers to avoid conflicts. The second was lack of recognition, which resulted in impacting their performance and engagement levels. The third highlighted reason was lack of personal and career advancement, in addition to unfair policies for promotion. The final reason was ineffective communication with the management. All these factors contributed to low employee engagement and turnover in KSA organizations. Hence, the organizations need to address these issues.

## Leadership

A study was conducted by Xu and Thomas (2011) to investigate the relationship between leaders' behavior and employee engagement. An online survey was conducted in a large insurance company in New Zealand. The results clearly showed the positive relation between leadership behavior and employee engagement. Leaders can motivate and inspire employees to perform better and develop positive attitude. Employees feel valued when their leaders display team-oriented behavior. This results in higher employee performance and employee engagement. Some of the team-oriented behaviors are showing interest in the personal development of

the team members and celebrating the success of the team. Leaders can also contribute to employee engagement through task-oriented behaviors. Some of the task-oriented behaviors are practical and good decision making, managing the task allocation to the team members more effectively, showing integrity and providing high ethical standards by being transparent in feedbacks and communications. Thus, leadership style has a positive influence on employee behavior and engagement. For instance, transformational leadership involves several elements that influence employees, such as building trust with employees, inspiring them and providing them challenging tasks; moreover, leaders should communicate to the employees about the importance and contribution of their work. In addition, transformational leadership supports the creation of a blame-free environment. These factors contribute to job satisfaction as well.

According to Zhang, Avery, Harald and More (2014), transactional leadership style also contributes in increasing employee engagement. Employees accept the requirements of leaders but they do it for financial rewards, to avoid disciplinary actions or for recognition. Hence, this leadership style does not support in engaging the employees from the management the organizational vision. This is the opposite of transformational and organic leadership styles, which add future value due to the emotional involvement of the employees with the organizational vision. Thus, leaders can change the relationship between the employees and the organization.

A survey was conducted by Suliman and Al Junaibi (2010) in the UAE oil industry to explore the relationship between leaders and employee turnover. More than 2300 employees participated in the survey. The study confirmed that there is a significant relationship between leaders and job satisfaction. Therefore, by creating an ethical working environment leaders can minimize employee turnover.

Research by Smith and Macko (2014) showed that one of the reasons for turnover in retail stores in the UK was poor communication from the management. Employees felt that their management did not care about them. Several studies have emphasized the importance of role of leadership and have explored its impact on the employee's job satisfaction. However, there are limited studies that have prescribed a solution to this

compelling issue. Therefore, this chapter not only discusses the acute issue, but also guides to the corrective actions.

## Strategies for Employee Engagement, Job Satisfaction and Turnover

Prathiba (2016) conducted a study to explore the relationship between employee engagement, empowerment and commitment to the workplace. The participants of the study were 250 employees from the banking sector in Chennai, which is a city in India. The employees were from both public and private banks. The results of the study determine employee empowerment to be one of the retention strategies. As employee empowerment is one of the HR's most effective and powerful approaches to increase employee engagement, satisfaction and commitment, it will result in employee retention. In addition, empowering employees will motivate them to contribute in the creation of competitive advantage. It can also lead to higher performance as the level of their participation increases. In addition, according to Iqbal (2010), organizations need to look for retention strategies such as creating new compensation plans, redesigning the job and strengthening social ties.

Singh and Sharma (2015) conducted a research using 225 participants in private sector organization of the UAE. The findings helped in classifying the retention strategies into two categories: long term and short term. The short-term strategy is to provide financial benefits according to the employee's performance. Long-term strategies are career opportunities which will make the employee more involved, training, succession planning and developing leadership skills.

Singh and Sharma (2015) provided the following suggestions after conducting a study in three UAE Islamic banks. Conduct regular job satisfaction and organizational commitment surveys across the organization. Then analyze and address the issues which require solutions. Use the performance appraisal system more effectively and provide regular feedback for improvement. Also, assign coaches and mentors for support and to improve performance. Benchmark the pay and benefits in both

government and private sectors to design an attractive pay plan. Moreover, reward employees based on their performance level. In addition, training should be linked with the performance management system to improve the areas and skills which require training and development. It should focus on both leadership and technical skills in order to make the employees capable of taking up responsible positions. Moreover, organizations should regularly communicate to the employees key information with regard to vision, missions and strategic objectives. Also the organization's achievements should be shared with the employees to keep them involved. Retention is the responsibility of the managers as well, and not just the HR, as it is the responsibility of the managers and leaders to provide effective support and coaching to the employees.

## Research Methodology

This study uses thematic analysis approach to build a conceptual framework based on the findings. To achieve the objectives of the study, secondary data was collected from various sources such as news articles, HR sites, YouTube channels, published sources and official websites. The mentioned responses without percentages were subjected to qualitative analysis. The mentioned responses with percentage were subjected to quantitative analysis. The analysis was carried out by calculating the frequency of the repeated key factors to identify the most common factors. Following this, the findings were grouped and categorized. The final inputs were used to produce the conceptual/thematic framework, which is the contribution of this research. The framework can be used in the UAE and the findings to be further validated.

The data obtained was analyzed using Microsoft Excel. Following methods were used for analyzing the secondary data:

- Graphical analysis
- Chi-square test for association
- Exploratory factor analysis

These approaches were used by Prathiba (2016) while discussing employee engagement as a tool for talent retention. Since my study is discussing a similar topic, these approaches are chosen to be aligned with the methodology of previous researchers for analyzing the secondary data.

The following are some of the key factors identified from literature review, which were considered while collecting and analyzing the secondary data:

- Employee engagement
- Job satisfaction
- Employee turnover
- Employee retention
- Employee motivation

All the collected secondary data are mentioned under the “Data Collection” section in this chapter. In addition, collected quantitative data are displayed in the tables.

## Data Collection

### Reasons for Low Employee Engagement

It is interesting to note that highly motivated employees who do not set appropriate goals can face burn-out and as a result become negative, disinterested and later struggle to engage. According to Seppala and Moeller (2018) and Menges (2018), high employee engagement can become a reason for turnover as well. An employee who is highly engaged and spends too much time and energy on work can become stressed. In addition, such employees can get exhausted to the extent where it impacts their continuity at work. Some employees have very ambitious goals, which leads to high performance but ends up in demotivation quickly. Hence, setting realistic goals is pivotal for sustainable employee engagement. In addition, employers focus on providing tangible resources and provide less importance to intangible resources such as empathy and friendship/social gathering. This results in low motivation for the employees in the long run.

According to the Society for Human Resource Management (SHRM) (2017), when a job satisfaction survey was done in the US, almost 51% of the employees were not very much satisfied about their job. Five main factors were identified by the survey as major contributors for low job satisfaction: respectful treatment of all employees at all levels, salary/compensation, trust between the employee and the management, job security and opportunities for using the skills at work. The top reasons for being less satisfied about the job are salary and trust.

Morris (2017) studied the reasons which make employees feel unhappy. The data for the research was collected from various sources and the results indicate that salary and work–life balance are the top factors for being unhappy. Similarly, a survey conducted in the UAE using [Bayt.com](#) showed the salary to be one of the main reasons for turnover (Kapur, 2013). Salary as the major concern was also emphasized by Duncan (2016) from the professional services company Towers Watson, based on a survey of 25,834 employees from 24 companies during 2015–2016.

According to Al Bawaba (2018), a survey was conducted through [Bayt.com](#) from December 6 to December 22 in 2017 to investigate the most important factors which matter to professionals. There were 4,418 participants for the survey from different nationalities such as the UAE, Bahrain, Lebanon, Syria, Morocco, Oman, Tunisia, Algeria, Egypt, Jordan, Kuwait, Qatar and KSA. Results demonstrate that breaking the routine and using advance technology are the most important factors for the employees.

According to Eggleston (2014) and Khalife (2016), the factors which make the employee unhappy and unsatisfied at work are lack of recognition, low salary, lack of work–life balance, limited job security and limited career advancement. Also employees like to be recognized when they perform well, as a sort of appreciation. In addition, working to the extent that daylight becomes a dream results in stress and loss of work engagement. Finally, progressing in the career to reach higher positions is a basic need of an ambitious employee.

Deloitte is one of the HR consultants and its analysis aimed at exploring the top HR challenges. It had surveyed more than 3000 HR and business leaders in the Middle East and around the world in 2015.

According to the survey results, the top four challenges identified are learning and development, leadership, reinventing HR and culture and engagement, which are the responsibility of the organizations and the HR. In addition, 78% of the survey participants believed that their organizations were not fully prepared to develop their leaders. In addition, there were issues in leadership capabilities, which were affecting the engagement of the employees at work. Thus, employees leave the organizations also because of poor leadership (Arabian Gazette, 2015).

The Society for Human Resource Management (SHRM) is the world's largest human resource membership organization dedicated to human resource management. It had surveyed 600 employees in the US during November and December 2015. According to this study, the top reasons for employees to leave or stay in the organization are salary, benefits and career advancement (Society for Human Resource Management (SHRM), 2017).

## Solutions to Improve/Enhance Employee Engagement

Various studies have stated solutions and best practices to motivate employees and increase their job satisfaction level and engagement level and accordingly minimize the turnover. According to Nair (2017), increasing salary is one of the approaches to retaining employees, because employees usually plan to change their employment after one year seeking better benefits. However, according to Maceda (2017a, 2017b) increasing the salary is a short-term solution. Hence, HR should focus on other motivational factors such as training and development programs. Moreover, as mentioned by DeMers (2017), employers should allow employees to contribute their ideas, provide limited supervision and support them in taking responsibility and making decisions within their boundaries.

According to Argyll and Bute Council (2015), training and development programs can motivate employees, despite the risk that they might build the skills and leave the employer for a competitor. Also helpful are retention programs which aim to listen to and seek employees' input and feedback for improvement.



Deloitte Insights, which looks into significant business issues to improve business practices, suggested making the work meaningful and choosing the right skills while hiring. Jobs should have expected output and challenges which can keep the employees motivated (Bersin, 2016).

According to Bersin (2016), leaders and HR need to raise employee engagement from an HR program to a core business strategy. The following are the suggested strategies:

- Have a management team with good leadership skills. Leaders play an essential role in employees' lives. Therefore, they should be capable of inspiring and influencing employees through alternative ways such as coaching and providing real-time feedback. It is also important to have a proper performance appraisal system, as several participants felt this process to be a painful exercise which did not add the expected value.
- Provide a flexible working environment, which includes facilities for employee entertainment such as wellness programs, working remotely and flexible hours. The survey participants preferred free time over money.
- Ensure ongoing recognition and appreciation on the delivered work, which encourages the employees to give their best. This practice can motivate other employees as well to aim for similar experience and appreciation.
- Create opportunities for growth, as ambitious employees seek to reach higher positions. However, promotions on yearly basis are not possible due to the organizational structure and budget restrictions. Management can still allow employees to take new assignments and transfer to new projects to keep employees motivated.
- Establish transparency and clearly communicate the vision and the missions to the employees. Employees are an important asset of the company and their involvement is required for the company's success.

Maceda (2017a, 2017b) suggested the following:

- Create performance management systems which match with the culture of high development.

- Create positive strategies and involve younger employees and make them more excited.
- Hire managers who can play the role of coach rather than just managers and encourage transparency and promote trust so the employees feel secured and good toward the relationships at work. Managers contribute around 70% in making the employees happy and engaged at work.

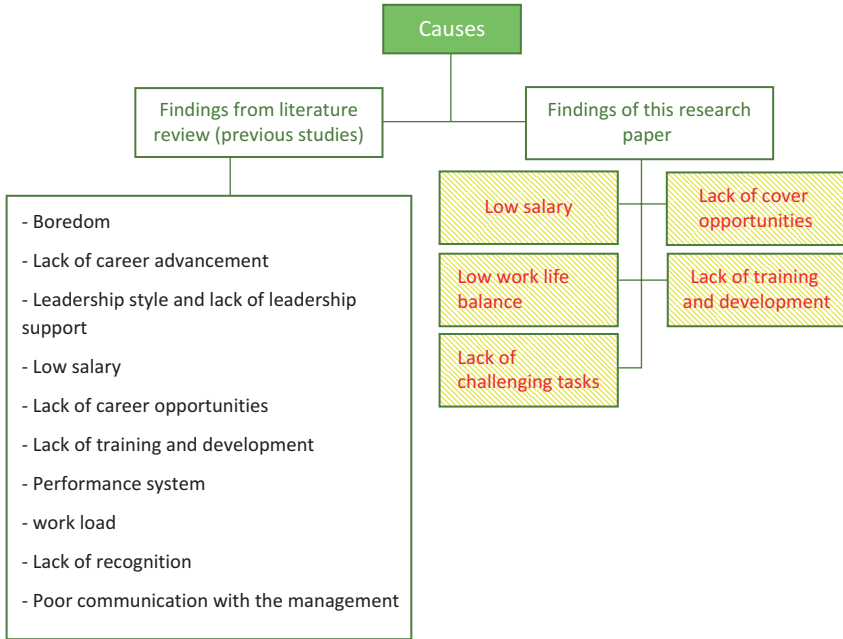
## Discussion and Findings

The first aim of this study is to investigate the relationship between employee engagement, job satisfaction and turnover. The findings mentioned in the literature review emphasized the relationship between these concepts. This is shown in Fig. 3.1 and this is the first finding of this study. It was of utmost importance to explore the relationship among the following concepts, as these are inter-linked. Both turnover and low employee engagement are the outcomes and consequences of low job satisfaction.

The second purpose of this study was to explore the common causes of low employee engagement. The literature review mentioned several reasons, as shown in Fig. 3.2. This was helpful in exploring the reasons from different industries and countries. Following this, secondary data was collected to investigate further on the causes. The results are shown in Fig. 3.2. The factors are highlighted in yellow boxes in Fig. 3.2.

Based on the findings of this study, the following are the commonly repeated reasons for low employee engagement:

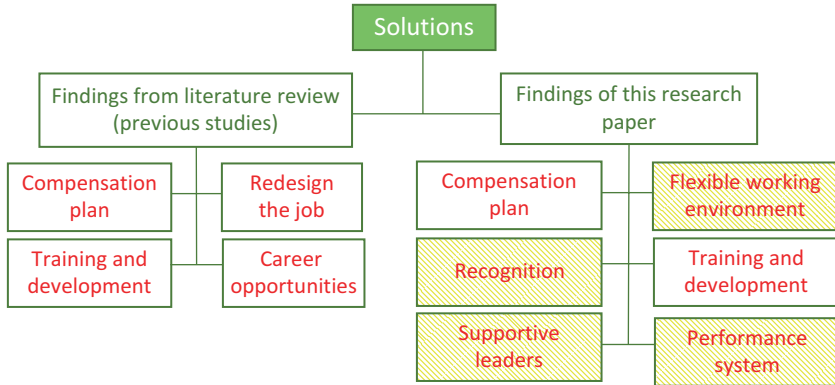
- Low salary
- Lack of career opportunities
- Low work–life balance
- Lack of recognition and lack of training and development



**Fig. 3.2** Common causes of low employee engagement. Source: Author

These factors have also been mentioned in the literature review (Alam, 2012; Cleary et al., 2016; Ibrahim, 2015; Iqbal, 2010; Kashmoola et al., 2017). Hence, these factors can be considered as the common factors for low employee engagement. In addition, these factors have been mentioned for different countries and industries. Hence, they are generic factors which are applicable to and can be used by any industry and country. These findings might vary if the data was collected from a specific industry or age group. For instance, work–life balance might matter more to married employees than to non-married employees.

Another possibility is that salary might be less important for lawyers as the nature of their work depends on building trust with the clients to earn money. Therefore, their engagement might depend on other factors. In contrast, a mechanical engineer might care more for high-salary jobs looking at the nature of the work and the high pressure the job requires. Therefore, these common reasons can be applicable in general and



**Fig. 3.3** Conceptual framework of solutions for low employee engagement. Source: Author

further investigation is required to be fair with other related factors such as gender, age and industry type.

Figure 3.3 shows the third contribution and the finding of this study, highlighted in yellow boxes. The following solutions can minimize the issue of low employee engagement.

- Companies need to look into the compensation plan and redesign it to meet the benchmark. This was also mentioned by Iqbal (2010) in the literature review.
- Training and development is required for the employees to learn and break the routine at work. In addition, training increases their knowledge and networking. This point was emphasized by Singh and Sharma (2015) in the literature review.
- Providing flexible working environment where the employees are not restricted on the check in and out times will increase the level of employee engagement. This point was not mentioned in the literature review and it is a contribution of this study for this topic.
- Performance system and honest feedback can enhance employees' capabilities and skills. This point was not mentioned in the literature review and it is a contribution of this study for this topic.

- Employees appreciate recognition and supportive leaders who can increase the level of employee motivation. This results in higher engagement and productivity as they do their best at work. This point was not mentioned in the literature review and it is a contribution of this subject for this topic.
- According to Conant (2011, 2012), when he took over Campbell's Soup Company as CEO he faced the problem of very low engaged employees within the organization. It took him almost eight years to reach world-class employee engagement. One of the key factors for employee engagement is leaders. It is important for leaders to be transparent with employees about organizational changes. In addition, they need to have continuous interactions with the employees and listen to their issues. The suggested approach by the management for the leaders to follow was the 'Listen, frame, advance' approach, where the leaders listen to the employees and then frame the next step and be clear about who should do what. Moreover, allowing employees to take breaks during long working hours can enhance their level of engagement. In addition, developing strong corporate social responsibility (CSR) can also increase employee engagement. These points were not mentioned in the literature review and are a contribution of this study for this topic.

The solutions can vary depending on the nature of the industry and the interest of the employees. However, for a company to satisfy all the employees would be not practical. Therefore, these solutions can support in resolving the common pain points and would still bring positive results.

## Conclusion

This study was able to make three contributions and findings related to employee engagement. The first finding is the relationship between the three concepts, job satisfaction, employee engagement and turnover. These concepts need to be looked together and not separately. The second finding is the common reasons for low employee engagement, which are

low salary, lack of career opportunities, low work–life balance, lack of recognition and lack of training and development. The third finding is the solutions or the factors that need to be focused on to minimize low engagement: compensation plan, recognition, training and development, performance system, having supportive leaders and flexible working environment.

It is recommended that the companies and human resource departments use these findings as a framework to understand the issue of low engagement and ways to minimize it. The UAE is one of the countries reported to have 85% low employee engagement (Maceda, 2017a, 2017b) and where 83% of employees are thinking of leaving their workplace (Maceda, 2016; Times, 2016). Therefore, different sectors in the UAE can use the findings and the framework from this study to look into their low employee engagement issue.

One of the limitations of this study is the use of secondary data. This indicates a pressing need to use these findings and validate them through primary data. Organizations and human resource firms need to resolve this issue. The findings here can help, despite the fact that the secondary data collected for this study had limited information about the survey participants, location and type of questions used. Therefore, my next recommendation is that future studies for this topic should collect data from a more focused group of participants, industries, age range and other such elements.

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# 4

## The Impacts of High Employee Turnover in the UAE Hospitality Industry

Amnah Qasim

According to human resource practices, employee turnover is a term used to explain the percentage of employees who decide to leave a place of work, either a company or a business, for another business or organization within a particular time frame. This compels the organization to go through the process of identifying a replacement for such employees, which often results in additional responsibilities for the organization in the form of recruitment, training and mentorship of the newly recruited staff. Huang et al. (2016) defines turnover as the “ratio of employees of an organization leaving in a particular period of time compared against the average number of employee in the organization during the same period of time under investigation”. Employee turnover carries huge losses to a company because of the fact that massive resources are used to build and sharpen the skills of employees within the company only to be lost to the competitor organizations. These aspects produce zero value for resources spent, leaving the companies and employers in a sorry state of perpetual knowledge limitation.

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The dynamics of the work environment are changing with the advent of globalization. Human resource management plays a vital role in ensuring the employees within an organization are managed within favorable terms and conditions. Employees form a significant part of an organization's success or failure. This implies that the success of an organization is empirically dependent on the effectiveness of its workforce. Ertas (2015) explains that, irrespective of the resources invested by a business in its core operational activities, the presence or absence of an effective human resource policy and support system contributes heavily to the organization's success or failure and gets to share a considerable portion of the organization's final outcomes and bottom lines.

Several human resource experts and other professional publications have advised on effective ways to manage work-based productivity for employees. Suggestions have been provided for periodic training schedules, constant motivation in the workplace, running of promotion and bonus programs and employee empowerment, among others. Human resource strategies and activities demand heavy financial and other related resource requirements that have the potential to affect a considerable percentage of an organization's budget. It is therefore incumbent upon the human resource experts to develop systems and structures that support employee productivity and motivation. Despite the efforts undertaken by various companies, investing heavily in human resource programs and activities, companies and organizations continue to experience a high level of employee turnover. This greatly inhibits the success of an organization or business given the fact that it robs from it its most significant asset, which is the employee (Ertas, 2015).

## Literature Review

The literature review section explores the professional publications and peer-reviewed journals in the area of employee turnover and retention strategies in the light of HRM practices. The section reviews the academic expositions related to the aspects of investigations for the study and discusses the factors that contribute to high employee turnover in the hospitality industry of the UAE. It also delves into the published findings

for the possible causes of high employee turnover and suggests through literature review the possible remedial measures employable in the industry. The section also discusses employee retention and outlines the factors that if employed by an organization can lead to retention of its employees. The hospitality industry in the UAE serves a wide range of clientele, majority of whom are prime guests operating away from their homes. This literature, therefore, carries significant value since it provides the general aspects as well as documented occurrences and activities in the industry and the possible challenges that bring about high turnover levels.

The UAE is a popular destination for tourists and the government has launched many initiatives to enhance tourism to generate non-oil income. In 2016, it was estimated that the total contribution of the travel and tourism sector to the UAE's GDP was AED 159.1 billion (USD 43.3 billion), which is 12.1 per cent of the GDP. In the first quarter of 2019, Dubai's Department of Tourism & Commerce Marketing (Dubai Tourism) reported 2 per cent increase in tourism since 2018, with 4.75 million international overnight visitors (DSF, 2018). It has been forecasted by the UAE government that this will rise by 4.9 per cent per annum to AED 264.5 billion (USD 72 billion), which would be 12.4 per cent of the GDP in 2027. It is interesting to know that the travel and tourism sector directly supports 317,500 jobs in the UAE, which is 5.4 per cent of the total employment in the country. By 2027, the UAE expects this to rise by 2.4 per cent per annum to 410,000 jobs (UAE Government Portal, 2019).

The UAE's hospitality industry comprises several related business sectors, including hotels, lodgings, clubs, inns, resorts and other recreational centers such as bars and clubs. The majority of the hospitality industry players model their roles to provide services to guests away from home (Mohd Azmin, Khalifah, & Ismail, 2017). Meijerink, Bondarouk and Lepak (2016) explain that employees are the main center of focus in the hospitality industry since they provide quality and value to the targeted customers of the organizations. Even though various employees have varied reasons for joining or leaving organizations, Obeidat, Hashem, Alansari, Tarhini and Al-Salti (2016) explain that the majority of reasons that have been illustrated in the hospitality sector border around unfulfilled labor bargains and promises. This includes low compensations,

poor working conditions, inadequate work-based benefits and work–life conflicts (Mohd Azmin et al., 2017). All the above factors increase the stress level, leading to poor or under-performance and the eventual turnover.

One of the most resounding impacts of employee turnover in organizations is the fluctuation of quality and value to the customers (Lievens & Slaughter, 2016). Research conducted by Akroush, Jraisat, Kurdieh, Al-Faouri and Qatu (2016) reveals that the majority of return clients for hotels and other recreational business like clubs and bars are due to a relational influence and quality of service offered by particular workers. A customer will feel more comfortable served by a particular waiter or waitress or room service attendant simply because of trust issues or the personal touch offered during the services. According to Akroush et al. (2016), due to sense of security, trust high levels of trust and satisfaction, some customers literally follow up on their waiters or service attendants, as they prefer to be served by the same person. High turnover levels, therefore, deny a business the opportunity to serve return clients and customers who would have similarly served as part of their references to friends and fellow executives, leading to future developments in customer base.

The hospitality industry is characterized by increased mobility and abnormal working hours. These aspects are coupled with high interaction levels with clients of various demographics, professional background and socio-cultural upbringing. This aspect requires top-notch customer relation skills and strong emotional labor skills and approaches from the employees. This fact has been cited in several literature publications as the major determinant of the high turnover rates in the sector, compared to other sectors that offer professional services, are more organized, and are knowledge and skill based and often deal with an informed client base, like banking, or are needs based, like healthcare (Lind, 2018). The high turnover levels and lower retention strategies, coupled with an acute shortage of competent workforce in the hospitality sector, have significantly affected the industry (Ertas, 2015).

## Categories of Employee Turnover

The main focus of investigations in the study was on answering the question of why there is a high turnover of employees in the hospitality industry. Similarly, the study seeks to determine whether comprehensive measures can be adopted to ensure employee retention strategy to be part of the operational milestones in the management of organizations in the hospitality sector. Hale Jr, Ployhart and Shepherd (2016) explain that employee turnover is one of the most expensive and disruptive processes or activities that occur within the frameworks of an organization delivering services to its specific and target clients. Similarly, Hale Jr et al. (2016) agree that the level of distractions within an organization compared to the period required for their resolutions is costly, both financially and in terms of losses due to decline in the number of customers who had built allegiance around such employees. In their definition of employee turnover, Meghir, Narita and Robin (2015, p. 1521) explain that the proportion of employees who leave the company vis-à-vis the percentage of the total workforce within such organizations defines the rate of turnover to be either within normal acceptable levels or high.

Discussions about acceptable levels of employee turnover rates have been going on in HR discourses for several decades. While majority HR experts agree that organizations should make efforts to retain employees, despite the several challenges they go through, the discussion focuses on experience and training invested in the employees which is beneficial to the organization. The reality, however, is that humans in their very own formations are social beings and require newer challenges as they progress higher either in academics or in age. Thus, there is an inevitably allowed percentage of turnover that can be categorized as acceptable in every economic sector. This reasoning can be used to define turnover within three model lenses irrespective of their impacts on the organization.

The three categories of employee turnover are voluntary turnover, involuntary turnover and dysfunctional turnover. “Voluntary turnover” is scheduled by the employee while “involuntary turnover” is initiated by the organization due to employee performance issues or organizational restructuring processes (Selden & Sowa, 2015, p. 184). Accordingly,

involuntary turnover can be caused by unforeseen circumstances like terminal illness of an employee or death rendering the position vacant. “Dysfunctional turnover”, a voluntary separation among high and average performers, hurts the organizations in substantial levels (Hesford, Malina, & Pizzini, 2016). Selden and Sowa (2015) explain that the costs of dysfunctional turnover exceed any potential benefits that may accrue to the company. The majority of those affected by this decision are highly profitable employees or those with high capabilities and technical skills and make reasonable contributions to the organizations. Most of these employees leave due to growth limitations in the organization, among other reasons. Given their capabilities in handling divergent labors and tasks, sourcing for similar individuals with their skills and capabilities becomes a challenge to most organizations.

Even though most HR experts have endeavored to provide factors that can considerably reduce the level of high employee turnover in an organization, Hesford et al. (2016) posit that it is almost impossible to attain very low rates of employee turnover since some employees have to retire while others leave for reasons caused by sickness or death, among other unique personal reasons. However, it is important to note that such levels of turnover do not have considerable impacts on an organization. Even though many aspersions are cast on organizations that experience high employee turnover with focus placed on their management strategy, the reality is high employee turnover within an industry cannot be assumed to be a matter unique to sectorial players alone. This is because the impacts of high employee turnover affect both the employees and the industry in general. For example, high employee turnover impacts negatively on productivity and industry competitiveness, which consequently impedes skill development (Selden & Sowa, 2015, p. 184). This leads to an entire industry experiencing lower ratings on the global platform and thus affecting business preferences like tourism and other international or foreign visits.

Pereira, Malik and Sharma (2016) identify the following as the major causes of employee turnover:

- Employees experience challenges due to mismatch in the job, skills or personal ambition.

- Employees feel the workplace or job is not within their expectations.
- There are limitations of mentorship, coaching and feedback in the job.
- Employees are devalued and unrecognized.
- There are limited growth and advancement opportunities within an organization.
- Employees experience heavy workloads, too demanding clients and severe stress based on imbalance between work and life.
- There is loss, or lack, of trust and confidence between the leadership and junior employees in an organization.

Several other factors also impact the employee turnover in an organization in the hospitality industry. Turnover can, however, be problematic and in some cases devastating for organizations. This necessitates remedial measures to be employed within the management systems and structures before an organization considers losing an employee. It has currently become relevant more than ever before for HR experts and consulting firms to develop and implement effective and evidence-based guidelines into the understanding and management of high employee turnover in the hospitality sector. HR managers must come up with strategies to tackle the possible contributors to the high turnover levels so as to regularize employment systems and job satisfaction situations in the sector.

## **Causes of High Employee Turnover in the Hospitality Industry**

The hospitality industry experiences one of the highest levels of employee turnover rates in the industries of the global economy (Zopiatis, Constanti, & Theocharous, 2014). This makes the issue a challenge given the importance of this sector in propelling world businesses. Studies conducted among the hospitality industry worldwide have often revealed increased levels of employee turnover rather than a decline. This scenario calls for a varied and substantial look into the models used to resolve this high-end human resource management dilemma. A recent study published by TFG Asset Management revealed that the UAE hospitality



industry experiences the highest turnover rates in the country. The study approximates the overall turnover within the sector to be between 25 percent and 30 percent per annum. The situation is, however, compounded by the analysis in an article that reveals that the 30 percent turnover is voluntary (Faz, 2017). This, therefore, implies that the employee makes the decision to walk out of work either due to poor remuneration, an absence of motivation structures or general poor working conditions, among others.

The high rate of employee turnover in the hospitality industry has often been linked to expectations of lower skills among the majority of entry-level employees. Lower skills mean that employees seeking jobs in the hospitality industry require no technical skills, leading to poor wages, and thus are easily replaceable. This implies that if endeavors can be made to develop training and capacity building for the employees, this aspect would attract higher wages, leading to retention strategies.

Work–life conflicts are associated with high employee turnover levels in the UAE hospitality industry. Every global industry requires a balance between work and private life since it determines employee job satisfaction. Every employee works for a purpose in life, and that purpose overrides every other commitment they make on the professional and work-based platform (Zopiatis et al., 2014). Therefore, it means that when a work preoccupation supersedes the interactions in the employee's private life, the motivation to work is drastically reduced. Sen and Kaushik (2016) explain that majority of operators in the hospitality industry fail to strike a compromise between work and life. This factor leads to poor flexibility and thus results in turnover. The trends of poor work–life balance have been reported not only in several of the Asia-Pacific nations, like India and Malaysia, but also among other developed countries like Ireland (Sen & Kaushik, 2016). Some studies have reported work–life balance to be influential, especially to female employees that have to juggle between the responsibility of bringing up children and caring for family along with other social expectations placed on them by the society.

The hospitality industry requires highly flexible work practices. This fact has been known to contribute to poor job satisfaction since employees can be made redundant as soon as the demand for the services reduces. This implies that keeping and developing a career in the hospitality

industry is an uphill task. Employees, therefore, consider the industry merely as a stepping-stone to better prospects. As a result, their commitment to work is reduced, and at any available opportunity they will leave the company for better-paying jobs.

The hospitality industry has been accused of practicing outdated human resource management practices. The level of participation of or consultations with employees in management decisions and human resource systems is very low. Several literature reviews have discussed this fact in depth in several publications. However, the majority of players in the hospitality sector have turned a deaf ear to this factor. As a result, poor wages and abnormally long working hours have characterized the sector. According to the study conducted by Carnahan, Kryscynski and Olson (2017), longer working hours and poor wages can become the point of conflict between the employees and the employer. Moreover, employee stress is a common occurrence in the hospitality sector. Technology overloads and interpersonal tensions in the workplace have been cited by previous literature reviews as major causes of stressful work situations in this sector. Similarly, work–life conflict and the often limited control of the work environment or schedules lead to incidence of stress among employees in the hospitality industry. These factors, considered with other job limitations like poor wages and longer hours of work, lead to poor motivation, thus influencing the employees to look for alternative places of work.

## **Comparisons of Employee Turnover in the Airline, Health and Hospitality Sectors**

Issues of employee turnover within an organization present varied scenarios based on the management strategies implemented in such organizations. The development of values and value statement as a management tool for managing efficiency ensures employees are adequately motivated. The services or products offered by Dubai Healthcare are of the highest quality and standards and the bottom line of the company has been experiencing positive growth. Southwest Airlines is one of the prime airlines in the United States (US). It has experienced low employee turnover

despite several challenges and heavy competition in the air travel industry. The airline ensures “employee comes first” in its operational systems (Southwest Airlines, 2018). Shine (2018) explains that the top three values of the Southwest Airlines are: Employees, Customers and Stockholders. It is important to note their commitment towards the employees, as Customers and stockholders are considered thereafter. This aspect simply implies that the airline’s principal focus is its employees and their motivational systems. Beneath Southwest Airlines mission statement is the culture statement. The entire culture statement of the company is focused on its employees. These facts taken together lead to improved employee motivation and quality services to its customers.

One of the greatest challenges in the UAE’s hospitality sector is the state of employees in its companies. Employees are outsiders or external indirect stakeholders in this industry. However, an analysis of Emirates, an airline that deals with a similar scenario, reveals a different situation. The airline has a progressive HR policy that integrates expatriate employees through capacity and knowledge resource building. If the example of the Southwest Airlines were to be adopted in the hospitality sector of the UAE, high employee turnover would be reduced to low levels.

## HR Strategy

The intention of HR strategy is to increase workers’ productivity. In most healthcare organizations such as Dubai Healthcare, the roles of human resource professional are performed by the chief executive officers based on the foundations of accountability, thereby increasing the retention. Accountability involves establishing policy initiatives that are aligned toward increasing profits and employee productivity based on the objectives of the corporate, including prioritization of customers, cultivating the culture of performance, ensuring that the healthcare organization develops a competitive advantage over its rivals and making measured decisions that are fact-based.

Comparisons between hospitality and various sectors reveals that issue of employee turnover in hospitality industry is intense, progressive and excessive. Though several issues speak to the aspects of high employee

turnover in the hospitality industry, poor treatment of employees at the workplace stands out as the major influencer.

## Factors Affecting Retention

Employee retention refers to the concerted efforts employed by the employer to retain desirable workers in the organization so as to attain its operational milestones set within a specified period. Carnahan et al. (2017), however explains that the employee retention is the extent of an employer's efforts to keep its employees according to a percentage of the overall workforce. Retention is an important process in an organization since it ensures skills and experiences gained within the organization due to training and long service is kept intact for tapping. The tapping of previous training and on-the-job experience gained in the organization leads to improved productivity and better performance management system in an organization.

For an organization to realize its potential and achieve its operational milestones, strategies of employee retentions and best practices in human resource management must be implemented in an organization. Effective recruitment and retention strategies are essential for improved productivity and enhanced financial performance of an organization.

## Work Environment

The findings of the study indicate that the work environment that the majority of hospitality industry workers find themselves in mainly contributes to increased turnover. Work environment includes work schedules, nature of supervisors, reporting times, the very nature of the work itself and work flexibility (Rubino & Reid, 2014). Similarly, a high percentage of the literature review publications seem to agree to an absence of standardized human resource policy in the hospitality industry. It is important to note that organizations that maintain clear-cut HR approaches and policies often have opportunities for development since they are able to consult the policies in times of operational challenges.

The absence of HR manuals and internal HR regulations and the non-conformance to international standardizations in the HR practices are what bedevil the hospitality industry of the UAE with regard to high employee turnover. The chaotic situation with respect to HR practices has a reasonable solution in the form of motivators and hygiene factors of Herzberg's theory (Rubino & Reid, 2014).

Herzberg's motivation-hygiene theory indicates that certain job factors are consistently related to job satisfaction, known as motivation factors, which include achievement, recognition and responsibility (Khosorowshahi & Nejad, 2014). The theory goes on to enumerate the aspects of a job or work-related schedules that contribute to job dissatisfaction, known as hygiene factors, which include supervision, relationship with supervisors, work condition, salary and company policies. The findings in the literature review reveal that almost all hygiene factors mentioned in Herzberg's motivation-hygiene theory must be prevalent in the hospitality industry of the UAE because dissatisfaction is rampant in this industry. This implies that the development and application of HR best practices, such as employing better pay structures, improving the relationship between the supervisors and the employee, and generally improving the conditions of work like the hours of service, will help reduce the turnover in the industry, which at the moment is reaching crisis levels.

## Training and Development

Training and development affects the commitment of employees and their satisfaction in an organization. This aspect in turn affects aspects of employee retention. Lack of adequate training in an organization works against the attainment of quality standards while accelerating turnover. The findings in the literature review reveal that training and development in the hospitality industry is minimal and in most cases not available to staff. The entry-level employees have minimal skills, which are mainly the ability to read and write and other basic skills (Rubino & Reid, 2014). Given that these organizations have limited opportunities for training and improving the capabilities of their employees, the relationship

between the organization and the employees shifts to strictly performance and profits. Landy and Conte (2016) explain that employees who feel they have a chance to develop new skills in an organization, or within their jobs, are more likely to remain serving in their organization rather than look for a similar position elsewhere. According to the knowledge-based theory, an organization considering knowledge as a strategic and significant resource develops through better operational structures (Hitt, Xu, & Carnes, 2016). The proponents of the knowledge-based theoretical foundation argue that since knowledge-based resources are often difficult to imitate, heterogeneous and socially complex among organizations, they are the determinants of market leadership in products and services, thus influencing competitive advantage. Training new employees, therefore, ensures they are better equipped with knowledge resources about the organization, its core values, its culture and its competitors. This information develops confidence among the employees and provides an induction into quality services and higher value prospects to the customers. Accordingly, employees view such training and development as an investment in them by the organization, thus leading to improved motivation and increased job satisfaction (Rubino & Reid, 2014). This in turn results in higher job retention levels in the company.

## Work–Life Balance

Work–life balance is a major issue for employees in the hospitality sector as well as their employers. The limitations in or poor balance between work and non-work activities is related to reduced happiness both psychologically and physically. Finding happiness at work is an important factor that leads to job retention. Most employers expect their employees to work over weekends, which has been noted to cause severe emotional stress and mental exhaustion (Landy & Conte, 2016). Several women struggle with maintaining a work–life balance since they are expected to carry out more family-based obligations compared to their male counterparts. The findings in the literature review reveal work–life balance to be the highest contributor to the high employee turnover rate in the hospitality industry. Even though working over weekends is inevitable in the

hospitality industry, an organized schedule of days off for employees, especially during weekends, will help improve motivation.

The Four Burners Theory uses a four-quadrant stove to explain work–life balance situations (Rubino & Reid, 2014). The theory represents life by a stove with four burners, with each burner symbolizing one major quadrant of one’s life: family, friends, health and work. According to the theory, in order for one to be successful, it is necessary that he or she cuts off one or two of the burners. Several theories and ideas have been developed in order to keep all burners alight, such as outsourcing services of one quadrant so as to free time for the other quadrants. The aspects presented in the Four Burners Theory require a technical balance between work and life. It is important that HR managers in the hospitality industry consider the importance of all four burners so as to fashion work schedules that allow the running of the other three burners as well, thus helping employees maintain work–life balance. In simple terminology, life is not just about work but is about family, friends, employee health situations and work combined.

## Rewards and Their Benefits

Rewards and work benefits are an important part of HR practices world over. Best HR practices have endeavored to develop explicit policies and procedures meant to provide a framework for the application of work-based reward systems. The literature analysis reveals that models of such programs of rewards and benefits are almost absent in the hospitality industry of the UAE. Rewards play a critical role in influencing retention levels in an organization (Carnahan et al., 2017, p. 1937). Organizations in the hospitality industry need to develop a rewards system within their management policies so as to build an effective and motivated workforce. Motivation dynamics have changed considerably to reflect work requirements and worker expectations. The concept of intrinsic rewards has more significance than the extrinsic motivational mechanism (Rubino & Reid, 2014). However, the hospitality industry faces challenges even in meeting the bare minimum requirements of HR practices such as secure job environment, standardized work hours and better pay commensurate

to the services provided. The models of reinforcement and expectancy theories focus on the relationship between extrinsic rewards and performance. The reinforcement theory expounds that a positive reaction after a rewards system is more likely to recur in the future (Lepper & Greene, 2015). The expectancy theory focuses similarly on the relationship between rewards and behavior. Compensation systems differ generally on the motivational systems they accrue to the employee. Instrumental perceptions used to build employee motivation are important in HR practices and can therefore be used to reduce higher employee turnover (Lepper & Greene, 2015).

## Communication

Communication is a significant factor in a company's success. There are several aspects of communication that can influence a positive relationship between employees and their employers. Regular staff briefing and easy access to managers coupled with intercommunication among employees improve the aspects of cohesion and trust among employees and their seniors. The literature reviews point out to an absence of healthy communication systems and methods in the hospitality sector. Most of the entry-level staff employed communicate only with their immediate supervisors, leading to poor confidence building in the organization. The critical theory asserts that conflict is a natural occurrence within an organization (Lepper & Greene, 2015). Employees will, therefore, tend to resist instructions from their manager. Communication in the critical theory takes the role of managing the conflicts and preventing them from occurring through encouragement and the opening up of discourses on various aspects of conflicts. Thus the application of the critical theory in the hospitality industry will ensure the opening up of discourses and generate moments of sharing, which will lead to better understanding of people and procedures.



## Conclusion

The implementation of HR best practices is an important phenomenon that should be given precedence in the hospitality industry of the UAE. It is necessary that industry players develop human resource manuals and policies for application in their departments. Employees must be given formal work contracts of not less than two years, renewable so as to build confidence in their work. The HR best practices should be followed at work. Making employment in the hospitality industry lucrative will reduce the impacts of high employee turnover witnessed in the sector. Similarly, to ensure skill building and increase commitment, training and development should be incorporated in the hospitality industry of the UAE.

A majority of entry-level employees in this industry suffer from limitations of skills. In some cases, the entry-level employees are overqualified for their jobs, but the sector faces challenges in offering internal promotions. Improving aspects of internal promotions will work to increase retention. If the chances of growth and opportunity are limited, employees often tend to disengage at work while seeking opportunities elsewhere. Therefore, developing measures of promotions and sourcing from within the organization when a position becomes available at the senior level will encourage the staff to stay around and work hard while gaining both professional skills through education and technical skills through experience.

The hospitality industry is characterized by stockholders running the show while the employees are in most cases viewed as outsiders. Improved compensation is a measure that can influence higher retention rates. However, there is a need for a good motivation system to remedy the situation of high employee turnover in the industry. Several organizations have developed an employee ownership mechanism as a motivation system. In this model, the employee is considered for company ownership through subsidized stocks within various departments. This opportunity for the ownership of the organization they work for will ensure the employees give their best quality and work to serve customers better simply because they understand that the profits and dividends would accrue

to them at the end of the year. These aspects can considerably reduce the high employee turnover rates in the hospitality industry.

The factors influencing the high turnover level have remained the same for several decades as noted in the findings of this study. Some of the heavy influencers are the strenuous and abnormally long working hours, low skill expectation at entry levels and the conflict witnessed in work–life balance. It is important that employees and employers in the hospitality industry find a point of compromise so as to end this rampant trend. Human resource management experts must be allowed to voice their opinion about the employment standards of workers. Employee motivation techniques should be employed in the hospitality industry. Given that employees in other professional services such as banks and insurance, including those in the medical field, have progressive motivation systems, it is important that actors in the hospitality industry also employ such measures to reduce employee turnover. Job flexibility, improved relationship between employees and managers/supervisors and effective communication systems should be adopted by organizations in order to limit the ever increasing rates of employee turnover in the hospitality sector.

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# 5

## The Effects of Employee Engagement on Employee Turnover: A Case Study from the UAE

Tasleem Firdous

The UAE is a federation comprising seven emirates—Abu Dhabi, Dubai, Sharjah, Fujairah, Ras al Khaimah, Umm al Quwain, and Ajman (O’Neill, Hodgson, & Al Mazrouei, 2015, p. 9). Organizations in the UAE employ a mixed workforce, consisting of individuals from varied nationalities seeking work opportunities (Suliman & Al-Junaibi, 2010, p. 1472). However, employee engagement is seen to be gaining importance in recent years, as a survey done by an HR (human resource) consultancy, Tower Perrins, indicated that over 95 percent of the workers believed that they would be more productive if they were happier and engaged at the workplace (95% of employees believe they would be more productive if they were happier, 2017). This can pose a challenge in promoting “long-term growth and global competitiveness” in the UAE (Khoury & Tozer, 2013).

Employee turnover has been rising over the past few years in the UAE, with the rate being higher than the global average (Nair, 2017). A study on UAE workers, done by Robert Half, has provided some reasons for

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this increasing rate (Maceda, 2017d): inefficient management, stricter workplace regulations, absence of interaction with peers, lack of challenging work, “poorly executed” meetings, and a vague “understanding of the significance of their contribution to the company’s bottom line” (Maceda, 2017d). However, most experts have pointed out that lack of employee engagement is one of the most important factors that could cause a high level of employee turnover (Nair, 2017).

According to Gallup, which is an analytics firm, employee survey results have stated that about 85 percent of the employees within the UAE are “not engaged” or are “actively disengaged” in their work (Maceda, 2017a). This means that only about 15 percent of the total UAE workforce is connected to their work (Maceda, 2017a). This implies that though employees are physically present at the workplace, they do not feel a “psychological connection”, and as a result, they decide to leave (Maceda, 2017a). For this reason, many firms now focus on engaging employees through increased pay and other benefits.

This chapter explains the link between employees who are immensely engaged at their workplace and the subsequent impact on their intention to leave. It also highlights how higher levels of employee turnover are associated with firms with reduced opportunities for engagement. Therefore, the study aims to answer the following questions based on an extensive analysis of literature and secondary data:

- Does culture play a role in determining the level of engagement among employees?
- Does job tenure of the employees have an effect on the level of engagement and consequently their intention to leave?
- Are employees more engaged in certain industries as compared to others?

## Employee Engagement

In general, employee engagement can be seen as a form of motivation that helps employees to connect with the organizations, both physically and psychologically (Al Mehrzi & Singh, 2016, p. 831). In fact, employee

training, welfare, and safe working conditions can be seen as some of the approaches aimed at employee engagement. Often in literature, the word “commitment” is used interchangeably to describe this concept (Kompaso & Sridevi, 2010, p. 89). On the contrary, there could be a situation where employees may not become fully committed to their job roles (Sibiya, Buitendach, Kanengoni, & Bobat, 2014, p. 132). This leads to a situation called disengagement (Sibiya et al., 2014, p. 132). Disengaged employees tend to display less interest in their work, make poor decisions, are highly distracted, and take more days as leave, thereby resulting in lower productivity (Sibiya et al., 2014, p. 132).

Engaging employees seem to produce various benefits for both the individual and the organization. On an individual level, it can improve job satisfaction and performance (Al Mehrzi & Singh, 2016, p. 831). For the organization as a whole, engaged employees could mean a source of competitive advantage, which can increase productivity and thereby contribute to the organizational goals (Al Mehrzi & Singh, 2016, p. 831). This is evident from the survey that Tower Perrins had piloted in 2017, where the findings demonstrated that “the operating income of businesses with low levels of employee engagement” fell by 32.7 percent while those with high levels rose by 19.2 percent (95% of employees believe they would be more productive if they were happier, 2017).

Engagement can be affected by certain factors such as HR practices, job satisfaction, commitment, organizational culture, remuneration, management support, relationship with colleagues, work–life balance, and training and development (Kaur, 2017, pp. 10–19). However, in the context of the UAE, three factors can be identified to have impact on the level of engagement, namely, culture, job tenure, and type of industry.

Based on the understanding of literature, the framework shown in Fig. 5.1, has been proposed. This framework will be employed to explain

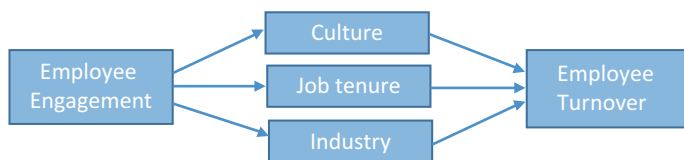


Fig. 5.1 Employee engagement and turnover framework. Source: Author

how employee engagement can be influenced by the culture of the organization, job tenure of the employees, and the type of industry, thereby leading to turnover intent in the UAE.

## Role of Culture

Firstly, organizational culture is seen to have a profound effect on the level of engagement among employees (Al Mehrzi & Singh, 2016, p. 838). Kirkman et al. (2009) describe culture as a set of shared values, beliefs, norms, and attitudes that an individual derives from “morals, laws, customs and practices of a society” (cited in Sheikh, Newman, & Al Azzeh, 2013, p. 1082). As a result, organizations can adopt either an individualistic attitude, where employees work individually, or a collectivist attitude, where employees work interdependently with other employees (Sheikh et al., 2013, p. 1082). Abdalla and Al-Homoud (2001) have mentioned that the UAE has a collectivist culture (cited in O’Neill et al., 2015, p. 22).

In addition to this, since firms operate across borders, national culture also shapes a firm’s “values, politics,” and “management styles” (Al Mehrzi & Singh, 2016, p. 832). It could also affect the way a team operates, relationship with peers, or even the general working environment (Al Mehrzi & Singh, 2016, p. 835). Hence, national culture can also have an influence on organizational culture. In fact, a report suggests that organizations in the UAE are reshaping their workplace culture due to increasing innovations, industries, technologies, and working models, which seem to impact the way employees communicate and work with each other (UAE’s work culture is getting future ready, 2017). Similarly, theorists such as Lockwood (2007) have established that culture can also determine the level of engagement among employees (cited in Smith & Macko, 2014, p. 60). This is why organizations, today, focus on creating a cooperative culture in order to enhance employee commitment (Al Mehrzi & Singh, 2016, p. 838).



## Role of Job Tenure

Secondly, job tenure also plays a role in determining the level of engagement. In literature, job tenure has been defined as the number of years an employee works for a firm (Carmeli 2003, as cited in Sibiya et al., 2014, p. 134).

The trend of employees changing jobs in less than two years has risen to a large extent (Khalife, 2016). This phenomenon could be due to the changing nature of business and advancement in technology, where individuals are increasingly adopting to work for a short-term period (Maceda, 2017a). These individuals may represent the younger generation who are less engaged in the workplace, due to the lack of commitment displayed by them as compared to the older workers (Maceda, 2017a). In the UAE, this seems to be a common phenomenon in the last few years and has made firms reconsider their employee retention strategies (Khalife, 2016; Maceda, 2017b).

Normally, one would surmise that employees who spend a longer period of time working with a firm are engaged with the firm (Harter, 2015, p. 4). These employees become specialists with in-depth knowledge about their field, which is hard to be gained through business schools or other company roles (Harter, 2015, p. 5). As a result, these employees become a source of competitive advantage for the firms, as they have immense tacit knowledge of the firm's operations (Harter, 2015, p. 4). This, in turn, is linked with improved performance levels (Harter, 2015, p. 5). However, studies also provide contrasting views where employees consider leaving the firm despite working for a longer period of time (Studies Reveal Efforts to Engage Employees at Work and Beyond, 2015). Harter (2015, p. 3) specifies that the main reason for this is the lack of engagement for the employees with the firm.

## Role of Industry

Thirdly, the degree of engagement tends to have a variation among different industries. This could occur between heavy and light industries or between different sectors—private versus public. For example, in the hospitality industry, front-office hotel workers, who were engaged with and emotionally attached to the organization, had a positive perception of their work and had lesser intent to leave (Karatepe, 2015). Another instance is when HR experts from a range of global firms had to participate in a training program, which is also viewed as a form of engaging employees (Kay, 2007). Furthermore, a study done on Indian retail firms has demonstrated that engagement had largely benefited employees (Sumathi, 2017).

In the UAE context, the level of loyalty and engagement tends to be high for the public sector (Ibrahim & Al Falasi, 2014). However, a study on the working professionals in the UAE oil industry had concluded that committed individuals might also develop the intent to leave (Suliman & Al-Junaibi, 2010, p. 1472).

## Effect of Employee Engagement on Turnover

During last five years, many firms have realized that lack of engagement among employees is one of the main causes of increased employee turnover. In fact, it is one of the major obstacles faced by firms today, as turnover has associated costs for the organization. Numerous studies provide support to this relationship (Sibiya et al., 2014; Smith & Macko, 2014). In fact, Sibiya et al. (2014, p. 139) mention that employee engagement has a positive impact on retention and an inverse relationship with turnover.

According to CIPD (2012), employee turnover is defined as the number of “employees who leave an organization over a set period” of time (cited in Smith & Macko, 2014, p. 57). There could be many reasons leading to employee turnover, including lower pay, longer working hours, low job satisfaction or involvement, minimal growth prospects, poor facilities, and lack of training (Hendrie 2004, cited in Smith & Macko, 2014, p. 58). However, we might also reckon that employee turnover can

bring in new hires with fresh perspectives. Yet, it is associated with costs such as increased recruiting, loss of knowledge, additional training costs, and lowered morale for the rest of the employees (McKay et al. 2007, as cited in Sibiya et al., 2014, p. 134).

Meanwhile, a study in the UAE states that the main factors for engagement in the UAE are identified to be “communication, leadership, benefits, image, and empowerment” (O’Neill et al., 2015, p. 5). At this point of time, it is important to note that there is a lack of literature aimed at UAE workforce in different industries. Also, most studies have used a quantitative approach to explain this relationship.

Nevertheless, one can infer that the views among researchers are not constant. This is true even for the various theories and concepts used by them to describe this relationship. For example, if employee engagement is seen as providing a safe work climate, then the social exchange theory can be used (Huang et al., 2016, p. 249). According to this theory, if the employers provide employees favorable treatment such as programs aimed at engagement, the employees reciprocate by being more loyal and committed to the firm (Huang et al., 2016, p. 249). Some other theorists attribute Herzberg’s two-factor theory to engagement, where satisfaction at work is divided into two broad categories—motivators and hygiene factors (Berry & Morris, 2008). Motivators are the factors of work that produce direct satisfaction, such as recognition, while hygiene factors may not produce immediate satisfaction but when removed can cause discontentment among employees (Berry & Morris, 2008). Therefore, engagement can be seen as a form of motivator.

## Ability-Motivation-Opportunity Model

According to Savanevičienė and Stankevičiūtė (2011), the ability, motivation, and opportunity model, or the AMO framework, seems to be most appropriate model to understand employee engagement. This is best expressed in terms of the equation given below, which shows that ability, motivation, and opportunity are required to attain high performance among employees (Boxall & Purcell 2008, as cited in Collings & Mellahi, 2009, p. 310).

$$P = f(A, M, O)$$

According to this theory, employees need to have the required ability (in terms of capacity and skills), motivation (in terms of reinforcement and willingness), and an opportunity to perform (with the help of the right tools and working conditions) in order to perform well (Blumberg & Pringle 1982, cited in Collings & Mellahi, 2009, p. 310). If a situation arises where the employee has the required skill as well as opportunity, in terms of their current position, but do not have much motivation from the management, they can fall back on performance. A similar issue occurs when skilled employees who have the zeal (or the motivation to perform) are not given the opportunity to excel through engagement programs.

This theory is commonly associated with firms that are high-performing work systems, wherein “bundles or systems of human resource policies and practices” are used “to influence firm performance” (Muduli, Verma, & Datta, 2016, p. 130). Basically, if the organization aligns its objectives with the goals of employee engagement, employees are seen to be more motivated and keen to improve performance (Muduli et al., 2016, p. 135). Moreover, instilling HR practices that aim at improving employees’ skills and motivation levels have been seen to have an effect on the employees’ reluctance to leave the organization (Gardner et al. 2011; Sun et al. 2007, as cited in Kaifeng, 2012, p. 1268). In this way, the organization will value their contribution and encourage them by providing more opportunities, thereby establishing long-term relationships (Kaifeng, 2012, p. 1268). As a result, the employees, too, will feel more engaged and work harder and are less likely to leave (Kaifeng, 2012, p. 1268).

## Discussion

The data employed for this research are secondary data, qualitative in nature, collected from the websites ‘Indeed’ (2018) and ‘Glassdoor’ (2018), where employees are allowed to give their views about UAE firms. Using secondary data is useful as it allows one to reanalyze

quantitative data or combine information from various data sets (Vishwanath, 2015). In other words, an online research can be undertaken for deductive reasoning. According to Hyde (2000), deductive analysis involves identifying a specific theory and testing whether it applies to the context. In this research, the AMO framework has been chosen to ascertain if it can explain the relationship between employee engagement and turnover in the case of four firms.

A small sample size is used in the research, which involves four firms in the UAE—Siemens, Petrofac, Apparel, and DHL. Siemens is a “global technology company with core activities in the areas of electrification, automation and digitalization” (Siemens Aktiengesellschaft, 2018, p. 3); Petrofac is an “oilfield service company” (Petrofac Limited, 2017, p. 3); Apparel Group is “a global fashion and lifestyle retail conglomerate” in the UAE (Apparel Group, 2018); and DHL is a global logistics firm (DHL Supply Chain (formerly Exel Inc.) SWOT Analysis, 2018, p. 3).

The current as well as former employees of these four firms have provided information on their respective firm’s culture, their length of employment, and type of industry they are employed in. Furthermore, the study was conducted on a cross-sectional basis, that is, for a specific period of time ranging between September 1, 2017, and January 31, 2018. This allows us to critically analyze the employee turnover perspective. Apart from that, the individuals occupy various positions, across various firms located within the UAE, not limited to a specific department.

In order to study the effect of the variable ‘culture’, comments that emphasized on the word ‘culture’ were used. In addition, comments that emphasized on ‘work–life balance’ were also used. In fact, work–life balance can also be considered to be a part of the cultural component. Taneja, Sewell, and Odom (2015, p. 49) justify this by saying that when the organizational culture can promote an environment where employees are able to “strike a balance between work and individual goals”, this can lead to “high performance and employee engagement”.

Similarly, to study the level of engagement among industries, two factors, that is, management and pay, were used. In literature, these two factors seem to have a significant role in empowering and engaging employees for two reasons. Firstly, scholars note that interaction and support from the management is seen to be essential in achieving a higher

level of engagement and performance (Taneja et al., 2015, p. 52). Secondly, the right kind of pay and incentives is also seen to have a positive correlation with the commitment and satisfaction levels of the employees (Ogbonnaya, Daniels, & Nielsen, 2017, p. 2).

Scholars have pointed out that when the culture of an organization does not match the level of commitment shown by its employees, it can lead to frustration and burnout (Pauken, 2008). Thus, Kelleher (2015, p. 18) asserts that engagement is an important segment of organizational culture, and managers often play a role in shaping an atmosphere where employees feel empowered. In reality, this is one of the reasons for the success of large corporations such as Johnson & Johnson, where the employees have demonstrated an exceptional work–life balance (Kelleher, 2015, p. 19).

It is interesting to note that employees who had been with a company for more than five years felt committed. On the contrary, there were employees who had left their firm in less than a year, due to various reasons. In fact, this supports the views expressed in literature that employees who are more engaged or committed tend to stay longer at their firm and are less likely to leave (Ismail 2012, as cited in Ibrahim & Al Falasi, 2014, p. 569). Employees who have held longer tenures with their firm are said to have more stable employment, are more engaged, and have less intent to leave (Bal, De Cooman, & Mol, 2013, p. 108).

The role of industry is pivotal. In fact, in industries such as oil and gas, there tends to be a high amount of work pressure and tight deadlines, leaving the employees less time for training or other activities. Comparatively, in the retail sector, more training, opportunities, and incentives are provided. Therefore, the amount of engagement of employees can depend on the type of industry they are employed in.

A thorough analysis of the literature review has demonstrated that results of research in a particular industry cannot be generalized across all industries to understand the engagement levels. For instance, the Dubai International Financial Centre (DIFC) had instituted a form of engagement program based on employees' views (Uttinger, 2009, p. 17). It had introduced a buddy system, opened up new channels for communication, encouraged employees to contribute ideas, and strengthened the trust-based relationship between the management and the employees (Uttinger, 2009, p. 18). As a result, DIFC had transformed into a

high-performance organization (Utzinger, 2009, p. 16). Another example is DHL, which has been awarded various accolades for employee engagement (Maceda, 2017c). According to Maceda (2017c), DHL has introduced certain reforms focusing on developing employees and creating a safe working culture, which has, in turn, helped the firm reduce turnover by drastic levels and retain more employees as compared to others.

Meanwhile, the research by Suliman and Al Junaibi (2010, p. 1472) indicated that employees in the oil and gas firms displayed no correlation between their level of commitment and their intent to leave. In a similar vein, petroleum sector employees in the UAE had indicated that when managers show a positive leadership style, it could help employees feel more empowered and engaged (Al Sahi, Zaabi, Ahmad, & Hossan, 2016, p. 812). In this way, different industries have varied forms of engagement schemes that cater to their employees' needs.

As mentioned earlier, the AMO framework seems to explain this link between employee engagement and turnover. A study by Gallup (2014) indicates that employees who have the right talent (ability) but are not engaged (given fewer opportunities to display their talents) can deliver subpar performance (lower levels of motivation) for the organization (cited in Harter, 2015, p. 4). In other words, when the organizational culture allows for more engagement through training, better work climate, and safety, the employees feel more motivated. This aspect is also displayed by some of the firms analyzed in this research. Therefore, when skilled employees are offered a culture that allows for more opportunities for engagement, they become motivated to perform better.

Similarly, in such an engaging culture, the organization can retain more talented workers. However, this research has also seen the contrary, where engaged employees also leave the firm due to certain reasons. Harter's (2015, p. 4) study suggests the idea that when employees are skilled and engaged, they tend to perform better than average workers, even if they have a job tenure of less than two years. CIPD (2012) explains that HR experts are therefore often tasked with the responsibility of motivating and engaging employees in a dynamic business environment, thereby helping the firm in reducing costs and turnover (cited in Smith & Macko, 2014, p. 66). However, one should bear in mind that turnover

may also include workers who leave the firm after an internship or a part-time or temporary job opportunity with the firm (Smith & Macko, 2014, p. 66).

Some industries, especially large-scale firms, offer an environment with high work pressure and tight deadlines. But, if the industry provides a reasonable amount of work to the employees coupled with some opportunities of engagement, this seems to help the employees. At this point, one can notice that all aspects of the AMO model can be applied to the context, and the respective firm or industry can retain employees.

Furthermore, a common theme found in the comments is the longer working hours expected of the employees, which could contribute to employee turnover. This view is also illustrated in literature, where a study done on construction workers in the Middle East indicated they had to work for longer hours because of which the level of turnover increased in such firms (Redfern, 2007).

## Findings

Four firms in the UAE that have an excellent record of employee engagement were selected for the purpose of this research. In totality, 40 comments were gathered for analysis, and the results of the data analysis for each variable are discussed below.

## Culture

In terms of workplace culture, the comments of employees from four firms in the UAE were analyzed from the 'Indeed' website (Indeed, 2018). The results are compiled in Table 5.1.

As observed from the table, the management at Petrofac has incorporated a good work culture. Here, the multicultural workforce liked to learn new things each day. Apart from that, they also seem to value everybody's opinions. Some comments even focus on team-based work and state that supportive management was the key element to their success. Meanwhile, the work culture at DHL was characterized as being good



**Table 5.1** Employee comments

Firm	Statements on Culture	Work-life balance
Petrofac	<p>"Very Dynamic and demanding work culture, very little resources available, yet 100% commitment is expected"</p> <ul style="list-style-type: none"> <li>• Former Deputy Manager Logistics (January 24, 2018)</li> </ul>	<p>"it's very productive company."</p> <ul style="list-style-type: none"> <li>• Former Administrative Assistant (September 11, 2017)</li> </ul>
DHL	<p>"The Managers are nice and entrust their employees greatly to drive a synergy at work place."</p> <ul style="list-style-type: none"> <li>• Former B2B Sales Executive (November 27, 2017)</li> </ul> <p>"Better place to be"</p> <ul style="list-style-type: none"> <li>• Former Accountant in Customer Accounting, Finance Department (September 19, 2017)</li> </ul>	<p>"We learn from our ups and down."</p> <ul style="list-style-type: none"> <li>• Service Point Advisor (January 1, 2018)</li> </ul> <p>"To make daily report, accept package from counter, do security scan, give valid feedback to clients when shipment is lost or damaged, arrange delivery"</p> <ul style="list-style-type: none"> <li>• Former Customer Service Employee (January 28, 2018)</li> <li>• Long hours"</li> <li>• Transport Coordinator (January 3, 2018)</li> </ul>
	<p>"My favorite part of my last job includes the ability to work independently (trust from employers) and the people I worked with."</p> <ul style="list-style-type: none"> <li>• Former Credit Controller (September 18, 2017)</li> </ul> <p>"I enjoyed most are the people, the different kinds of culture that I got to learn and adopt."</p> <ul style="list-style-type: none"> <li>• Former Tracing Adviser—Customer Service Executive (October 4, 2017)</li> </ul>	<p>"I use to handle great individual with different culture and personality."</p> <ul style="list-style-type: none"> <li>• Former Logistics Operation Team Leader (November 4, 2017)</li> </ul>

(continued)

Table 5.1 (continued)

Statements on	Work–life balance
Firm	Culture
Apparel	<p>“Apparel Group is really a very good place to learn more.”</p> <ul style="list-style-type: none"> <li>• Merchandise Planner (November 18, 2017)</li> </ul>
Siemens	<p>“I can’t say that I have faced some unresolved problems or felt any hardest part of the job.”</p> <ul style="list-style-type: none"> <li>• Sales Associate/Customer Service (January 14, 2018)</li> </ul> <p>“Coach in store team with the action plan for the day to reach our goals flowing up for full day and managing customers with team and office requirement is always flowing up to make sure that we are not missing any chance to achieve our targets and always having team activity.”</p> <ul style="list-style-type: none"> <li>• Store Manager (January 12, 2018)</li> <li>• Marketing Specialist (January 4, 2018)</li> </ul> <p>“Fun to work around, friendly and help full members around”</p> <p>“Very good place to work in, with very nice and professional people, and the employees are provided by the newest and most advanced devices and tools to work.”</p> <ul style="list-style-type: none"> <li>• Former Online Specialist (December 31, 2017)</li> </ul> <p>“I have learned and trained others as part of my job.”</p> <ul style="list-style-type: none"> <li>• Former Operational manager (November 27, 2017)</li> </ul> <p>“Taught me to deal with different cultures and taught me to be helpful in the team”</p> <ul style="list-style-type: none"> <li>• Senior Sales Associate (November 14, 2017)</li> </ul> <p>“Flexible working hours, great workplace culture”</p> <ul style="list-style-type: none"> <li>• Former Intern (October 9, 2017)</li> </ul> <p>“Learning while working is the most enjoyable part of working here.”</p> <ul style="list-style-type: none"> <li>• Electrical Engineer (January 4, 2018)</li> </ul>
Apparel	<p>“It’s a very known company having 65+ international brand and spreads in GCC almost 1500 stores and I would say it’s a great place to work where dreams come alive.”</p> <ul style="list-style-type: none"> <li>• Former Assistant Area Sales Manager (December 29, 2017)</li> </ul> <p>“The working environment helps how to communicate with different culture and kind of people.”</p> <ul style="list-style-type: none"> <li>• Sales Associate (October 25, 2017)</li> </ul> <p>“General organization of work flows was pretty good as well.”</p> <ul style="list-style-type: none"> <li>• Former Sales Associate (January 23, 2018)</li> </ul> <p>“Long hours work”</p> <ul style="list-style-type: none"> <li>• Sales Associate (September 21, 2017)</li> </ul> <p>“They are very professionals and want to see you grow in a good work life balance if you also help yourself.”</p> <ul style="list-style-type: none"> <li>• VM of Tommy Hilfiger/Pumpkin Patch/Moreschi (November 7, 2017)</li> </ul> <p>“Long hour”</p> <ul style="list-style-type: none"> <li>• Former Sales Associate (December 10, 2017)</li> </ul> <p>“Apparel group UAE is a great place to work.”</p> <ul style="list-style-type: none"> <li>• Senior Store Manager (October 14, 2017)</li> </ul> <p>“Work is good and great seniors to guide.”</p> <ul style="list-style-type: none"> <li>• Assistant BMS Engineer (October 30, 2017)</li> </ul> <p>“Also, there are a lot of events organized by employees, so you have a pretty good work–life balance.”</p> <ul style="list-style-type: none"> <li>• Former Industrial Customer Service Representative (October 21, 2017)</li> </ul>

Source: [Indeed.com](https://www.indeed.com)

and motivating for the employees to work in. It is similar to Petrofac in terms of engagement; however, it differs on the innovative incentives offered. Apparel has offered a similar culture that encourages the employees and gives them room for improvement. This is also similar to Siemens, where employees enjoyed the workplace culture that encourages engagement and fosters better work–life balance. Ultimately, all the employees of the four firms have demonstrated that a strong work culture is key to better engagement and retention.

## Job Tenure

Again, employee data of the four firms were gathered from the ‘Glassdoor’ website (Glassdoor, 2018) to analyze whether job tenure has a relationship with their engagement. Some of the employees at the petroleum firm, Petrofac, had left despite being offered an exciting job with good pay, due to other reasons. These employees held a senior position in the firm. In addition, an effective form of training in new technology and experience in their particular field had helped them in their future jobs. However, former employees from the retail firm, Apparel, have left the firm citing unrealistic targets as their reason. It important to note that employees who had worked for more than eight years with the firm had resigned, even though the work culture and perks were deemed as good enough. Most of them also complained about the long working hours required by the firm.

In the logistics firm, DHL, there were cases where employees had resigned after spending more than 15 years with the firm, due to other reasons. These employees had mentioned that the firm had opportunities for growth and development such as training. On the other hand, some former employees had left the firm within a year of joining. In the case of the technological firm, Siemens, some employees had not provided information on the length of employment. Therefore, data for very few employees were available, and these employees had stated other reasons for leaving the firm.

## Industry

For the purpose of this research, four industries were selected. In each industry, a firm was analyzed, on the basis of their engagement levels, from the ‘Indeed’ website (Indeed, 2018). The level of engagement is identified through two drivers of employee engagement—pay and management. These factors seem to affect the engagement among employees in various industries (Table 5.2).

### Oil and Gas Industry

For Petrofac, five comments on the ‘Indeed’ website were analyzed, which included four from current employees and one from a former employee. The comments suggested that although the firm seems a nice place to work, the work seems to be for longer hours and is characterized as dull and boring. However, this could be due to the high pressure of work activities found in such large-scale firms. Moreover, some comments state that the management offers a participative leadership style, contributing to a meaningful and safe work environment. This shows that it focuses on engaging employees by involving them in all activities and ensuring that they are happy with the work. The company also provides a good work culture and also includes diversity as part of its philosophy. Likewise, the firm provides various facilities to its employees such as catering, accommodation, and transport.

### Logistics Industry

As regards DHL, six comments were present on the ‘Indeed’ website, out of which three belonged to current employees of the firm. Some of the employees have also undertaken part-time work and internships. The employees of this firm applaud its engagement initiatives, such as training, good benefits, and its supportive management structure. Also, the pay given is commensurate with other firms in the industry.

**Table 5.2** Industry-wide comparison of engagement levels

Statements on	
Industry	Management
Petrofac (Oil and gas)	<p>Pay and benefits</p> <p>"Excellent benefits"</p> <ul style="list-style-type: none"> <li>• Former Deputy Manager Logistics (January 24, 2018)</li> </ul> <p>"Open time working hours"</p> <ul style="list-style-type: none"> <li>• Telecom Commissioning Engineer (January 15, 2018)</li> </ul> <p>"Normal 8 hours"</p> <ul style="list-style-type: none"> <li>• QHSE Officer (September 25, 2017)</li> </ul> <p>"On time salary"</p> <ul style="list-style-type: none"> <li>• Transport Coordinator (January 3, 2018)</li> </ul> <p>"Great team, highly appreciate the management team"</p> <ul style="list-style-type: none"> <li>• Service Point Advisor (January 1, 2018)</li> </ul>
DHL (Logistics)	<p>"Expectations are: Safety first daily plan and follow up for the workforce 2-3 week look ahead plan time management and schedules"</p> <ul style="list-style-type: none"> <li>• Telecom Commissioning Engineer (January 15, 2018)</li> </ul> <p>"Management is very good and all managers are so so lovely,"</p> <ul style="list-style-type: none"> <li>• QHSE Officer (September 25, 2017)</li> </ul> <p>"The management is very good when it comes to how to handle their staff especially in motivating them."</p> <ul style="list-style-type: none"> <li>• Former Logistics Operation Team Leader (November 4, 2017)</li> </ul> <p>"The management is good and the workplace is okay."</p> <ul style="list-style-type: none"> <li>• Tracing Adviser—Customer Service Executive (October 4, 2017)</li> </ul>

(continued)

Table 5.2 (continued)

Statements on	
Industry	Management
Apparel (Retail)	<p>Pay and benefits</p> <p>“And the same is the most enjoyable part being a part of the company—good benefits, good work life balance and learning never ends.”</p> <ul style="list-style-type: none"> <li>• VM of Tommy Hilffiger/Pumpkin Patch/Moreschi (November 7, 2017)</li> </ul> <p>“I am glad that I have been the member of apparel group with benefits and serving my service.”</p> <ul style="list-style-type: none"> <li>• Sales Associate (September 21, 2017)</li> </ul> <p>“Learned management skills, self-development”</p> <ul style="list-style-type: none"> <li>• Senior Store Manager Retail (October 14, 2017)</li> </ul> <p>“Our request from the office takes long-time.”</p> <ul style="list-style-type: none"> <li>• Former Department Manager (November 9, 2017)</li> </ul> <p>“I like because it gave me first experience in UAE.”</p> <ul style="list-style-type: none"> <li>• Senior Sales Associate (November 13, 2017)</li> </ul> <p>“Sometimes had to work a lot more than 40 hours”</p> <ul style="list-style-type: none"> <li>• Former Sales Associate (January 23, 2018)</li> </ul> <p>“It’s a good place to work indeed.”</p> <ul style="list-style-type: none"> <li>• Senior Store Manager (September 14, 2017)</li> </ul>
	<p>“The management were very cooperative where work is concerned.”</p> <ul style="list-style-type: none"> <li>• Former Operational Manager (November 27, 2017)</li> </ul> <p>“Management was fair and loyal towards employees’s needs.”</p> <ul style="list-style-type: none"> <li>• Former Sales Associate (January 23, 2018)</li> </ul> <p>“I got such a good experience and fully knowledge by the working to this company, especially there are some good support from the management side and our managers.”</p> <ul style="list-style-type: none"> <li>• Sales Associate/Customer Service (January 14, 2018)</li> </ul> <p>“In apparel academy, I learn a lots starting from customer service passing by people management business management and customer management with inventory management.”</p> <ul style="list-style-type: none"> <li>• Store Manager (January 12, 2018)</li> </ul> <p>“Management is easy to communicate with.”</p> <ul style="list-style-type: none"> <li>• Marketing Specialist (January 4, 2018)</li> </ul> <p>“The management gives all employees equally all credit to think and creative, and when anyone comes up with new idea, they give him all ears and try to think with him for better results.”</p> <ul style="list-style-type: none"> <li>• Former Online Specialist (December 31, 2017)</li> </ul> <p>“I learned a lot from the company as it is my first job in the UAE, the management is very supportive and good to learn from.”</p> <ul style="list-style-type: none"> <li>• Assistant Store Manager at SMYK (December 17, 2017)</li> </ul>

"Management really gives chances to those capable and responsible ones."

- VM of Tommy Hilffiger/Pumpkin Patch/Moreschi (November 7, 2017)

"As management requires team work, it is always important to have a good Regional Manager."

- Former Regional Manager for LV, SWGR, and Automation (January 14, 2018)

"The salaries are a bit lower as compared to some of its competitors."

- Senior Engineer (January 9, 2018)

"Lot of stress. No time for yourself. Work Load is very high."

- Former DR Consultant (September 14, 2017)

Source: Author

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## Retail Industry

For the firm Apparel, six reviews were available for the year 2018, out of which two were based on the experiences of former employees. Despite the engaging and supportive environment, some employees state that they had to work for long hours. Nevertheless, the firm provides incentives such as free insurance and overtime to motivate them. Apart from that, it provides various opportunities for development, helping the employees learn and gain experience, and also recognizes their achievement. In addition, the employees liked working there and had found the management to be fair and supportive toward the staff.

## Technology Industry

Data collected from six employees at Siemens indicate that they enjoyed working with the firm. As per their statements, the management is seen to be very supportive and helpful to the employees. Employees are treated as family members, and the senior members seem to mentor the workers. This is evident from the open-door policy mentioned by some of the employees. Furthermore, the firm provides competitive perks, including free lunches and allowances. Some employees had to work in teams and found their colleagues to be helpful and respectful.

## Conclusion

The main purpose of this study was to understand whether employee engagement could have an impact on the turnover rate based on three variables identified for the context of the UAE. This study on four firms in the UAE has demonstrated that this relationship holds true, on the basis of the AMO theory. It can be inferred that workplace culture as well as job tenure can impact the level of commitment among employees. Moreover, the relationship can also depend on the kind of industry they are employed in. This study suggests addressing the issue of engagement and turnover in the workplace through three ways. Firstly, as Lockwood



(2007) states, HR experts must assess the needs of the leaders and the workers, which will help them create systems and policies that cater to those needs (cited in Al Mehrzi & Singh, 2016, p. 831). In this way, the interests of the workers and the goals of the organization can be aligned. However, this process requires the organization to hire the right talents (Harter, 2015, p. 5). When these two are paired, they can improve employee engagement levels, reduce turnover, enhance performance, and increase productivity, thereby becoming valuable organizational resources (Harter, 2015, p. 6).

Secondly, managers need to have a mechanism whereby they can understand employees' needs and allow employees to have a certain degree of autonomy in performing their tasks (Harter, 2015, p. 6). This involves assessing their needs and talents (Harter, 2015, p. 6). In fact, it is the duty of the management of a firm to create a culture that allows for trust and commitment among employees. This is evident from the research, which shows that the management is responsible for about 70 percent of efforts aimed at engagement (Maceda, 2017a). The management can do this by redesigning job tasks by introducing more variety and autonomy into it (Maceda, 2017d).

Thirdly, there must be a platform for employees to voice their views through a suggestions or feedback system (Kompaso & Sridevi, 2010, p. 91). This can be done in the form of surveys that employees can fill in to provide their views (Kompaso & Sridevi, 2010, p. 93), based on which the management can create action-oriented plans aimed at development (Kompaso & Sridevi, 2010, p. 93). This also involves the management instilling a culture fostering mutual respect among employees, which is essential for the engagement to take place (Kompaso & Sridevi, 2010, p. 94).

Nevertheless, all these processes require the management to have effective strategies in place, so that human resources can be managed in a more strategic manner (Harter, 2015, p. 6). It must be kept in mind that creating a good work environment and offering higher pay alone does not contribute to engagement. Rather, studies have proven that offering benefits and other initiatives directed at employees developing themselves is the only way in which a firm can combat the issue of employee turnover (Nair, 2017). The benefits could be either financial, such as better pay or

allowances, or non-financial, such as training and work–life balance initiatives (Kompaso & Sridevi, 2010, p. 93). As a result, skilled employees will feel more motivated to perform well, becoming a competitive advantage for the firm.

Although the findings of the research justified the relationship between employee engagement and turnover, there were certain limitations faced in this research. There was a time constraint, since the research had to be undertaken within the cross-sectional time horizon. As a result, only data for the five months spanning from September 1, 2017, to January 31, 2018, have been used. According to scholars, this can impede our “understanding of the causal relationship” between variables such as engagement and their effect on turnover (Dayan, Zacca, & Di Benedetto, 2013, p. 236). Therefore, a longitudinal study, spanning many years, must be undertaken by including a large number of participants in different organizations (O’Neill et al., 2015, p. 22).

Also, since not many studies have been undertaken in the context of various sectors within the UAE, further research on engagement needs to be undertaken in different industries. Apart from that, the current research focuses on only three variables. Other demographic variables also need to be identified and examined on the employees. Besides, the study is carried out in the context of the UAE alone. As scholars have pointed out, further research needs to be carried out in other contexts as well in order to improve our understanding (Dayan et al., 2013, p. 236).

It is observed that retaining employees who have spent more than two years in a firm has been an issue faced by large organizations. Employee turnover increases costs to the organization, especially after investing in expensive training programs for the employees (Harter, 2015, p. 3). Therefore, this research will help us understand that when firms create opportunities for engagement based on the abilities of the employees and provide right motivational support, the turnover level reduces to a large extent.

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# 6

## Long Working Hours and Their Impact on Employee Productivity in the UAE Service Sector

Yasmine Karim

Every company has guidelines on the number of hours employees are expected to work in a day, a week, or a month. However, companies in most parts of the world use week-based guidelines. While examining the relationship between the length of working hours and productivity, the pertinent question that arises is on the definition of ‘long hours,’ which has often been subjected to endless debates. Different people have their own view of the meaning of this term based on their personal experiences (Ali et al., 2017). Therefore, to most people, their working period is considered long working hours if it deviates from their work schedule within a certain period of time, such as a week. Some nations have defined their own normal working period within a week. For example, in the United Kingdom, an individual is said to have worked for ‘long working hours’ if he/she works for more than 48 hours in a week as outlined in the Working Time Regulations 1988.

Over the years, companies have insisted on the need for their employees to work for long hours in an effort to increase their productivity and

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maintain a competitive advantage in their respective industries. This was done without any consideration of the possible negative effects of long working hours on the productivity of individual employees and eventually on the company's productivity (ILO, 2004). During last twenty years, an increase in the scientific studies on the possible negative effects of long working hours on employee and company productivity have been noticed. Simultaneously, there has been a considerable increase in the number of company owners' and stakeholders' appreciation of such studies. There is increasing evidence that policies of long working hours are maintained at the expense of personal sanity, sleep, friendships, and families, factors believed to influence the level to which an employee is motivated (Delsen, Bosworth, Groß, & Muñoz de Bustillo y Llorente, 2007).

There is a great need to appreciate that some factors predispose some individuals to long working hours. Studies have revealed clear gender differences, with men being more likely to work for longer periods than women. Among the men, those with children are more likely to work for longer periods than their counterparts without children. Regarding life cycle factor, individuals between the ages of 30 and 49 are most likely to work for long periods (Jehring, 1967). People in some professions are more likely to work for long periods within a week, such as managers and assembly workers.

Companies in the UAE's service industry are forced to enforce long working hours in an effort to remain competitive in the market. There is little evidence available regarding the specific impacts of this move on the employees' productivity. Previous researchers have primarily concentrated on other aspects of human resources, such as the link between motivated employees and productivity or the relationship between employees' skills and productivity. Therefore, there is a significant research gap regarding the correlation between the length of working hours and productivity, particularly in the UAE service sector context. Most of the previous scholars explored the relationship between these two variables in the context of developed nations such as the United Kingdom and the United States (Delsen et al., 2007). Among the available studies on the relationship between long working hours and productivity in the UAE, only a few have explored this relationship in the service industry (Delmas



& Pekovic, 2013). Another gap in the research is the availability of studies that performed identification of the variables impacting productivity besides the working hour variable and establishing the interlinkage among all variables in order to have a holistic view or model that helps managers and companies in understanding the variables of productivity.

Despite the increase in the labor supply during the recent years, the UAE labor market still suffers from a host of problems in comparison to developed countries and other developing counterparts. The country greatly relies on its expatriate population as the source of human resource expertise to sustain its service industry (Delmas & Pekovic, 2013). About 90% of the workforce in the private sector in the UAE is made up of expatriates. In the past and before the relatively recent “formulation of labour friendly measures” foreign expatriates were not willing to actually work in the UAE due to what was being treated as a case of poor labor practice (Alshehhi, 2017). Also, recently and after the drop in the oil price, the government has been focusing on creating diversification in the economy, and this has accentuated the issue of shortage in the talent needed to meet the demand of the diversified industries. According to Hays Global Skill Index, “the overall wage Pressure” score for UAE is 6.8/10 (Hays GSI, 2016). This relatively high score suggests skill shortage. The increasing cost of living in the UAE presents an obstacle in attracting and retaining low-paid employees in the service sector, especially those possessing specific skills and experiences such as Arabic language, collaboration, and customer service skills.

In the financial services field, there is a shortage of institutional sales specialists and wealth or private banking sales professionals and brokers (Mecada, 2016). Due to the 24/7 operating culture, service sector companies in the UAE are forced to execute policies of long working hours to remain competitive in the market. The implementation of such policies is thought to have affected the productivity of the employees in one way or another, in addition to the prevailing attitudes of managers of low-end service jobs; managers cascade the added pressure of cost optimization onto their staff, which results in compromising staff well-being and staff being treated like machines. These attitudes and thought processes are reminiscent of Taylorism, which promotes hiring undercapacity and extending working hours. This consequently results in reduced productivity and decline in service levels.

Based on the identified problem, there is no doubt that the current research comes in handy in filling the research gap in this area of study. The results of the study are expected to have good value to players in the service sector, both in the UAE and GCC (Gulf Cooperation Council countries). A better understanding of how productivity is impacted by the length of working hours in the service sector is expected to improve policy formulation and implementation. The study can inform the policy makers to increase or decrease the number of hours their employees are required to work. Furthermore, the study has the potential to benefit the UAE government as it may guide the labor law legislators on how to adjust the working hours such that it can contribute to the success of the Happiness Initiatives of the UAE's Ministry of Happiness. Another major significance of this study is that it provides a comprehensive view of the factors that influence productivity and demonstrates the linkages among them so employers and managers can place emphasis on these variables in order to improve their firms' and employees' productivity.

The aim of this chapter is to facilitate a better understanding for companies and managers as to the important factors that impact their productivity by establishing the relationship between the length of working hours and productivity and providing a full view of the factors that aid better productivity and improved performance.

The following are the two specific objectives of this chapter:

- To identify the variables that impact productivity.
- To establish if there are interlinkages among these variables.

## **Dominant Performance and Productivity Theorizations and Models**

There is an abundance of management theories and models that deal with productivity, performance, and motivation such as the AMO model, High Performance and High Involvement Work Systems, Expectancy Theory, the Hawthorne Effect, and Herzberg's Two-Factor Theory. Some of these theories are more relevant than the others to the topic of research.

The High Involvement Work System (HIWS) stands at the other end of the spectrum as a response to the Taylorism model of working. HIWS is based on empowering employees at lower levels of hierarchy, delegating responsibility, and giving them a voice. This is contrary to the scientific management principles where employees are trained to be machine-like in certain aspects of their jobs for improved efficiency and profitability (Bell & Martin, 2012). HIWS lays emphasis on redesigning the work to involve employees more fully in the decision-making process. The High Performance Work System (HPWS) forms an integral part of the reforms made to the work models in response to the Taylorism view of managing employees and approach to human resources systems. It is done through the following three steps:

- Creating the right environment and opportunities for employees to perform.
- Motivating employees by making them involved and committed to the business goals and company mission.
- Providing opportunities for training and development.

These three elements are in fact the basis of the AMO framework, where A refers to the ability to perform through knowledge, skills, and aptitude, M is the motivation to perform when the job is interesting and there are incentives in place, and O is the opportunity to perform when the environment is support-conducive. Therefore, the performance of an individual is impacted by these three factors. The mathematical shorthand of the model is:

$$P = f(A, M, O)$$

This is an indicator that there is no specific value or predetermined relationship between the three factors, namely, ability, motivation, and opportunity. However, it is known that all three factors are involved in determining employee performance. Good ability alone will not bring about better performance; similarly motivated workers with good abilities cannot achieve much if critical resources and organizational support are lacking (Boxall & Purcell, 2011).

## Relationship of Long Working Hours to Employee Productivity

It has been commonly believed among advocates of work–life balance that the reduction of working hours generally leads to increase of productivity, based on the numerous studies that have been conducted on the subject. Indeed, many organizations seem to have grasped this either implicitly or explicitly in their allocation of working time to their employees. However, there are numerous debates on the exact nature of the relationship between duty hours and employee productivity. Economists have suspected for some time that longer work hours could adversely impact productivity. John Hicks, a British economist, argued that “probably it has never entered the heads of most employers ... that hours could be shortened and output maintained.” Hicks reasoned that with longer hours output per hour would fall. As workers slaved away for longer and longer, they would lose energy, which would make them less productive (The Economist, 2017).

However, according to Pencavel (2015), shortening the working hours may not affect the output; “reducing hours, say, from 55 to 50 hours a week, would have had only small effects on output. The results are even starker when we are talking about very long working hours. Output at 70 hours of work differed little from the output at 56 hours. That extra 14 hours was a waste of time.”

A reduction in working hours would have had small or no damaging effects on output. The weeks without a day of rest from work had about 10% lower output than the weeks when there was no work on Sunday, holding weekly hours constant. At the same time, night work was not less productive than day work and, indeed, may have been slightly more productive (Pencavel, 2015).

Since poor working arrangements will lead to loss of employee productivity, it is imperative for firms to seek avenues to improve these arrangements, of which time is a crucial factor. The changes that can be expected to trigger improvements in productivity are not only those that pertain to time but also those regarding the organization of work. Silvestro (2002)

suggests the reduction of working hours to a level that will result in the optimal engagement of employees and lead to higher productivity.

Silvestro states that 48 hours per week is the average number of hours that most employees can optimally perform. The employers have also been advised by Russell, O'Connell, and McGinnity (2009) to ensure that they give their employees appropriate breaks and rest period and introduce work arrangements that are employee-friendly. To achieve this, the authors have proposed that there should be a proper consideration of the needs and preferences of the workers by consulting with them. When these are taken into account during the shifts, their productivity can be expected to improve considerably.

In the early 2000s, the International Labor Organization assessed both the practical and theoretical effects of reduced working hours on productivity (Caruso & Waters, 2008). Research has also been conducted to investigate how labor efficiency can be increased through reduction of hours by Messenger, Lee, and McCann (2007). This led to the observation that while indeed reduction of working hours improves productivity, there are some underlying conditions and responses that will determine the rate at which improvements in working hour arrangements will yield positive results. The research identified four main forms of working hour reductions that are relevant to today's working conditions. Each form of reduction has the potential to bring about productivity improvements that are likely to offset most if not all the costs associated with implementing the working arrangement. These forms of reduction are the gradual standard hour reductions, reductions in excessive working hours, accelerated working hour reductions, and personalized options for working hour reductions. When instituting the flexible scheduling implied in the personalized working hour reductions, Johnson and Lipscomb (2006) found that most workers, especially those in the United States and Europe, favored part-time options and shorter weekly hours.

Based on the above, it can be concluded that the reduction of duty hours by companies improves worker productivity in two ways. These are the psychological adaptation to the shortened work period by increasing the pace of work and the minimization of unnecessary breaks or engagements that workers indulge in while on duty.

The study found that the circumstances that are most likely to increase labor productivity were those that involved variable or cyclical workload. When the workload thinned, the workers' flexibility allowed them to effectively change the time they reported to work to match the time they are allocated work. While the boost in productivity brought about by working hour reduction may offset the rise in labor costs, it may also lead to the undermining of future job creation endeavors. Instead, the boost in productivity can lead to overall growth in demand for the kind of labor that becomes more productive per hour (Deery, Iverson, & Walsh, 2002). The standard theory for labor demand suggests that the increase in marginal labor productivity in terms of revenue products is more attractive and a valuable input in relation to capital equipment.

The resulting improvement in productivity can come about as a result of one of a number of reasons. These include utilization of time during production, the psychological benefits associated with short hours such as reduction in physical and mental stress levels, and the flexible work time that reduces wait time and slack time. This has been interpreted by Holtom, Lee, and Tidd (2002) to imply that since an increase in working time will yield less than proportionate increase in productivity, a decrease of working hours can be expected to give rise to more than proportionate increase in the output produced. This can be realized especially if the working arrangements are done in such a way that the reductions target individuals with jobs that have a diminishing marginal productivity of labor. The risk of diminishing marginal productivity can be expected to increase as the hours pass, but this is not always the case. Dearden, Reed, and Van Reenen (2006) suggest that resourcefulness and alertness can be compromised for some workers even before the work hours can be deemed excessively long. This situation could apply to workers who have other responsibilities to undertake outside the work environments, such as care giving and schooling.

## Potential Productivity Effects of Working Hours Reduction

The evidence available indicates that when a business enterprise implements the above-mentioned changes in the work time arrangement, productivity will increase just as it does as a result of wage increment. Such improvements enable workers to improve their physical and mental health, which results in employees being alert at work (Silvestro, 2002). The overall effect of this is to improve labor productivity and to minimize errors that can occur as a result of employees being overworked. Further gains in productivity may be realized if the organization implements a reduction in working hours, such as improvements in retention, motivation, recruitment, and commitment. Among the various effects of implementing improvements in work arrangements, three areas that are most crucial to increasing productivity are psychological, motivational, and organizational.

### Psychological Effects

Productivity and working time have a fundamental connection that exists in the psychological realm. For example, Baptiste (2008) established that implementation of long working hours would result in low work intensity, which implies that the employee has more time to complete the tasks, with the possibility of longer and more frequent breaks while doing so. The effect of this is that the work that the employee will be able to accomplish within the working shift could be accomplished in much less time if the employee was more focused. The reverse can be expected in case the working hours are reduced. Due to the thrill of completing the shift early, the employee will be more driven to work faster, with fewer breaks between tasks, which will yield more output in less time.

## Motivational Effects

By introducing improvements to the working hours policies, employees' motivation will be triggered as it will promote psychological willingness to utilize their energy in a more productive manner. However, these gains can be negated if the management does not identify and take measures to organize the working day in such a way that the gains in productivity will be secured. The overall effect of proper working arrangements can only be realized if there is cooperation and good working relationships between the workers and the management in an organization. Good working relationships are essential since they create an environment that facilitates a positive reciprocal of obligations between the managers and the workers, which is an essential ingredient of productivity of labor (Delsen et al., 2007).

## Organizational Effects

Improvements in work arrangements also enhance employee productivity. This would involve management identifying and reducing the non-productive time that comes about as a result of inefficiencies in supervision and scheduling. The conclusion has been arrived at from an extensive review of studies that have been conducted to examine the effect of working time on productivity. Boselie (2010), for example, observed that flexibility and productivity are increased by shortening the number of hours worked. However, the same study observed that production gradually decreased when time worked is reduced beyond a certain point. This implies that reduction of working hours should be done in a prudent manner that recognizes that allocation of too little time to any task will result in sub-optimal production.

Delmas and Pekovic (2013) observed in their study that most gains in productivity occur when the duty time is reduced from very long hours (more than 48 hours per week). Two distinct classes of flexible work time arrangements have been conceived because of their potential to impact on the employee performance in the workplace: those that restrain labor costs of production by increasing individual and organizational



productivity and those that improve the well-being of the employee, hence saving the firm more money in terms of human capital investment and turnover costs. There is, however, a gap in the literature on the theoretical mechanisms that drive the productivity of labor. For instance, a study conducted by Konrad and Mangel (2000) that examined 19 work arrangements, including part-time arrangements, flextime, reduced hours, and part-year arrangements, showed that such arrangements had positive impacts on employee productivity. However, the results were not uniform in all employees as most gains in productivity were observed to be realized in companies that dealt with professional and female employees.

When these observations are analyzed with the help of efficiency exchange or wage theory to explain the increase in productivity due to the arrangements, it implies that the employees will reward the management for giving them friendly working arrangements by putting more efforts in their work. Reports from personnel directors, when examined by Perry-Smith and Blum (2000), indicated that the firms that had instituted more flexibility in work time arrangements reported higher performance when compared to those that did not have such flexibility. However, the study also observed that one policy alone was inadequate as the firms with more employee-friendly policies performed better than those with only one policy. This implies that the arrangements have synergistic effects to improve productivity.

## Variables Impacting Productivity

The strongest drivers of the recent arrangements in the workplace have been full employment economy and the implementation of new institutional structures aimed at facilitating the expression of the desire to have flexibility in duty time options. These arrangements are socially healthy and result in increased labor productivity (Holtom et al., 2002). Different organizations pay attention to varying approaches to the analysis of the framework seeking to relate working hours with labor productivity. According to Paaue, Guest, and Wright (2013), some of the significant variables that are associated with the length of working hours are wages,

job content, work arrangement, and job satisfaction. These variables contribute toward the development of a conceptual framework that defines the effect of length of working hours in relation to productivity (Patel & Cardon, 2010).

Working arrangements significantly contribute to the productivity and success of organizations. This means that poor time management may cause reduced productivity or losses and organizations can benefit from improved working hours arrangement. O & M and Productivity Panel of LAMSAC (1975) state that changes in the working time within organizations have the potential to help improve their performance and productivity. Organizations may implement different working hours arrangements in addition to other changes to achieve improvements in the productivity of the staff (Nuruzzaman, 2012). The length of working time may be regulated by reducing working hours as defined by the International Labor Organization (2004).

An enterprise-level study conducted by Savery and Luks (2001) shows that the adoption of flexible working arrangements that allow employees to have healthy work–life balance results in higher productivity. In this study, more than 80% of managers and 70% of workers reported that there was a positive impact on productivity in cases where the work schedules were arranged in a way that allowed the employees to respond to their private needs, such as telecommuting and flextime.

According to Needham (2008) the reduced productivity caused by the onset of mental and physical fatigue can be managed considerably by the allocation and organization of breaks; that is, breaks help re-energize employees. Although the energy used for production has its limits, there is a possibility that some spare energy is available and could be used in the job if the workers were to be motivated, indicating the vital role that motivation plays in productivity.

Paauwe et al. (2013) assert that organizations must focus their energies on regulating their working time, which is achievable by reducing the unsocial working hours. These hours include weekend hours, night hours, and evening hours. Delsen et al. (2007) suggest that the provision of appropriate rest breaks is also critical in optimizing performance in organizations. It is essential that organizations take special consideration of the needs of the workers while introducing changes to working hours.

Wages are considered the most critical factor influencing the number of working hours of an organization. The fact that employees are usually eager to earn higher incomes is a leading motivational element for employees to work for longer hours (Jehring, 1967). They would readily agree to increase their length of working hours to improve their standard of living. Essentially, fair wages are an important issue that employees consider when deciding to work beyond the required hours (Mann, 1992). Organizations need to enhance the wages to improve the productivity of various functions performed by employees (Paauwe et al., 2013). This is in agreement with the equilibrium price theory of pay, according to which pay is dependent on the marginal productivity of the employee concerned, as per the arguments made by (Liu & Sakamoto, 2005). This means that improving wages to levels that are acceptable is likely to lead to benefits since an organization may also enhance competitiveness.

Flexible working hour arrangements help improve labor productivity. Collewet and Sauermann (2017a) explained that applying a work–life balance helps organizations improve the manner in which their employees execute their duties. Organizations must define their working hours to accommodate the employees to arrange their working hours in the most convenient manner. Paauwe (2004) emphasizes that policies prohibiting employees working on weekends should be implemented unless the task is deemed crucial and approved by senior management and HR under exceptional circumstances. This is a strategy that has proven successful in helping organizations achieve success in their operations, as established by Collewet and Sauermann (2017b). According to a study done by Durdyeva, Ihtiyarb, Ismailc, Ahmadd, and Bakare (2014) on the variables influencing employee performance and productivity in the Turkish home improvement industry, management-specific factors such as skills and experiences of the workforce as well as communication have greater impact than the financial management and logistics-related factors.

The aspect of job content also influences working length and productivity. This applies to the theory of traditional personnel, where every situation has a distinct and unique interpretation. According to Cierniak-Emerych and Gableta (2007), several jobs have different requirements which require employees of diverse qualifications to handle them. Certain

skills such as information technology competency may influence the ability of an employee to execute certain tasks within the organization, as established by Paauwe (2004). A mismatch in the skills of the employee is also likely to hamper an organization's productivity and may harm the institution in the long term (Luthans, Hodgetts, & Luthans, 1998). Therefore, employees need to acquire relevant technologies or skills to perform their duties accordingly.

The aspect of work environment also influences organizations in a big way because it defines the ability of employees to deliver productivity while maintaining their personal health. Åberg (1987) established that an employee's productivity might be affected by their failure to go to work because of situations such as illness. A poor working environment would lead to a decline in the performance of the employees. Boeri, Burda, Kramarz, Cahuc, and Fondazione Rodolfo De Benedetti (2008) asserted that providing a safe working environment assures workers of their well-being and motivates them to execute their duties as required. This is also likely to influence the relationship between the length of working and productivity.

## **Black Box Theory**

Considering the nature of the research question, the black box theory is utilized as a framework to answer the question and to establish a link while studying other variables. As argued by Purcell (2003), a black box is understood as the unclear processes that take place when some inputs need to be transformed into useful outputs.

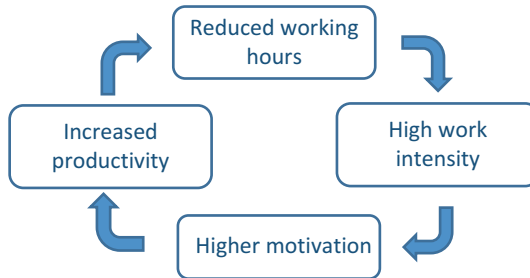
## **Comparison of Service Sector Productivity in the UAE, GCC, Germany, and India**

The concept of productivity has been refined, and in the twentieth century, economists defined it as the relationship between the output and the inputs necessary to produce it (Antle & Capalbo, 1988). This definition remains valid regardless of the production system or political framework to be considered (Prokopenko, 1997) and seems to denote the efficiency in the use of productive factors (Samuelson & Nordhaus,

1995). Data about weekly working hours and service sector productivity ratio and the sector's contribution to the GDP in the UAE, GCC countries, Germany, and India were collected. The aim of collecting these data was to conduct a comparison between these countries in terms of input (working hours) and output (productivity ratio) in order to examine whether the findings from the above literature review also applies to the UAE service sector.

The countries for this comparison were chosen such that there are a developing economy (India) and a developed economy (Germany) to provide a benchmark for the UAE. The rationale for choosing these countries was to eliminate or minimize as many variables as possible. The decision for using India over Brazil, Russia, China, and South Africa was based on the similarity in the culture with the UAE in comparison to the other BRICS countries as well as due to the large representation of Indian nationals in the UAE workforce. Germany was chosen over Japan due to the vast difference in the cultural makeup of Japanese workers. For instance, on Hofstede's Masculinity dimension, which is concerned with the value of ambition and the need for achievement, Japan scores 95/100 whereas Germany's score is 65/100, which is higher than both the UAE and India but only by 10 points. Another reason for not selecting Japan is the difference in motivation for working long hours for the workers in Germany and Japan. According to White, Hill, McGovern, Mills, and Smeaton (2003), there are significant differences in the reasons why individuals from different countries work for long hours, mainly due to the differences in the working hours' regulations. Some individuals work for long hours to increase their earnings while others do it just to meet the job's requirement. For example, paid overtime has been found to be one of the reasons why Japanese employees work for long hours, whereas the desire to meet the requirement of a particular job was found to be one of the reasons why German employees preferred working for long hours (Åberg, 1987).

Working for longer hours does not necessarily mean an increase in productivity in the service sector. For example, although UAE employees work for significantly more hours per week than employees in Germany, the latter has a higher service sector productivity ratio and a better GDP. Further analysis on German working hours shows that labor laws



**Fig. 6.1** Relationship of working hours and productivity model (Source: Author)

and collective agreements are the main policies embraced by the country in its efforts to regulate working hours. Germany relies on a combination of labor laws and collective bargaining. To tie the findings of the literature review to the conclusions of the above data analysis, the model shown in Fig. 6.1 was developed.

## Discussion and Analysis

After critically reviewing and analyzing the information presented in the journal articles and the findings from the data analysis, the author developed a deep understanding of the topic and was able to generate meaningful patterns and theme in order to address the research questions. The articles with similar aspects or themes were grouped together. This was followed by a review of the identified themes to determine whether there is a need to split, discard, refine, or separate some themes. The categorization was done to ensure that ideas are grouped into themes that covered specific aspects of the study. The discussion of the themes and sub-themes that were deduced from the above two groups of literature reviews are presented below.

### Reasons for Working Long Hours in the UAE

As previously mentioned, reasons for working long hours vary among countries. The motive of the Japanese employees for working extra hours is different from that of their German counterparts. In the UAE, a

significant reason for long working hours is the volume of work, especially when those additional hours are unpaid. An increase in the work volume in the UAE's organizations may happen due to multiple reasons, which include but are not limited to email overload, staff shortages, and new organizational initiatives such as a need to increase customer focus (Boeri et al., 2008). The 24/7 operating culture for most businesses operating in the service sector is another contributing factor. The expectations and attitudes of managers in the UAE's service industry companies have also been found to compel employees to work for long hours; these managers presume that employees who are always present at their work stations are very committed to their work, thereby encouraging the employees to work for longer hours.

Variations in output are proportional to variations in the hours worked. But when people worked more than about 50 hours, output rose at a decreasing rate. In other words, output per hour started to fall (in the jargon, "the marginal product of hours is a constant until the knot at [about 50] hours after which it declines").

The analysis of the secondary data collected revealed that different nations have some unique aspects in their labor laws, especially the laws regulating the number of hours employees are expected to work in a week. As far as the working hours in GCC countries are concerned, Article 98 of the Saudi Labor Law states that employees should not be required to work for more than 48 hours a week or 8 hours a day. Therefore, employers who require their employees to work for more than 48 hours per week should pay them for overtime work to avoid violating the labor laws. The UAE Labor Law Article 65 specifies the working hours to be 48 or 8 hours a day and these hours can be 9 hours a day in "commercial establishments" such as hotels and restaurants (for low-end service jobs this amounts to 54 hours a week). Although employees in Oman work for an average of 43.5 hours a week, the average working hours in GCC countries remain at 48 hours. However, it is essential to understand that the major drawback with these countries is that they lack appropriate policies to facilitate flexible working schedules, such as temporary work or part-time. This is unlike in Germany, where employees on hourly wage/part-time are entitled to at least 20 days of paid vacation.

During the global economic downturn, Germany encouraged employers to reduce the number of hours worked rather than reducing the number of employees. Through the Kurzarbeit policy, Germany also specified that partial reimbursement for wages lost would be paid by the government. As a result of this policy, employees in Germany work for 35 hours a week on average and were subject to an average of 24 days of paid vacation. In comparison, as per India's Factories Act, 1948, employees should not be required to work for more than 48 hours a week or more than 8 hours a day. Like Germany, the UAE's Labor Law regulates the maximum number of working hours for individuals working in different sectors of the economy. According to this law, people should work for a maximum 48 hours a week or 8 hours in a day. However, some industries are free to require their employees to work for 9 hours per day, such as companies operating in the hospitality industry.

## Productivity

Variations in the level of productivity among India, GCC countries, Germany, and the UAE were identified. These variations can be linked to differences in the working hours' regulations. Changes in these regulations in Germany and Japan in 2002 meant that GDP per hour worked in Germany (96.3) was higher than that in Japan (92.0) despite a continued decrease in the number of hours worked in Japan around this period. As argued by Boeri et al. (2008), this can be because the reduction in the number of working hours may have some negative consequences. For example, regulations requiring the number of working hours to be reduced and employees to receive payments for some holidays and overtime may lead to irregular schedules. However, the reduction in the working hours in Japan produced better results over time, such that from 2007 Japan experienced better output per hour worked than Germany. Such a relationship reveals that, in most cases, productivity increases with a decrease in the number of hours worked.



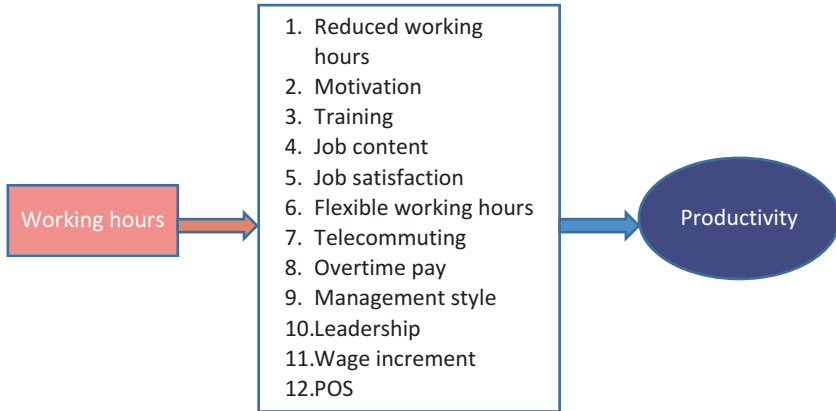


Fig. 6.2 The black box of productivity (Source: Author)

## Variables That Impact Productivity

From the literature review above, we were able to identify a number of variables that impact productivity besides working hours. Prior to this process of identification of these variables, the relationship between working hours and productivity looked like the 'black box.' In the context of this study, the input being the working hours and the output the productivity, all the other identified variables and their relationship is presented in Fig. 6.2.

## Model Development

Although the study has concluded that long working hours do not necessarily yield increase in productivity, the need for further exploration of the components and factors that contribute to productivity is evident. The second part of the literature review was dedicated to finding those elements inside the black box, as demonstrated in Fig. 6.2.

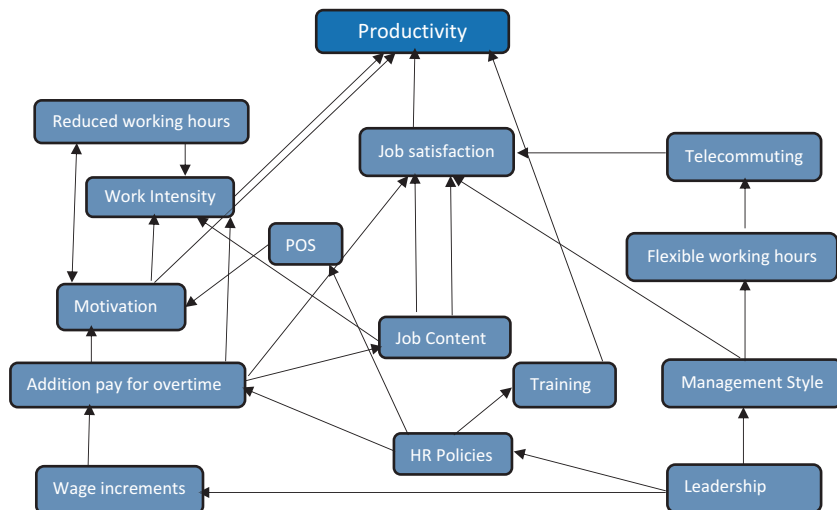


Fig. 6.3 Interlinkages between the variables (Source: Author)

The next step was analyzing the variables presented in the black box to understand the relationship between them. Figure 6.3 demonstrates the interlinkages between these different factors.

Besides the working hours variable, the actual interactions between the other variables that can result in improvement in productivity are depicted in Fig. 6.3. However, it should be noted that a decrease in the number of working hours to a certain level can be coupled with ‘other factors’ specified above to achieve improved performance and productivity in the UAE.

The elements within the black box have been unbundled and interlinkages have been established. As a result, the model shown in Fig. 6.4 has been developed. This model can be used as a framework for assessing and studying the factors that directly impact productivity. These factors are grouped under three main clusters: (1) factors related to the employee, (2) factors related to the supervisor, and (3) factors related to human resources department or systems. These are detailed in Fig. 6.4.

There are other variables that influence performance, such as company processes, systems, factors related to equipment and machines, logistics, and employee travel time; however, the three clusters identified above have maximum impact on employee productivity and are all within the control of HR managers and functional managers.

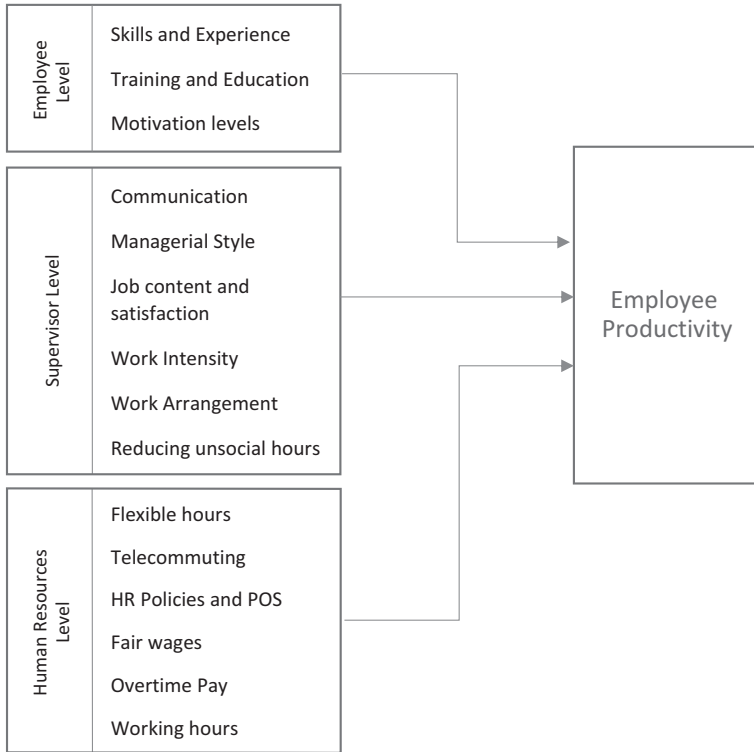


Fig. 6.4 Productivity variables model (Source: Author)

## Conclusion

The black box presents the ideal theory for explaining the relationship between the hours worked and productivity. Figure 6.2 clearly depicts that the stimulus in this context is the length of working hours, which is generally dependent on the regulations developed by various countries to regulate labor, while the response is the improved employee productivity and organizational performance. The interaction can, therefore, be predicted by relating the inputs in the form of working hours and output in the form of productivity. The study concluded the relationship to be negative; that is, long working long hours is not equal to increased productivity. However, this alone was not sufficient for establishing a

framework for managers and HR to help improve productivity. Since the black box theory represents the perfect analogy to this relationship, the search for the unknown variables sitting within the box impacting productivity resulted in finding over 13 variables, as demonstrated in Fig. 6.4.

While the interlinkages among these variables (Fig. 6.3) show a close relationship between some of them, some of these relationships have to be carefully considered. For example, overtime pay has a positive impact on productivity as it motivates some employees to increase their input; however, those employees who wish to work long hours to earn additional income may end up being ineffective and adversely affect the quality of the service or product. Moreover, the managerial attitude toward the 'ever-present' employees may motivate employees to remain in the organization for long hours without being involved in activities that positively affect productivity, and thus if this is not balanced it can lead to drop in productivity. This also applies to job requirements, which is another reason why individuals may work for long hours.

This study has found that though most studies have associated long working hours with reduced productivity, others have warned that working for fewer hours (under 30 hours per week) does not necessarily lead to improved productivity. Additionally, the study has revealed factors that may cause reduced performance where an individual works for long hours. These factors may include medical conditions or poor family relationships. The study has made it clear that most people do not work for long hours for one reason alone but do it for diverse reasons. These factors cannot be separated, particularly if an organization embraces a culture of long working hours.

The study concluded that in order to improve employee productivity, a comprehensive approach is needed; that is, all variables identified and categorized in the 'productivity variable model' (Fig. 6.4) should be carefully considered for improving employee productivity. This model is a novel approach and a contribution to the research on the topic of studying productivity.

Among the limitations of the study is the limited availability of industry-specific data in the UAE and GCC; as an alternative the overall service sector data were utilized for the analysis in the UAE and the other countries to ensure equal footing. There was no opportunity for the author to verify if the approaches stipulated in the methodologies were

followed. Although using secondary source data comes with certain advantages, its use subjected the study to some of the limitations. This is an aspect that is likely to have affected the reliability of the findings. However, to address the problem of reliability and validity, multiple sources were utilized, and standardization and consistency of information were prime factors for analysis purposes.

There are some valuable interlinkages between the variables which can help improve the work environment through making small changes; for example, telecommuting was found to enhance job satisfaction, which in turn had positive ripple effects on other aspects related to people management.

It is recommended that the UAE borrow ideas from Germany and other developed nations to improve regulations to ensure that the number of working hours leads to optimal productivity. Additionally, companies operating in the UAE's service industry must make sure that their employees have a reasonable work–life balance since there is evidence that pressure in life negatively affects employee performance.

If the UAE government and companies operating in the service sector are serious about having a happier, healthier, and more engaged workforce, it is advised that they develop and implement changes to the laws and policies.

It is recommended that HR and managers take serious steps toward ensuring that all productivity factors as presented in the model in Fig. 6.4 are taken care of. This could be achieved by introducing initiatives, programs, and policy changes which can be greatly influenced by HR directors and department heads.

It is also recommended that managers in the UAE reduce their focus on extending working hours and place heavy emphasis on the variables that have greater impact on productivity.

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# Theme II

Employee Incentives in the UAE



# 7

## How Does a Total Reward System Influence Employee Motivation Among Executive Management? An Analysis of the UAE Real Estate Industry

Nour Al Mojahed

The real estate industry has become one of the leading industries of the world in the early twenty-first century. The boom in this industry has created the need for a highly effective workforce that puts in their best work (Hartmann, 2015). This has also mandated the need for motivation among the employees, especially at the level of executive management. Motivation among the management is essential as it trickles down to the lower level employees. Motivated managers will ensure that their team is performing their best and will subsequently aim to motivate their employees.

One of the most significant challenges faced by the management of any company is to motivate their employees so they can give their best work. In order to achieve this, it is important to understand human behaviour and the factors that actually motivate the employees (Fogg, 2009). Human capital management is a fundamental component of an organizational

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management system (Zhu & Warner, 2019). This chapter will discuss the reward systems implemented for the motivation of employees in the real estate industry in the GCC region, specifically in the UAE.

## Motivation Theories

Several theories have been postulated on this subject and there is an increasing inclination towards using monetary and non-monetary rewards as a motivating factor to encourage employees to improve and increase their work performance (Lei, 2010). There have been numerous studies that have empirical evidence of the relationship between motivation and the work performance of employees. Motivation directly impacts the psychology of the employee in different ways (Vokoun, Caha, Straková, Stellner, & Váchal, 2018). According to Islam and Ismail (2008), motivation is defined as the psychological process that stimulates behaviour, provides direction to it and drives an individual to achieve goals.

Martín Cruz, Martín Pérez and Trevilla Cantero (2009) elaborated that employees do not necessarily seek extrinsic motivation but are also motivated by intrinsic factors such as the sensation of self-accomplishment, stress-free work environment, productive collaborations with colleagues and similar goals as those of the organization. Roos and Van Eeden (2008) linked motivation and job satisfaction and determined motivation as a key determinant of organizational success. Similarly, Dobre (2013) noted that it is important for the management of an organization to understand the factors that motivate its employees as they translate into organizational success. Hitka, Lorincová, Gejdoš, Klarić and Weberová (2019) consider employee motivation to be a prerequisite for the effective and efficient establishment of human capital. Employee motivation not only results in high production but also helps an organization achieve competitive advantage and thus business sustainability (Ayдын & Tiryaki, 2018).

## Self-Determination Theory

According to Deci and Ryan (2008), self-determination theory states that there are different types of motivation, namely, autonomous and controlled. Autonomous motivation is when the employee behaves with a sense of

freedom and choice, whereas controlled motivation is when the employee behaves under demand and pressure to find motivation. On the other hand, Vallerand, Pelletier and Koestner (2008) defined the self-determination theory as the fulfilment of three characteristic needs: competence, which is the need to control the outcome, relatedness, which is the need to care for others, and autonomy, which is the need to be free and carefree in one's life.

## Motivation-Hygiene Theory

According to Dartey-Baah and Amoako (2011), Herzberg's motivation-hygiene theory states that there are two types of factor affecting satisfaction: motivating factors, which leave the employee satisfied and motivated when present, and hygiene factors, which when absent dissatisfies or demotivates the employees but when present are not enough to satisfy or motivate them. They further stated that hygiene factors included salary, working conditions and security, while the motivators included factors such as challenging work, feeling of achievement and opportunities for growth. On the contrary, Malik and Naeem (2013) question the authenticity of the motivation-hygiene theory as it has been applied to different cultures and there is no consensus on it.

## Expectancy Theory

Chiang and Jang (2008) defined the expectancy theory of motivation as the route that employees take to make decisions by considering the outcomes of the behavioural choices. According to Renko, Kroeck and Bullough (2012), this theory centres on the idea that people are expectant or have a perceived probability that their good performance is directly linked to the effort that they put in. Similarly, Estes and Polnick (2012) stated that individuals modify their behaviour based on preferable outcomes and the probability of achieving those outcomes.

## Psychological Contract

Manxhari (2015) defined the psychological contract as an unwritten contract between the employees and the employer regarding mutual expectations in relation to the work. Similarly, Montes, Rousseau and Tomproun

(2015) stated the psychological contract theory as one that addresses and influences a person's behaviour and judgement in exchange arrangements. Klaus and Blanton (2010) further elaborated that the psychological contract is an implicit set of mutual obligations between the employee and the employer. The breach of psychological contract is considered as the failure to fulfil one or more obligations that were related to the mutual promises between the employee and the employer.

## Reward System

Nohria, Groysberg and Lee (2008) studied how the reward system of an organization effectively distinguishes between the bad performing employees and the high achieving individuals. The high achieving employees are rewarded, which boosts motivation by giving people opportunities to advance further. Jiang, Xiao, Qi and Xiao (2009) defined rewards as a compensation that the organization grants to its employees for good performance.

## Intrinsic Rewards

According to Tymon, Stumpf and Doh (2010), there are four precursors of intrinsic rewards, which are performance management, manager support, pride in the organization and the social responsibility of the employer. Thomas (2009) stated that the four intrinsic rewards which drive the engagement of employees are the sense of progress, sense of competence, sense of choice and sense of meaningfulness. According to Singh (2016), leaders should realize the importance of intrinsic factors and their impact on the motivation of the employees as they play a larger role than extrinsic factors such as financial benefits.

## Extrinsic Rewards

Extrinsic rewards are tangible rewards that are typically financial in nature and include salary increments, benefits and bonuses (Thomas, 2009).

These extrinsic rewards are external to the employee as compared to the intrinsic rewards, which come from within the person. However, according to Ismail and Ahmed (2015) the benefits of these extrinsic rewards are short-lived and temporary as the motivation linked to the receipt of the reward usually wears off after the reward has been spent.

## Total Reward System

Jiang et al. (2009) described the total reward strategy as a combination of all the elements of rewards in terms of dollar value. In the total reward system, everything is perceived as added value by the employee, such as training and development and office environment. Lin et al. (2018) stated that one of the traits of leadership behaviour is that the leader rewards the contributions of the employees in a proper and fair manner. According to Danish and Usman (2010), one of the key elements of the total reward system is the process of performance management.

## Literature Review

Lawler (2003) conducted a study to understand the link between the reward practices of an organization and the performance level of the employees. The study aimed to understand the factors that motivated an employee to increase the work performance. The data for the study was gathered through questionnaires to a sample of employees from 55 Fortune 500 companies. The research looked at a number of rewards such as salary increases, bonuses and stock options and their correlating impact on the motivation and performance of the employees. The study concluded by recommending that organizations can adopt the practice of linking performance appraisals with rewards such as financial benefits.

Zani et al. (2011) aimed to study, using secondary research methods, the relationship between the financial and non-financial rewards and their impact on organizational motivation. The study stated that there has been plenty of research on the financial rewards and their impact on

overall motivation; however, there has been very little research into the impact of non-financial rewards on motivation. The study concluded that the motivation from financial rewards was short-lived and the old behaviour came back once the employees spent the money. The benefits of non-financial rewards were more long term and provided the employees with significant intrinsic value.

Güngör (2011) studied the relationship between the role of motivation and the reward management system in organizations using the methods of primary and secondary research. The primary research was conducted using survey questionnaires to a sample of 116 employees from 12 organizations. The secondary research was carried out in the form of an extensive literature review to understand the theories connecting the reward systems with the level of motivation. The relationship between the reward systems was also studied along with how they affected both intrinsic and extrinsic motivation. The study concluded that financial rewards and motivation were directly linked and they resulted in boosting employee performance.

Narsee (2013) conducted a study to compare the impact of monetary and non-monetary reward programmes on employee motivation. The aim of the study was to look at the effect that the reward systems have on the motivation of the employees. The data was collected through a questionnaire from 180 respondents. The results indicated that both the employees and organizations agreed that the most motivating factor for employees was monetary rewards. However, the results also indicated that a large number of employees were motivated by non-monetary rewards such as career development. It was also identified that the organizations use a mixture of monetary and non-monetary reward systems as a tool to motivate employees.

Usha, Priya and Shakthi (2014) studied the impact of rewards on motivation and job satisfaction of employees. The study stated that there were several factors which had an impact on the variables, but it was important to understand which of those variables was essential to ensure efficiency and effectiveness from the employees. It also noted that employees tended to work harder and aimed to achieve the highest performance when they had an expectation of rewards and recognition from their superiors. It concluded that employees were mainly motivated by



financial and economic rewards. The study also recommended that the rewards by the companies should be continuously adjusted in order to boost motivation among employees.

Ismail and Ahmed (2015) attempted to study reward and recognition as a motivating factor from the perspective of employees. The study theorized that the motivating factors differed for different employees and that it was important to understand the appropriate motivating factors for the right employees. The study collected responses from 938 employees working in various organizations in order to understand the appropriate motivating factors. The results of the study concluded that financial rewards such as cash were still one of the most preferred motivating factors. This was in contrast to some studies that stated that even though financial rewards were a great motivator, they usually tended to be short-lived and that benefits of intrinsic rewards tended to be more long term. The most effective intrinsic reward was the employees being given more power at their workplace, which along with financial rewards can act as the most effective motivating factors.

Danish, Khan, Shahid, Raza and Humayon (2015) aimed to study the effects of intrinsic rewards on the performance of employees, with motivation playing a mediating role. The study also attempted to study the correlation between the intrinsic rewards management system and the level of work performance that the employees exhibited. The primary data was collected through questionnaires from 290 respondents. The study concluded that intrinsic rewards had a positive impact on the performance level of the employees. The study also concluded that the rewards management system had a strong correlation with both intrinsic and extrinsic motivation.

Al Harthi (2015) studied the factors that motivate employees and the effect they have on the work performed in the UAE. For the purpose of this research, intrinsic and extrinsic rewards, such as psychological needs, career opportunities and financial benefits, were considered to boost motivation among employees. The primary research was conducted through the survey questionnaire, while the secondary research was done through extensive literature review. The study concluded that there was a positive relationship between the motivating factors and the motivation of the employees and subsequently the work performance.

## Hypotheses

H1: There is a significant positive relationship between monetary rewards and executive management motivation in the real estate industry.

H2: There is a significant positive relationship between non-monetary rewards and executive management motivation in the real estate industry.

This study aimed to understand and analyse the relationship between an organization's reward system and its impact on the motivation of the employees among the executive management in the real estate industry in the GCC. The literature review defined the different theories of motivation that are studied and implemented today. The literature review also distinguished between the different types of rewards, namely monetary, non-monetary and total reward systems. The impact of the reward system on the employee motivation was also backed by several empirical studies that were discussed. All these studies have shown a strong, positive correlation between the reward system of the organization and the level of motivation among the employees.

## Methodology

Neuman (2013) demonstrated that the philosophy of pragmatism is supportive of gathering the outcomes of a research by using multiple data collection methods. The philosophy is based on the view that none of the single methods can be used to interpret multiple realities; hence, multiple data collection tools are to be utilized. "However, this research includes only the quantitative data collection method", which has its limitations and can be complemented with qualitative methods (we discuss this further in the conclusion section). Quantitative data is vital for the collection of numeric facts, which are considered as a reliable and measurable source of information.

Saunders (2011) has suggested that deductive approach is favourable to develop hypotheses based on different theories developed by various

researchers. The hypothesis can be accepted or rejected based on the analysis of the results. This approach enables the researcher to accept or reject the theory. For this research, deductive approach is adopted to explore the influence of monetary rewards on employee's motivation in the real estate industry in the GCC.

## Data Collection

As per the study of Bryman and Bell (2015), two types of data collection methods have been used in research, namely primary and secondary data. Primary data is collected first-hand, which can be obtained on the basis of opinions gathered from the targeted sample population. Quantitative data is collected by using it. Secondary data enables the researcher to gather facts and theories identified by previous researchers. In this research, secondary method is from authentic sources to review the impact of monetary and non-monetary rewards on employee motivation.

## Sampling Technique and Sample Size

Convenience sampling has been used in the research for the collection of data. Through the help of this technique, data has been collected from a sample of 250 executive employees from the UAE real estate industry.

## Data Analysis

The collection of quantitative data creates a need for quantitative data analysis, which has been conducted on the basis of SPSS. The reason behind its selection is that regression analysis can be performed by using SPSS. The findings obtained from regression analysis have been used to conduct observational analysis in the study. In observational analysis, findings of regression results are backed up with the findings of previous researchers so that outcomes of this research can be gathered.

## Research Instruments

According to the study of Bryman (2015), research instruments can be used by the researcher to collect data. The research aims to evaluate and analyze the results on the basis of quantitative data; hence, the survey questionnaire from a previous research has been used for data collection (Scribd, 2012a, 2012b). The data collection was done on the basis of 5-point Likert scale, where 1 is strongly agree, 3 is neutral and 5 is strongly disagree, in order to gather numeric facts for the research. The survey questionnaire was designed on the basis of this scale and was used to gather data from employees to review the impact of monetary and non-monetary rewards on employee motivation in the real estate industry in the GCC (Scribd, 2012a, 2012b).

## Results Analysis

The analysis in this chapter is produced on the basis of regression analysis, which aims to explore the findings of the research. Demographic analysis is also conducted and descriptive statistics is used in the analysis to study the variations in the opinions of respondents. The impact among the selected variables has been identified on the basis of regression analysis so that the hypotheses of the research can be verified. Moreover, correlation has been used to identify the changes that can be effected by the independent variable over the dependent one.

## Descriptive Statistics

Descriptive statistics shows the variations in the responses of the individuals and is used to evaluate the responses provided by the majority of the participants.

The descriptive statistics shown in Table 7.1 provide a review of the variations in participants' responses. The mean value shows that responses of all the variables exist within the range of 1 (Strongly Agree) and 2 (Agree), which shows that the majority of the respondents have strongly agreed or agreed with the facts. Thus, the opinions of respondents have supported the relationship identified in the hypotheses of the research.

## Correlation

Correlation depicts the relationship between two variables. This analytical approach is used to evaluate the direct or indirect relationship among the variables. The relationship can be interpreted on the basis of Pearson correlation, where positive values derives a positive relationship.

The correlation table supports the findings of regression analysis as it shows that Pearson correlation is 0.01, which indicates a positive relationship between the variables. There is a positive relationship between monetary rewards (MR) and motivation of executive-level employees. Similarly, correlation of non-monetary rewards is also 0.01, which shows a positive significant change can be exerted by non-monetary rewards (NMR) on executive employee motivation (EEM) (Table 7.2).

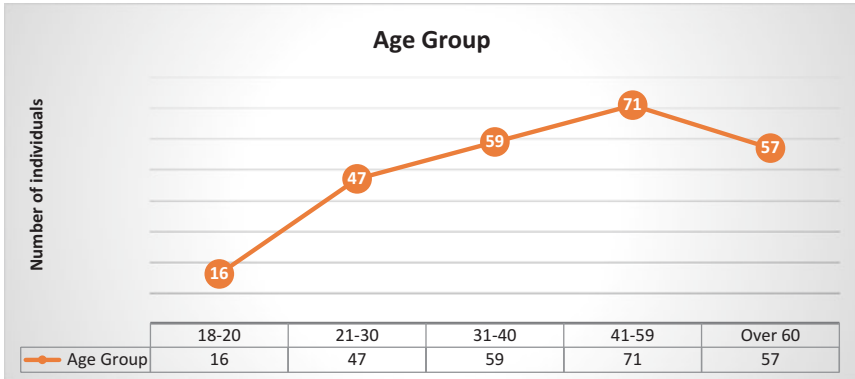
**Table 7.1** Descriptive statistics

	<i>N</i>	Minimum	Maximum	Mean	Standard. deviation
MR	250	1.00	3.40	1.6960	0.57196
NMR	250	1.00	3.60	1.9448	0.56766
EEM	250	1.00	3.40	1.5376	0.53858
Valid <i>N</i> (listwise)	250				

**Table 7.2** Correlations

	MR	NMR	EEP
<i>MR</i>			
Pearson correlation	1	0.330**	0.001
Significance (2-tailed)		0.000	0.032
<i>N</i>	250	250	250
<i>NMR</i>			
Pearson correlation	0.330**	1	0.006
Significance (2-tailed)	0.000		0.031
<i>N</i>	250	250	250
<i>EEM</i>			
Pearson correlation	0.001	0.006	1
Significance (2-tailed)	0.032	0.031	
<i>N</i>	250	250	250

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).



**Fig. 7.1** Age group demographics (Source: Author)

## Demographic Analysis

Quantitative analysis is conducted in the research, and survey questionnaire from a previous research has been used to collect data from the sample population (Scribd, 2012a, 2012b).

The following are the variables included in the analysis (Fig. 7.1):

- NMR: Non-monetary rewards
- MR: Monetary rewards
- EEM: Executive employee motivation

## Impact of Age Group on Monetary Rewards

Regression analysis is vital to study the impact of age group on the use of monetary rewards. As illustrated in Table 7.3, the significance level is 0.026, which shows that age group can exert a strong impact on the usage of monetary rewards; thus, a change in the age group influences a change in the usage of monetary rewards.

**Table 7.3** Impact of age group on monetary rewards

Model summary						
Model	<i>R</i>	<i>R</i> -square	Adjusted <i>R</i> -square	Standard error of the estimate		
1	0.041 <sup>a</sup>	0.678	0.535	0.50289		
ANOVA <sup>b</sup>						
Model		Sum of squares	<i>df</i>	Mean square	<i>F</i>	Significance
1	Regression	0.060	1	0.060	0.239	0.026 <sup>a</sup>
	Residual	35.912	142	0.253		
	Total	35.972	143			
Coefficients <sup>b</sup>						
Model		Unstandardized coefficients		Standardized coefficients		
		<i>B</i>	Standard error	Beta	<i>t</i>	Significance
1	(constant)	0.430	0.122		3.532	0.001
	A	0.002	0.003	0.041	0.488	0.026

<sup>a</sup>Predictors: (constant), A

<sup>b</sup>Dependent variable: MR

## Impact of Age on Non-monetary Rewards

The significance level illustrated in Table 7.4 of Anova is 0.000, which shows that age can exert a strong impact on the usage of non-monetary rewards. The *B* value of coefficient shows that a negative impact can be exerted by the age factor.

Therefore, it can be depicted from the findings of regression analysis that age group can affect the usage of monetary and non-monetary rewards. The respondents who belonged to higher age groups preferred to utilize non-monetary rewards, as they considered them as a long-lasting tool for motivating employees (Fig. 7.2).

## Impact of Experience on Monetary Rewards

The significance level illustrated in Table 7.5 of Anova is 0.000 and it can be concluded that experience has an impact on monetary rewards usage. An increase in experience had also increased the utilization of this type of

**Table 7.4** Impact of age group on non-monetary rewards

Model summary						
Model	<i>R</i>	<i>R</i> -square	Adjusted <i>R</i> -square	Standard error of the estimate		
1	0.763 <sup>a</sup>	0.582	0.580	0.38704		
ANOVA <sup>b</sup>						
Model		Sum of squares	<i>df</i>	Mean square	<i>F</i>	Significance
1	Regression	51.750	1	51.750	345.469	0.000 <sup>a</sup>
	Residual	37.150	248	0.150		
	Total	88.900	249			
Coefficients <sup>b</sup>						
Unstandardized coefficients			Standardized coefficients			
<i>B</i>	Standard error		Beta			<i>t</i>
3.110	0.074					42.262
0.989	0.053		0.763			18.587

<sup>a</sup>Predictors: (constant), NON

<sup>b</sup>Dependent variable: AGE



**Fig. 7.2** Experience demographics (Source: Author)



**Table 7.5** Impact of experience on monetary rewards

Model summary						
Model	<i>R</i>	<i>R</i> -square	Adjusted <i>R</i> -square	Standard error of the estimate		
1	0.944 <sup>a</sup>	0.890	0.890	0.14928		
ANOVA <sup>b</sup>						
Model	Sum of squares	<i>df</i>	Mean square	<i>F</i>	Significance	
1	Regression	44.874	1	44.874	2013.760	0.000 <sup>a</sup>
	Residual	5.526	248	0.022		
	Total	50.400	249			
Coefficients <sup>b</sup>						
Model	Unstandardized coefficients		Standardized coefficients		<i>t</i>	Significance
	<i>B</i>	Standard error	Beta			
1 (constant)	0.158	0.036			4.378	0.000
MON	0.921	0.021	0.944		44.875	0.000

<sup>a</sup>Predictors: (constant), MON

<sup>b</sup>Dependent variable: EXP

rewards. People who were inexperienced (1) had also shown that they had used monetary rewards as they had answered for the first option (1 = Yes).

## Impact of Experience on Non-monetary Rewards

The significance level is 0.000 and *B* value shows that an indirect and negative relationship exists between experience level and the usage of non-monetary rewards. The respondents who were experienced (2 = Experienced) showed that they had used non-monetary rewards (1 = Yes). The differing values of experience and non-monetary usage have shown a negative relationship in the regression analysis. Therefore, it can be concluded that an increase in experience significantly increases the preference of executives regarding the utilization of non-monetary rewards (Fig. 7.3).

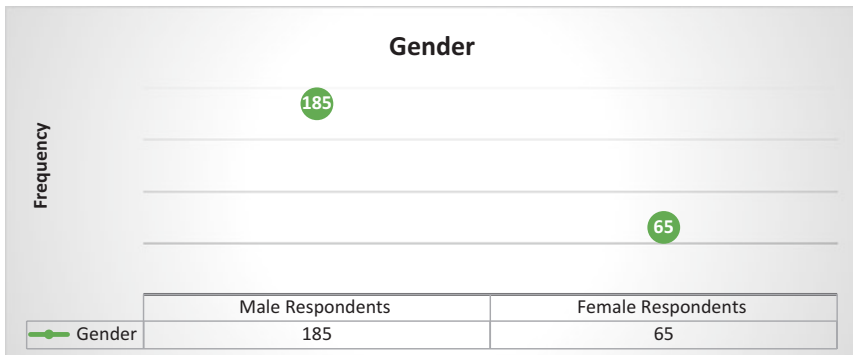


Fig. 7.3 Gender demographics (Source: Author)

Table 7.6 Impact of experience on non-monetary rewards

Model summary						
Model	R	R-square	Adjusted R-square	Standard error of the estimate		
1	0.944 <sup>a</sup>	0.890	0.890	0.14928		
ANOVA <sup>b</sup>						
Model		Sum of squares	df	Mean square	F	Significance
1	Regression	44.874	1	44.874	2013.760	0.000 <sup>a</sup>
	Residual	5.526	248	0.022		
	Total	50.400	249			
Coefficients <sup>b</sup>						
Model		Unstandardized coefficients		Standardized coefficients		
		B	Standard error	Beta	t	Significance
1	(constant)	2.921	0.028		102.924	0.000
	NON	-0.921	0.021	-0.944	-44.875	0.000

<sup>a</sup>Predictors: (constant), NON

<sup>b</sup>Dependent variable: EXP

### Impact of Gender on Monetary Rewards Usage

Table 7.6 of Anova shows that there is an impact of gender on the utilization of monetary rewards as the significance level is 0.000. It can be interpreted that male (1) respondents had used monetary rewards more as compared with female (2) respondents.

**Table 7.7** Impact of gender on monetary rewards

Model summary						
Model	<i>R</i>	<i>R</i> -square	Adjusted <i>R</i> -square	Standard error of the estimate		
1	0.392 <sup>a</sup>	0.53	0.50	0.42492		
ANOVA <sup>b</sup>						
Model		Sum of squares	<i>df</i>	Mean square	<i>F</i>	Significance
1	Regression	8.118	1	8.118	44.959	0.000 <sup>a</sup>
	Residual	44.778	248	0.181		
	Total	52.896	249			
Coefficients <sup>b</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients		Significance
		<i>B</i>	Standard error	Beta	<i>t</i>	
1	(Constant)	1.178	0.082		14.416	0.000
	GEN	0.411	0.061	0.392	6.705	0.000

<sup>a</sup>Predictors: (constant), GEN

<sup>b</sup>Dependent Variable: MON

## Impact of Gender on Non-monetary Rewards Usage

The regression analysis conducted in Table 7.7 indicates that gender can affect the usage of non-monetary rewards. It has been assessed that female population negatively influenced the usage of non-monetary rewards as they had not capitalized on this type of rewards. Thus, it can be adjudged that increase in male population can influence the usage of non-monetary rewards, as they prefer to use such rewards (Table 7.8).

## Regression Results

Regression analysis is an important approach for quantitative analysis, which is mainly used by the researchers to review the impact of one variable on another.

The regression results obtained in hypothesis 1 clarifies the fact that there is an impact of monetary rewards on the motivation of the executive employees. The significance level of Anova is 0.032, which is lower than the *p*-value of 0.05; however, the *B* value of unstandardized

**Table 7.8** Impact of gender on non-monetary rewards

Model summary						
Model	<i>R</i>	<i>R</i> -square	Adjusted <i>R</i> -square	Standard error of the estimate		
1	0.392 <sup>a</sup>	0.53	0.50	0.42492		
ANOVA <sup>b</sup>						
Model		Sum of squares	<i>df</i>	Mean square	<i>F</i>	Significance
1	Regression	8.118	1	8.118	44.959	0.000 <sup>a</sup>
	Residual	44.778	248	0.181		
	Total	52.896	249			
Coefficients <sup>b</sup>						
Model		Unstandardized coefficients		Standardized coefficients		
		<i>B</i>	Standard error	Beta	<i>t</i>	Significance
1	(constant)	1.822	0.082		22.285	0.000
	GEN	-0.411	0.061	-0.392	-6.705	0.000

<sup>a</sup>Predictors: (constant), GEN

<sup>b</sup>Dependent variable: NON

coefficient shows that there is a positive relationship between the variables. Moreover, *R*-square is 0.59, which depicts that changes in monetary rewards can exert up to 59% changes in employee motivation. Therefore, increase in monetary rewards can directly impact the motivation of executive employees in a positive manner (Table 7.9).

The results for testing hypothesis 2 show that there is an impact of non-monetary rewards on the motivation of the executive employees in the real estate industry of GCC. The significance level of 0.031 supports this impact as it is lower than the *p*-value of 0.05. *R*-square has also confirmed this impact as it shows that 61% change can be seen in employee motivation when there are changes in non-monetary rewards. It can be also be inferred from the *B* value illustrated in the table of the coefficient, which shows that there is a positive impact among the variables and an increase in non-monetary rewards can directly increase the motivation of employees.

The *B*-value (0.005) attained in the non-monetary rewards is higher than the value for monetary rewards (0.001). This aspect shows that non-monetary rewards are more appropriate for increasing the motivation level of executives. The reason is that these rewards exert a long-lasting impact on employees (Table 7.10).

Table 7.9 Model 1

Model summary						
Model	<i>R</i>	<i>R</i> -square	Adjusted <i>R</i> -square	Standard error of the estimate		
1	0.001 <sup>a</sup>	0.590	0.430	0.53966		
ANOVA <sup>b</sup>						
Model		Sum of squares	<i>df</i>	Mean square	<i>F</i>	Significance
1	Regression	0.000	1	0.000	0.000	0.032 <sup>a</sup>
	Residual	72.226	248	0.291		
	Total	72.227	249			
Coefficients <sup>b</sup>						
Model		Unstandardized coefficients		Standardized coefficients		
		<i>B</i>	Standard error	Beta	<i>t</i>	Significance
1	(constant)	1.540	0.107		14.390	0.000
	MR	0.001	0.060	0.001	0.021	0.032

<sup>a</sup>Predictors: (constant), MR<sup>b</sup>Dependent variable: EEM

Table 7.10 Model 2

Model summary						
Model	<i>R</i>	<i>R</i> -square	Adjusted <i>R</i> -square	Standard error of the estimate		
1	0.006 <sup>a</sup>	0.610	0.420	0.53965		
ANOVA <sup>b</sup>						
Model		Sum of squares	<i>df</i>	Mean square	<i>F</i>	Significance
1	Regression	0.002	1	0.002	0.008	0.031 <sup>a</sup>
	Residual	72.224	248	0.291		
	Total	72.227	249			
Coefficients <sup>b</sup>						
Model		Unstandardized coefficients		Standardized coefficients		
		<i>B</i>	Standard error	Beta	<i>t</i>	Significance
1	(constant)	1.548	0.122		12.683	0.000
	NMR	0.005	0.060	0.006	0.087	0.031

<sup>a</sup>Predictors: (constant), NMR<sup>b</sup>Dependent variable: EEM

## Results Discussion

The results obtained in regression analysis of the first hypothesis shows that there is a positive relationship between monetary rewards and the motivation level of executive employees. These findings can be supported by the research of Narsee (2013), who proposed the impact of monetary and non-monetary reward programmes on the motivation level of employees. The results were analysed by the author on the basis of the survey, which shows that financial rewards are considered as one of the motivating factors. The opinions obtained in the survey shows that both the employees and organizations agree with this fact. These findings are also supported by the research of Thomas (2009), who demonstrated that tangible rewards were paid by the companies in terms of salary increments, benefits and bonuses. These extrinsic rewards are usually financial in nature. By contrast, the study of Ismail and Ahmed (2015) shows that extrinsic rewards are considered as temporary as they can only exert a short-lived impact on the motivation of employees. In other words, the benefits of these rewards can be attained only for a limited time period.

In addition, Al Harthi (2015) conducted a study to explore the factors that can motivate employees and create a direct impact on their working performance in the UAE organizations. The findings supported the fact that financial benefits can play a positive role in boosting up the motivation level of the employees. Moreover, it has been assessed that a significant positive relationship exists between motivating factors and the motivation of employees to improve their work performance. On the contrary, Güngör (2011) inferred that reward management system in organizations is considered as a key to motivate the employees. It can be concluded from the findings of the research that financial rewards are strongly linked to motivation, which can directly enhance the performance of the employees and the overall organization.

Lawler (2003) generated the findings that reward practices used by the employers have a strong link with the level of employee performance. The results of the survey conducted in the research clarify the fact that rewards are paid by organizations in terms of salary increment, bonuses and stock options. All these types of extrinsic rewards seem to affect the motivation

and performance of employees in a positive manner. However, the researcher has provided the suggestion on the basis of research findings that appropriate performance appraisals should be used by organizations to provide rewards in terms of financial benefits. Zani et al. (2011) also supported the findings of this research and showed that there is a positive relationship between financial benefits and motivation level. The findings support the fact that the motivation derived from financial rewards seems to be short-lived as old behaviour of employees come back as soon as they spend their money.

Usha et al. (2014) studied the factors which can exert a direct impact on the motivation level of employees. It has been assessed that motivation factors increase the efficiency and effectiveness of employee performance. This aspect can result in increasing the capacity of employees to work harder and increment the individual performance level. The financial and economic rewards should be continuously adjusted by the organizations in order to meet the expectations of employees in a positive manner. This can be supported by the expectancy theory of motivation, which was discussed in the study of Chiang and Jang (2008). It has been determined that behavioural choices of employees should be considered while making decisions regarding the rewards of employees.

The findings of regression analysis conducted for hypothesis 2 shows that there is a positive significant change that can be exerted by non-monetary rewards on the motivation level of executive employees. These findings are supported by the study of Islam and Ismail (2008), who depicted that motivation is one of the psychological processes that invigorate the behaviour of employees by providing a specific direction to them. The behaviour of employees changes intensively and drives them towards the achievement of the goals. Martín Cruz et al. (2009) identified certain factors which can exert a positive influence on the motivation level of employees. These factors include a stress-free work environment, the sensation of self-accomplishment and productive collaborations with colleagues.

It can be concluded that regression analysis supports the relationship identified in the hypotheses of the research. The results show that monetary and non-monetary rewards can exert significant positive changes in the motivation level of executive employees. However, the findings

observed in the light of literature seem to show that non-monetary rewards have a more long-term impact on the employees compared with monetary or financial rewards.

## **Novelty**

This research provides new value to the existing literature as its findings deal with the reward system and motivation level of executive-level employees. These high-level management employees are not targeted in any previous study. Moreover, the data gathered in the research is on the basis of quantitative data collection methods, which provide numeric results to generate reliable facts. In addition, reliable outcomes are generated in the research by collecting secondary data from prestigious quality research papers and articles.

## **Limitations of the Research**

Limitations are the constraints that create several barriers in the research. These barriers have the potential to exert a negative impact on the outcomes of the research and it is important that these constraints be avoided by future researchers. The outcomes of the research are evaluated only on the basis of quantitative data collection methods and the qualitative method, which can create in-depth observations, is not used. The reason for capitalizing only on this method is that the research needed to be completed within a limited time span. Budget constraints also affected the quality of the literature reviewed; many articles are available on the internet only in paid subscriptions, and unavailability of the necessary budget compelled the researcher to avoid the use of these articles. In addition, relying only on secondary data was difficult, as the research is limited to executive management in a specific industry in a specific region. If collection of primary data had been possible then the research would have been more detailed in terms of results and findings.



## Recommendations

The findings of the research show that monetary and non-monetary rewards are vital for increasing the motivation level of the employees. On the basis of research findings, several recommendations are provided below, which can improvise the performance of the firms operating in the real estate industry.

- Financial rewards should be provided along with non-financial rewards so that employees can be recognized on the basis of their performance.
- Intrinsic rewards should be provided to every employee in the organization in terms of security, feasible working conditions, the feeling of achievement and growth opportunities (Dartey-Baah & Amoako, 2011).
- Executive employees should be provided with more financial and non-financial benefits as compared with other employees. The reason for prioritizing these employees is that they have a strong capacity to exert an impact on the performance of all the employees working in the organization.
- Performance appraisal systems should be utilized for designing the reward systems in the organization (Lawler, 2003).
- Executive employees are required to be provided with stress-free work environment so that their sensation of self-accomplishment can be increased (Martín Cruz et al., 2009).

## Conclusion

The aim of the research is focused on evaluating the impact of the total reward system on employee motivation among executive management in the real estate industry of the GCC. The questions of the research are directed towards assessing the reward systems that are prevalent in the real estate industry of the GCC as well as identifying the challenges faced by the organizations in designing an effective reward system. The findings of the research have been evaluated on the basis of quantitative data collection techniques by using a survey questionnaire, which is designed by

using a 5-point Likert scale. A sample of 250 executive-level employees has been selected on the basis of convenience sampling technique (Scribd, 2012a, 2012b). The data collected in the survey has been analysed by using SPSS in order to conduct a regression analysis, correlation and descriptive statistics. The findings of the research have been supported by using secondary data, which has been obtained from various articles authored by previous researchers.

The results show that hypothesis 1 can be accepted and there is a positive relationship between monetary rewards and the performance of executive-level employees in the real estate industry. Previous studies show that monetary rewards are considered as financial benefits, which are mainly provided by the firms in the form of salary increments, benefits, bonuses, air tickets, paid leaves and stocks. However, these rewards tend to affect the employees for a very short period of time and old behaviour of employees come back eventually after they utilize the financial rewards paid to them. The analysis shows that female and young-aged employees prefer monetary rewards more.

Hypothesis 2 affirms the fact that there is a positive relationship between non-monetary rewards and motivation of executive-level employees. These rewards are considered as important intrinsic factors and they can ultimately create a self-determination in employees. It may include training and higher-ranking grade. Male and older employees showed a higher preference for non-monetary rewards than others. We can say that they aim for career development and are looking for long-term benefits and strong reasons to work with the same organization.

The ideal reward system should be a mixture of both types, especially when intended to benefit employees at the executive level.

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# **Theme III**

**Restructuring and Integration of  
Employees in the UAE**



# 8

## Consequences of Mergers and Acquisitions and Their Effect on Employees: A Case Study from the Banking Industry in the UAE

Tijan Muhanad Younus Al Naeemy

Recent studies during the last five years have attributed the effectiveness of merger implementation to an organization's culture. Studies conducted in the banking, construction, automobile manufacturing and retail sectors have revealed that employees' perception of change is shaped by their adoption of the values, norms, ideas and accepted behavior proposed by the existing culture. Senior et al. (2017) argue that it is important to understand the link between the role of organizational culture and its influence on determining the success or failure of the aspired change initiative when organizational restructuring occurs due to mergers and acquisitions (M&A).

Therefore, organizational change and the various disruptions it causes to the structure, culture, technology and employees of the organization have become a prevailing area of research for many scholars and researchers. However, there is an argument that existing research mainly

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originates from the western context, as it explored cases of change occurring in organizations from different sectors in that market (Yousef, 2017).

In recent years several cases of change have been witnessed in the market, especially in the banking sector (ArabianBusiness.com, 2019a, 2019b). With globalization, competitiveness has increased, and banks are heading toward strategic and financial solutions to cut costs and achieve economies of scale (Ahmad & Lambert, 2019). This includes radical changes that come in different forms such as restructuring, mergers, acquisitions and downsizing to sustain growth, performance and innovation (Bari, Abrar, Bashir, Baig, & Fanchen, 2019).

It is known that organizational change always brings alterations to the structure, system and processes of the company. However, there is no doubt that effective changes actually occur in the most significant element of the organization, which is its culture (Yang, Lütge, & Yang, 2019). Countries around the world have been witnessing an increasing level of change in the form of M&A, which significantly impact the organization's existing culture (Lee, Kim, & Kim, 2019).

Therefore, many studies have been conducted in the west to analyze its effect on the human aspect of organizations (Ahmad & Lambert, 2019). However, such studies are considered new in the UAE context. The topic of change management has been newly introduced, with very limited researches conducted on change, despite the fact that many organizational changes and mergers have been witnessed in the UAE in the past years (Cerimagic, 2010).

Moreover, many studies on M&A have been emphasizing on the strategic and financial effects that the change has on organizations but have neglected the psychological effect it has on employees (Holland & Scullion, 2019). Hence, scholars have recently diverted their attention to studying the impact of change on employees, as its significance has now been emphasized by many researchers (Soundarya, Lavanya, & Hemalatha, 2018). Change tends to shake or sometimes even break the values, norms and assumptions identified by and engrained in an organization's culture, which has been adopted and institutionalized by past and existing employees (Yang et al., 2019). Change, thus, has a deep impact on employees' psychology and emotions and this can strongly affect the progress of the proposed change. Therefore, these elements highlight the



role of human aspect in influencing the success or failure of change (Clarke & Salleh, 2011).

In the light of the above discussion, in this chapter we will focus on the human aspect of change in the context of M&A, in the post-merger phase. In doing so, we aim to compare and learn from previous researches conducted in the west and reflect on them. We chose an important merger example from the UAE's banking sector, namely, National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) (Cranny, Salamat, & Bianchi, 2016).

The study is an exploratory research based on previously conducted studies from different western researches to be applied in the UAE context. The research is qualitative in nature, where it uses information collected from secondary sources. Information resources included scholarly articles and secondary data such as ILO databases, National Bank of Abu Dhabi website (NBAD), First Abu Dhabi Bank website (FAB), national and international newspapers and official UAE governmental websites.

This research attempts to further develop strategic approaches for organizations operating in the UAE, which can identify the obstacles that organizations face during post-merger phases, and the learnings from here can in future aid organizations to achieve success when it comes to mergers.

## Literature Review

The organizational impact of the mergers in terms of change and disruptions has attracted the attention of many scholars and researchers and has become a prevailing area of investigation. It mainly originated from the western context, as it explored cases of change occurring in organizations from different sectors in that market (Yousef, 2017).

Bebenroth and Ismail (2014) argue that according to statistical data most M&A fail and they attribute this failure to the cultural conflict that arises during the integration process. Similarly, Lok and Crawford (2004) and Al-Ali et al. (2017) agree that post-merger cultural differences between merged organizations lead to consistent downfall in employees' performance. The consolidated firms begin to blame one another for the

deteriorating performance, as evidenced in the case of Daimler-Chrysler merger (Ager, 2011; Siegel & Simons, 2010).

Although people believed that the merger of these complementary companies was likely to succeed (Laouisset, 2009), the German and American consolidation eventually failed despite its improved performance at the beginning of the merger. Abu Elanain (2010) emphasized that cultural differences were acknowledged by employees, who were frustrated by the difference in management and working style. Daimler-Benz followed a more structured and formal managerial style while Chrysler adopted a relaxed non-interventionist style. The clashes between both styles were reflected on the disapproving employees and were witnessed through the organization's poor performance (Hassan, Hassan, Mouakket, & Mouakket, 2016). According to Erwin and Garman (2010), Dorling and Dorling (2017) and Senior et al. (2017) merger initiatives fail because organizations tend to focus too much on the potential benefits while neglecting the important factor of culture in the process.

On the other hand, Bönigk and Steffgen (2013) argue that other factors such as conflict of interest among employees, lack of shared trust and poor leadership and management practices contribute to the failure of M&A. Islam, Ur Rehman Khan, Ahmad, Ali and Ahmed (2014), Lawrence, Ruppel and Tworoger (2014) and Ndaba and Anthony (2015) have agreed that these elements play a pivotal role in a merger's failure, though according to them these are not separate factors from cultural incompatibility but rather the outcome of the cultural clash.

Lack of trust and the conflict that ensues are actually employees' behavioral outcomes and responses to the merger's psychological effect on them, as change initiative attempts to alter the organization's culture (Dewe & Trenberth, 2012; Giæver & Hellesø, 2010; Khan & Ali, 2015). Many studies (Helpap, Helpap, Bekmeier-Feuerhahn, & Bekmeier-Feuerhahn, 2016; Olatunji & Uwalomwa, 2008) have analyzed several merger cases in different industries operating in the market and have deduced that the reasons for failure of M&A are quite similar across different businesses and industries.

Hence, they believed that the outcomes of the studies can be beneficial to evaluate the approaches taken by other organizations attempting to merge, thus predicting the possible results and outcomes of the change

initiative. But Withal, Lok and Crawford (2004) and Rhoades (1998) have argued that studies conducted on M&A cannot be fully generalized to other cases.

Moreover, Cerimagic (2010) called for the use of more accurate quantitative methods to analyze and evaluate the outcomes of M&A and produce a more thorough study that would assess M&A from different aspects. Meanwhile, Bashir (2012) argued that leaders are also under pressure like other employees during radical changes in an organization and future studies should explore their psychological, emotional and cognitive changes during adjustment into the new setup.

It has been noticed that most scholars have agreed on the importance of acknowledging the role of employees' psychological emotions and the psychological impact of change on the entire organization in influencing the outcomes of mergers. Researchers have also agreed that during mergers organizational culture might be the most important element to be considered and studied when developing a strong plan that would help prepare the organization and its employees for the merger process.

This concept has originated from scholars' belief of a strong relationship between the organization's culture and its effect on shaping employees' emotions and cognitions, which would determine the response to the change initiative. To further understand the emotion's of the employee the data is collected from the similar banking institution mergers in the UAE market.

## Analysis and Discussion

The chapter aims on analyzing unique elements that were suggested to have influence on one another. Therefore, this section presents and analyzes three distinctive elements—organizational culture, employees' psychological perception and the influence of organizational restructuring after merger on employees and the culture—through comparison between different researches and cases presented by scholars. In addition, content analysis is carried out by interpreting the data collected by secondary researches in news articles, data reports and literature review to highlight the important points and explain how the findings were reached.

## Organizational Change and Mergers in the UAE

The topic of organizational change and the various approaches proposed to manage it has gained the attention of the Middle Eastern region, particularly the United Arab Emirates. Many organizations operating in GCC countries have been witnessing organizational change in the context of mergers and acquisitions (Das Augustine, 2019a, 2019b). This is evidently witnessed in the UAE as well given the various mergers and acquisitions occurring in the UAE's banking sector (Gulf Business, 2019a, 2019b).

Some of these examples include the merger of two big oil companies, Zakum Development Co. (ZADCO) and Abu Dhabi Marine Operating Co (ADMA-OPCO); the consolidation of three firms, Abu Dhabi Petroleum Ports Operating Company (IRSHAD), Petroleum Services Company (ESNAAD) and the Abu Dhabi National Tanker Company (ADNATCO); the US\$135 billion merger of Petroleum Investment Company (Ipic) and Mubadala Development Company and International; the US\$55 billion merger between Emirates Bank International (EBI) and National Bank of Dubai (NBD) (Salim, 2013); and the merger between National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) (NBAD, 2017).

## Relationship Between Organizational Culture and Employees' Perspective to Change

### Organizational Culture

Organizational culture is the personality of an organization that uniquely identifies its beliefs, values, assumptions and comprehensive systems and differentiates it from other firms (AlMazrouei & Pech, 2014). It is the shared belief system that employees adopt, which becomes their guidance in the process of sense making. It exists at various organizational levels and is integrated in its system, practices and processes.

Culture is formed over time and is learned by employees and forms their psychological perceptions as they engage with others to solve problems (Thomas, Sargent, & Hardy, 2011). This culture becomes shaped through processes of external adaptation to the environment and is then internally integrated through the system, as it proves to work well enough to be adopted by and taught to new employees.

## **Exploring Organizational Change and Culture and Their Deep Implications for Employees' Psychological Perception**

To understand the challenges faced by companies during change, it is important to comprehend the dimensional effect it has on them. According to Behery et al. (2016) organizational change is described as a series of attempts or events that alter organizations by modifying their structure, culture, technology, processes or work tasks.

Employees' attitude toward change depends on their general positive or negative evaluation of the actions implemented by their organization (Bashir, 2012). Their judgment is based on their adaptation to the organization's culture, which influences their cognitions and psychological emotions about organizational change, consequently resulting in their behavioral response of either acceptance or resistance.

## **Impact of Organizational Culture on Organizational Change**

According to several researches (Ismail & Umar Baki, 2017; Slade, Ribando, & Fortner, 2016), change tends to have an overall impact on organizational culture, which is the most important and influential element in any organization. Therefore, any effort to change will not be effective if it is incompatible with the approved assumptions and values of the organization's culture and would lead to great resistance to change. These issues are often referred to as soft issues due to their direct relation with employees' belief system, emotions and psychological comprehension to change (Bari et al., 2019).

Consideration to soft issues during high-scale change such as mergers and acquisitions is regarded highly important if not as important as the elements related to cost cutting, growth strategies and financial data (Galpin, 2019).

Organizational culture dictates the correct way of thinking, perceiving and feeling with regard to the events that employees encounter. Therefore, its adoption will impact the deep structures of employees' cognitions, psychological emotions, behaviors and actions and would shape their internal and external relationships, without them being aware of its strong influence.

According to Lawrence et al. (2014), the stronger the organizational culture the stronger is its influence on employees' behaviors and attitudes toward change, of whether accepting or resisting 'organizational change'. This draws upon the strong association between understanding organization's culture and employees' psychological emotions after merger, which has an effect on the merger or the 'organizational change initiative'.

## **Organizational Mergers and Acquisitions Around the World: Strategic and Financial Perspective**

Scholars define mergers and acquisitions as a strategic and financial approach aimed at boosting an organization's performance and competitiveness, achieving economies of scale and overpowering strong competitors in the market (Wang, 2018), by increasing its customer base and shareholders' return and reducing the overall operating costs through cutting down redundant functions (Rao-Nicholson, Khan, & Stokes, 2016; Senior et al., 2017).

M&A require integrating some or all functions, systems and processes of the organization's previous activities (Sergie, 2016). On the other hand, the scale of organizational change would differ across mergers and acquisitions, due to varied motives and purposes and depending upon the type of M&A chosen.

M&A attempts, particularly in the banking industry, have been growing globally since the late twentieth century, as shown in Table 8.1. During 1980s, both the USA and the UK witnessed several bank mergers

and acquisitions, with particular increase in other European countries in the years 1997 and 1998 (Ismail & Umar Baki, 2017). A big merger in France in 1998 resulted in the formation of a new bank with a capital amounting to US\$688 billion, while a capital of US\$541 billion resulted from the merger of two banks in Germany, also in 1998, forming the second largest bank in Germany (Senior et al., 2017).

Mergers have also been emerging in growing markets such as Brazil, Argentina and South Korea in an attempt to increase their resilience and competitiveness in the market and to overcome the challenges accompanied by globalization and other worldwide banking systems (De Araújo, Silva, & Pereira, 2018). For instance, South Korea's banking system is composed of eight commercial banks operating in the country with over 4500 branches resulting from bank mergers (Slade et al., 2016).

South Africa has also gone through several bank mergers, in which one bank, Amalgamated Bank of South Africa (ABSA), has a capital base and assets that are greater than all of the Nigerian commercial banks combined (Charoensukmongkol & Charoensukmongkol, 2017). In Malaysia, banks were required to merge to increase their base capital in one year from US\$70 million to US\$526 million. Mergers in Singapore have reduced the number of banks to six, which is moving down further to three, with Singapore's second largest bank having a base capital of US\$67 billion (Clarke & Salleh, 2011).

In line with the global trend, Nigerian banking system has also adopted the merger approach; it had 89 banks before merger and has 25 banks after its first phase of merger initiative. Most of these banks had only US\$10 million capital base, where the largest bank had a base capital of US\$240 million, which is less than the capital of Malaysia's smallest bank; US\$526 million (Ismail & Umar Baki, 2017). All of the merger attempts shown in Table 8.1 were strictly planned from a financial and strategic aspect.

## Statistics on Mergers and Acquisitions

Mergers and acquisitions have witnessed global increase, with the highest ratings ever recorded in 2015 of US\$5.05 trillion. It grew by 38% from

**Table 8.1** Bank mergers around the world

M&A around the globe	Findings
USA, UK and European countries	<ul style="list-style-type: none"> <li>• Witnessed increasing mergers starting in 1980 (Bolori, 2018).</li> </ul>
European countries	<ul style="list-style-type: none"> <li>• 203 banks merged during 1997–1998 (Bolori, 2018).</li> </ul>
France	<ul style="list-style-type: none"> <li>• Merger of Banque Nationale de Paris (BNP) with Banque Paribas in 1998, resulted in the formation of a new bank with a capital base of \$688 billion (Bolori, 2018).</li> </ul>
Germany	<ul style="list-style-type: none"> <li>• Two banks merged, Hypobank with Bayerische Vereinsbank, at the end of 1998 forming the second largest bank in Germany with a capital base of US\$541 billion (Bolori, 2018)</li> </ul>
Brazil	<ul style="list-style-type: none"> <li>• Forty-three mergers and acquisitions took place during the years 2005–2015 in Brazil.</li> <li>• This was in response to strategic alterations caused by constant technological development and change, along with globalization movement in the market (Souza &amp; Gartner, 2019).</li> </ul>
Korea	<ul style="list-style-type: none"> <li>• In 2015, the fifth largest South Korean commercial bank, Korea Exchange Bank (KEB), was acquired by Hana Financial Group and merged with Hana Bank.</li> <li>• The newly formed bank has total assets of KRW 300 trillion and about 950 branches (New world, 2016).</li> </ul>
South Africa	<ul style="list-style-type: none"> <li>• Capitec's acquisition of Mercantile Business Bank in 2019.</li> <li>• The aim was to expand business strategy and increase growth (Smith, 2019).</li> </ul>
Malaysia	<ul style="list-style-type: none"> <li>• Due to Asian financial crisis in 1997, M&amp;A process was sped up in Malaysian banking sector.</li> <li>• The result was the development of 10 banks in year 2001 out of a total of 54 financial institutions (Shanmugam &amp; Nair, 2004).</li> <li>• For the year of 2019, it was fore-casted that the Malaysia's banking sector is unlikely to witness any mergers and acquisitions due to political reasons hindering banks from achieving deals (Asian Banking &amp; Finance, 2019), hence no M&amp;A happened during the fiscal year 2019.</li> </ul>
Singapore	<ul style="list-style-type: none"> <li>• Banks merged to around six and is aiming down to further reduce to three banks.</li> <li>• Second largest bank has capital base US\$67 billion.</li> <li>• In the first nine months of 2019, M&amp;A in Singapore soared 70.6 per cent to US\$88.3 billion (The Straits Times, 2019).</li> </ul>

*(continued)*



Table 8.1 (continued)

M&A around the globe	Findings
Kenya	<ul style="list-style-type: none"> <li>Kenya's NIC Bank was merged in Sept, 2019 with Commercial Bank of Africa (CBA), the biggest privately owned bank in the country and now called NCBA bank. This merger has created the third biggest bank in the region (Skipper &amp; Chaplin, 2019).</li> </ul>
Nigeria	<ul style="list-style-type: none"> <li>On July 6, 2004, 89 banks were present in Nigeria with less than US\$10 million capital base (Bolori, 2018).</li> <li>After merger, 25 banks were operating in Nigeria.</li> <li>In 2019, Access Bank and Diamond Bank merged.</li> <li>According to the two lenders, it will be the largest banking group in Nigeria and Africa with the number of customers amounting to 29 million and operating nearly 3100 ATMs.</li> <li>The new bank is expected to have a presence in 3 continents and 12 countries (Nwanma, 2019).</li> </ul>

2014 and is expected to continue its increase. Despite these numbers and their motivating purpose, studies have shown that 83% of M&A fail to produce the promised profits, financial outcomes, goals and values to their shareholders (Bradt, 2015).

These statistics about failure of M&A have provoked many scholars to try and discover the true elements that hinder the change's success, by shifting their focus of study to other elements of mergers and acquisitions.

## Mergers and Acquisitions in the GCC Region

In recent years the GCC banking sector has been going through major consolidation with about 20 banks. Negotiations are taking place about forming possible mergers and acquisitions, which are estimated to result in total value of assets worth US\$1 trillion (Rizvi, 2019).

## Mergers and Acquisitions in the UAE's Banking and Financial Sector

The UAE is considered the leader of the pack, witnessing the highest number of mergers in terms of both value and volume. Between

**Table 8.2** Current M&A in the banking and financial sector of the UAE

Bank name	Description
First Gulf Bank & National Bank of Abu Dhabi	Has total assets of around AED744bn (US \$202 billion) (Rizvi, 2019).
<i>Acquisition process:</i> Dubai-based Emirates NBD is buying Turkey's Denizbank for US\$2.8 billion.	Combined assets of about US\$180 billion (Banker Middle East, 2019).
<i>It is said that the following two banks are going through merger discussion:</i>	If the merger happens, the resulting bank is expected to be one of the largest banks in the Middle East, with approximate assets of US\$234 billion (John, 2019a, 2019b, 2019c).
Abu Dhabi Islamic Bank & First Abu Dhabi Bank	
<i>The recently completed three-way merger of Abu Dhabi Commercial Bank, Union National Bank &amp; Al Hilal will also create a giant.</i>	Expected to create US\$115 billion assets in the UAE (Rizvi, 2019).
<i>Acquisition process</i>	
UAE Dubai Islamic Bank's acquisition of Dubai-based Noor Bank	Expected to create combined assets of US\$76 billion (Khatib, 2019).
<i>Under progress is the merger of Shuaa Capital &amp; Abu Dhabi Financial Group</i>	In an attempt to create a US\$20 billion financial group (Rizvi, 2019).
<i>It has been said that discussions for possible mergers are being planned between the following:</i>	A merger plan with a combined total equity around US\$250 million (Rizvi, 2019).
Arqaam Capital and The National Investor	

Source: Author

negotiations and work progress underway, there are currently six mergers and acquisitions in the banking and financial sector of the UAE, worth US \$625.25 billion (Khatib, 2019) (Table 8.2).

## **Merger and Acquisition of the UAE's Banking Sector: AL Hilal Bank, ADCB and UNB**

AL Hilal Bank of Abu Dhabi, Abu Dhabi Commercial Bank (ADCB) and Union National Bank (UNB) have merged in 2019, after the big

merger of NBAD and FGB. The merger of the three banks is said to have created the third largest UAE bank, with combined assets of AED 423 billion and more than one million customer base (Khan, 2019). On the other hand, AL Hilal Bank of Abu Dhabi has cut 1660 jobs as a result of the three-way merger. It has also been reported that more jobs will be cut in response to the merger (Gulf Business, 2019a, 2019b).

Other sources have reported that Abu Dhabi Commercial Bank (ADCB Bank) may cut down 2000 jobs during the operation of integrating and combining the processes and people's knowledge (Sharif & Fattah, 2019). Reports stated that the merger is directed toward achieving long-term development and sustainable growth, which in turn would vitally help in providing excellent service to customers in the market (Gulf Business, 2019a, 2019b). As announced in *Khaleej Times*, the UAE's leading national newspaper, the three banks will continue their processes by operating independently at first, until the merged banks are combined effectively to operate strongly and provide the best of services (John, 2019a, 2019b, 2019c).

It is expected that more such mergers will happen in UAE, including a possible three-way merger among Bank of Sharjah, Invest Bank and UAB. Reports have shown that 150 employees were laid off in an attempt to cut costs and to maintain efficiency (Reuters, 2019). Such decisions are never easy since organizations need to let go considerable talents, though this has been witnessed often in the recent years as thousands of jobs were cut in response to a slowing economy and efforts of consolidating the banking industry (Reuters, 2019).

## **Merger of Dubai Islamic Bank (DIB) and Noor Bank in the UAE**

In line with the increasing mergers and acquisitions occurring in UAE's banking sector, Dubai Islamic Bank (DIB) has drawn plans to acquire Noor Bank, which is a Dubai-based, Shariah-compliant bank providing a range of Islamic banking services (John, 2019a, 2019b, 2019c). As a result of this acquisition, Dubai Islamic Bank (DIB), the oldest and largest Islamic bank in the world, is planning to become the most powerful

Islamic banking group, with the combined assets amounting to AED 275 billion (Mayenkar, 2019). The acquisition is aimed on strategically and economically increasing the market share, enhancing its influence, improving the efficiency of its operations and expanding its growth in the region, while providing innovation and excellence of service to the customers (Bloomberg, 2019). This announcement is believed to provide more economic growth opportunities, success and prosperity across the region by ensuring that the financial sector of the UAE is at the front and center of the Islamic economy (ArabianBusiness.com, 2019a, 2019b).

### **Emirates NBD Buys Turkey's Denizbank**

Dubai-based Emirates NBD has bought Turkey's Denizbank for US\$2.8 billion, resulting in estimated combined assets of around US\$180 billion (Rizvi, 2019).

### **Possible Merger News of Abu Dhabi Islamic Bank and First Abu Dhabi Bank**

As reported by Bloomberg, Abu Dhabi Islamic Bank and First Abu Dhabi Bank are expected to be engaged in merger negotiations, which if progresses would lead to the creation of one of the largest banks operating in the Middle East with the estimated assets totaling US\$234 billion (Banker Middle East, 2019).

### **Merger of Shuaa Capital and Abu Dhabi Financial Group**

The merger of Shuaa Capital, a financial service based in Dubai, and Abu Dhabi Financial Group is similarly progressing and is nearly in its final stages toward creating an estimated US\$20 billion financial group (Khatib, 2019).

## **Possible Merger of Arqaam Capital and The National Investor**

Arqaam Capital, a specialist investment bank emerging in the market and providing regional and international offerings and products, and The National Investor are said to be involved in discussions regarding possible merger, which would result in combined value of equity around US\$250 million (Rizvi, 2019).

## **Mergers and Acquisitions in Saudi Arabia's Banking Sector**

Following mergers in the UAE's banking sector, two mergers and acquisitions worth US\$256 billion are under progress in Saudi Arabia (Rizvi, 2019) (Table 8.3).

Another large deal is being negotiated between National Commercial Bank and Riyadh Bank to create the third biggest lender in the GCC and the region's largest economy, Saudi Arabia, with an estimated asset of US\$188 billion (John, 2019a, 2019b, 2019c).

## **Mergers and Acquisitions in Kuwait's Banking Sector**

In Kuwait, a mega merger between Kuwait Finance House and Ahli United Bank is additionally underway, according to Bloomberg, which will create the sixth largest lender in the region with estimated combined assets of US\$97 billion (Banker Middle East, 2019).

## **Mergers and Acquisitions in Oman's Banking Sector**

A memorandum of understanding has been signed by Oman's Alizz Islamic Bank and Oman Arab Bank on October 2019 for a possible merger. The estimated combined assets are around US\$8 billion (Rizvi, 2019).

**Table 8.3** Bank M&A in Saudi Arabia

Bank name	Description
National Commercial Bank and Riyadh Bank	Under discussion to create GCC's third biggest lender with US\$188 billion assets (John, 2019a, 2019b, 2019c).
Saudi British Bank to purchase Alawwal Bank (40% owned by Royal Bank of Scotland Group)	The resulting Bank would have assets of US\$68 billion (Khatib, 2019).

Source: Author

The recent consolidation drive through mergers and acquisitions witnessed in the GCC region and specifically among the GCC banks has been attributed to and encouraged by the slow growth and passive credit demand in the market region. According to global ratings agency Moody's Investors Service, mergers and acquisitions movement would help the sector by boosting its profitability while easing down the overcapacity (Rizvi, 2019).

## Impact of Organizational Restructuring on Employees' Psychological Wellbeing

### Investigating Merger from Employees' Perspective

Studies are aimed at investigating the issues related to the integration processes of culture and structure, the overall organizational fit and the psychological emotions experienced by employees that result in their behavioral outcome. These researches have been conducted to view another angle of the possible barriers hindering merger and other related transformative change (Rodrigues & Bido, 2019).

### Psychological Effects of Mergers and Acquisitions Across the Globe

Many literatures have agreed that mergers and acquisitions generate anxiety, stress and fear (Bashir, 2012; Hazelton, 2014), which ultimately lead

to a decline in job satisfaction and commitment. However, according to several studies analyzed, adoption of poor managerial practices and lack of communication across the hierarchy (Jiang, 2019), during and after merger, have led to experiencing these negative psychological feelings.

This usually happens when the chosen way of communication with employees does not help in clarifying the purpose of change or in reducing the element of ambiguity, confusion and their fear of the unknown (Rodrigues & Bido, 2019). Moreover, employees are usually passing through a phase described by researchers as the process of unlearning. This means that employees will have to unlearn many of the already adopted practices, belief systems, culture and systems and learn a whole new system and culture (Sachsenmaier & Guo, 2019).

Hence, this leads to employees feeling a loss of identity and familiarity, which results in low job satisfaction and commitment and in some cases the intention to leave the organization (Jiang, 2019). In other cases, given that two or more cultures and new systems are being combined together, and with the entrance of new managers to lead the newly formed organization, employees begin to develop feelings of insecurity as they begin to worry about favoritism, hence causing the loss of their jobs (Behery et al., 2016).

## Effects of Mergers and Acquisitions on Two Critical Employee Responses

Researchers have agreed that mergers and acquisitions are considered dramatic events (Dorling & Dorling, 2017) that change not only the careers of employees but also the direction of the organization itself. Therefore, studies have shown that mergers and acquisitions mainly have two strong effects on employees' reaction to change that can either strengthen or disturb its implementation: (a) organizational identification, which is the degree to which employees define their association with and membership to their organization and (b) their attitude and behavior in relation to organizational attachment, which involves their psychological and behavioral participation in an organization (Khan & Ali, 2015) along with their job satisfaction and commitment (Bansal, 2015), intention to stay

(Grenier & Bidgoli, 2015) and voluntary turnover (Ismail & Umar Baki, 2017).

## **Employees' Possible Response to Mergers**

Employees react differently toward mergers and acquisitions taking place in their organization. In some cases, employees react to mergers by continuing to identify themselves with the culture of their premerger organization. This reaction results from their resistance to accepting the new change, which might alter their well-adopted culture, system and processes (Yang et al., 2019).

Others may become emotionally disconnected from their work, as they develop feelings of un-relatedness toward the newly developed entity. Such employees lose their sense of identity as different cultures become joined, in addition to the merger developing a new set of belief systems and values to be adopted by all present employees (Sachsenmaier & Guo, 2019).

Other studies conducted on mergers and acquisitions have shown a different reaction by employees—they decide to leave the newly developed and merged organization in refusal to accept the merging process or sometimes due to their inability to cope with the new existing environment. These common reactions are considered significantly costly outcomes that contribute to the impediment of the merger's success (Holland & Scullion, 2019).

## **Relationship Between the Effects of Mergers and Acquisitions and Organizational Change**

Distinct approaches have been taken by scholars researching the psychological elements of mergers and acquisitions and those studying organizational change to forecast employees' critical responses to change.



## Psychological Elements of Mergers and Acquisitions: Social Identity Theory

Scholars' approach in studying M&A centers on the complexities of incorporating previously distinct and independent employee groups systems and cultures along with the process of self-identification that employees experience during the merger (Lawrence et al., 2014).

Studies on M&A are mainly based on the social identity theory (Olatunji & Uwalomwa, 2008), which declares that employees' self-concept is influenced by the social group they belong to (Wahda, 2017). From this theoretical perspective Senior et al. (2017) and Rao-Nicholson et al. (2016) believe that a merger's success is dependent on employees' perception of the outcomes of change. If their legacy organization is perceived to be benefiting from improved performance, financial prosperity and organizational status due to the merger, then it would receive acceptance and support from employees, since it would translate into improvement in their social identification, status and attachment to the newly formed or merged organization.

Employees' evaluation of the benefits gained by their premerger organization and the appropriateness of the merger itself is referred to as organizational valence; the more favorably it is perceived, the more likely the merger is to succeed.

## Organizational Change: Exchange Theory

Scholars conducting studies on organizational change relate to the exchange theory perspective (Siegel & Simons, 2010), which concludes that employees evaluate change based on the personal benefit gained or lost. Hence, their continuing relationship, effort and support to their organization are traded in exchange for the expected benefits gained such as job security, pay and employee development. This is referred to as the personal valence, in which employees' attitudinal response is strongly influenced by their personal evaluation and judgment (Slade et al., 2016) of the change effort and the benefits or losses associated with it.

## Relationship Between Organizational Valence and Personal Valence

Combining the two perspectives of mergers and acquisitions studies and organizational change studies would mutually suggest that employees' reaction to transformational change such as mergers depends on their critical analyses of how both the organization and employees would be affected by it. The two fields of study are derived from the distinction between the concepts of personal valence and organizational valence (Rao-Nicholson et al., 2016).

Therefore, the exchange theory indicates that change in personal valence will impact employees' attachment to their organization (Charoensukmongkol & Charoensukmongkol, 2017), while the social identity theory (Ager, 2011) suggests that change in organizational valence will have an effect on organizational identification.

Mergers create a new identity for employees by altering their previous culture and the accepted norms adopted. This disturbs employees' psychological perception, as they try to identify their position in this change and the impact it has on their self-concept. The constant comparison between the legacy company and the newly merged organization brings about the various reactions after the merger and acquisition process.

### Post-merger Issues

After the merger, organizations pass through various obstacles that threaten the progress of integration and the organization's overall performance. Based on an explorative research of various studies by scholars and researchers on the obstacles faced after merger, four models were designed in this research to highlight the root elements that led to the obstacles. The models would present a clear explanation of the association among the human elements of organizational culture, employees' psychological emotions and organizational change initiative. The final model would present recommended solutions to tackle the obstacles highlighted in the other models.

## **Relationship Between Organizational Culture and Employees' Perception of Merger Change (Psychological Emotions Experienced Due to Cultural Change)**

After mergers and acquisitions, employees experience loss of both personal and organizational identity. Merging the two systems would propose the formation of a new culture that challenges the deeply rooted assumptions (Lawrence et al., 2014) and values that had long been adopted and embedded in the system for years. Hence, the stress associated with adapting to the colliding cultures of the merged organization poses a difficult obstacle that hinders the implementation and sustainability of change.

These negative psychological emotions affect employees' wellbeing and, despite the lack of attention given to the human aspect during change (Clarke & Salleh, 2011), are considered critical pillars to the merger's success. In addition, these aspects are closely related to employees' attachment to their previous culture, which emphasizes the strong influence they have on the success or failure of the merger initiative.

Researchers have explained that over time, the new culture, with its set rules, values, assumptions, boundaries and norms that guide the new process of thinking, would slowly be tested through various situations to earn validity and become embedded in the system. The new culture becomes the new frame of reference that is taken for granted by the organization. Shocks and surprises will be experienced as employees find that the existing frames that they hold are no longer applicable in the organization.

## **Impact of Organizational Culture on Change Attempts**

In attempting to build a strong culture that bonds employees together, organizations instead build a culture that becomes rigid over time and refuses any proposed change that would alter the established processes, norms and practices of the organization. Therefore, the culture that becomes incompatible with the market's needs and refuses to change would become the organization's major liability that hinders its progress (Islam

et al., 2014). Strong organizational cultures are usually developed by organizations in an attempt to be competitive in a dynamic environment, by gaining employees' loyalty and efforts to serve the organization's goals.

Culture change may be essential for the growth of organizations. That is, a change in culture can lead to improved effectiveness in the overall performance of an organization. In this context, Bauer & Matzler (2014) and Chen et al. (2016) have referred to the implementation of mergers and acquisitions as a complex challenge, given the large-scale alteration it would cause to the organization's culture. The organizational culture acts as the social glue that connects individuals together in harmony to build a unified relationship that would involve them emotionally and thus prepare them to the organization's set goals, strategy and direction.

However, this very same organizational culture could become a burden when it acts as a barrier to organizational change, innovation, diversity (Froehlich, Segers, & Van den Bossche, 2014), mergers and acquisitions. The outcome is united resistance by employees and attachment to the old system.

## Poor Organizational Commitment

Several literature reviews have argued that some of the issues faced after merger are poor organizational commitment, psychological emotions of shock, confusion and stress, and feelings of injustice as their original cultural system changes (Helpap et al., 2016). Researchers have found a link between resistance and disengagement from the organization, characterizing it as a dysfunctional behavior. Skeptical and cynical employees refuse to trust the motives of their organization due to feelings of insecurity and ambiguity. This is reflected as low commitment to their organization's goals and objectives.

Moreover, researchers have argued that the consequent emotions of employees last longer and beyond the completion of the merger process (Wahda, 2017). The resistance shown is due to their negative understanding of change, leading to disloyalty, poor commitment and reduced productivity. Therefore, the degree of opposition is determined by employees'

perception of the threat and severity of change. In some cases, the powerlessness felt in countering this change leads to other psychological outcomes such as depression.

Researchers conducting studies on mergers and acquisitions have discussed that merged organizations are likely to face interventions and resistance in an attempt to fight their sustainability (Al-Ali et al., 2017). These studies have shown high propensity for opposition due to the negative psychological emotions felt after change.

## **The Effects of Post-merger Stress**

Stress is classified as one of the main negative psychological reactions that lead to resistance and other negative outcomes that deter change implementation (Dewe & Trenberth, 2012). Symptoms of stress observed in organizations that undergo mergers and acquisitions include absenteeism, interpersonal conflicts, accidents on the job, lower self-esteem, turnover, errors in judgment and in some cases increased work violence (Giæver & Hellesø, 2010). These findings showed that radical change, such as mergers and acquisitions, can have deep effects on employees' physical and mental health, resulting in the counterproductive behavior and eventually resistance in the workplace to the mandated requirements, due to low job satisfaction.

## **Outcomes of Researches on Employees' Reaction During and After Mergers and Acquisitions**

Several studies conducted in the UAE (Bell, 2017; Jaffar, 2016) have agreed that organizational restructuring caused by mergers and acquisitions most often results in negative effects on workers during and after change. Researchers have conducted studies and collected feedback from employees based on the following variables: organizational commitment, psychological wellbeing, job security, job satisfaction and perceptions of time pressures.

## Psychological Emotions Experienced During Structural Change

Some of the major changes of mergers and acquisitions include downsizing, removal of an entire department, changes in hierarchical level and changes to the organization's culture (Kassem, 2017). The top management team of the merged bank, First Abu Dhabi Bank (FAB), was chosen from the two merged banks, with the executives occupying different positions in the new bank to coordinate its operations (Sharif, 2017). These changes are usually followed by modifications to the managerial levels and downsizing (Kassem, 2017) in an attempt to cut costs, increase efficiency, share resources and seek a new leadership that guides the organization in the new planned direction.

As a result of the merger of NBAD and FGB bank, some roles changed, new systems were implemented and different managerial styles were to be followed. In reference to previous merger cases, these changes would probably increase the level of stress and anxiety experienced by employees (Akben-Selcuk & Altiok-Yilmaz, 2011), as the changes break the familiar routine and cause a sense of ambiguity of the future outcome. Previous studies have highlighted that as a result of these psychological emotions and the merging pressure, employees might experience disorientation, leading to a decrease in job satisfaction, withdrawal from job and a decrease in organizational commitment.

According to staff report from Gulf Business News (2016), four of the top management employees of National Bank of Abu Dhabi (NBAD) had left the bank before the completion of the merger with First Gulf Bank (FGB). As a result, NBAD had to make structural changes to the general management by assigning employees to multiple tasks to fit the roles of the resigned employees. In addition, many employees were laid off during the merger and 20 more job cuts were made by FAB, as announced by Reuters (2017), after the merger of NBAD and FGB.

According to Epstein (2005) merging banks are usually pressured to cut costs by downsizing employees in an attempt to achieve positive

short-term results. However, a one directional focus on cutting cost has an adverse effect on productivity in the long run with regard to managing customer service, bank system, technology and working in particular product lines.

Such organizational changes are translated into reframing of the organization's previous structure. Hence, employees would experience anxiety, because these radical changes alter the routine system and create a sense of confusion and insecurity, as they feel lost occupying different roles and positions, which entails new reporting system.

### **Low Contact Between Managers and Employees Creates a Sense of Ambiguity During a Merger**

Mergers and acquisitions cause radical changes to the structure of the organization. During restructuring phase, managers have very low contact, if any, with the lower level employees, relying on middle management to voice their commands and communication to the other end (Cerimagic, 2010). In addition, managers have minimal contact with executives, limiting the room for clarification. So while workers are looking for explanation from their managers to understand the purpose of change, managers themselves are battling for clarity (Froehlich et al., 2014). Consequently, the result is anxiety and distress, which hinders rational decision making. In some cases, managers are too discrete or unable to articulate the right vision and meaning of the change to employees (Al-Ali et al., 2017) resulting in a sense of ambiguity and confusion that affects the organization's climate.

In other cases, managers themselves are struggling with conflicting emotions, as they get too involved during change and become unable to see the bigger picture (Lawrence et al., 2014). As a result, managers become biased to their own suggestions and solutions (Hassan et al., 2016), preventing the involvement of other key employees to provide recommendations and alternative choices that could facilitate the merger process for both the organization and its employees (Yousef, 2017). The

resulting chaos would waste a lot of time and opportunities to explore potential alternative solutions available for the organization.

## **Effect of Downsizing During Mergers and Acquisitions on Employees' Psychological Wellbeing**

Mergers and acquisitions generally decrease employees' feeling of security, as they become uncertain about what the change is really about and whether they have a role to play in this change process (Khan & Ali, 2015). In addition, most organizations tend to follow a procedure of downsizing during mergers and acquisitions in an attempt to cut down costs and be able to bring in employees from the merged organizations.

The process of downsizing brings upon several negative psychological responses, as employees become concerned about their status in the organization. The level of stress, pressure and anxiety increases and employees begin to lose focus on their job (Latif, 2017). This has an adverse effect on the organization's progress, as it decreases employees' overall work performance (Bauer & Matzler, 2014). This results in an increase in the organization's costs, due to poor quality, and delays the merging process as employees display resistance to merger (Slade et al., 2016).

### **Psychological Factors (Fear and Insecurity)**

Since April 2017, nearly 900 jobs in the banking sector of the UAE, Abu Dhabi, were cut amid the merger of its two largest banks, National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) (Latif, 2017). The sense of uncertainty has spurred feelings of fear, as layoffs and job losses took place and unaffected employees were anticipating their turn.

According to the reports, many UAE managers have been heavily downsizing their workforce, in an attempt to cut costs, and have become obsessed with maximizing productivity, profit, and staff performance (Cranny et al., 2016). This left employees overworked, as they were burdened with more responsibilities and demands to compensate for the laid off employees. Employees had to work for longer hours, which led to



experiencing great stress, pressure and anxiety, as they struggled to provide the organization's desired progress (Bell, 2017).

Studies have revealed that long working hours, along with excessive work load, have an adverse effect on employees' overall performance and reduces their work productivity by 30% (Bell, 2017). While employers believe that considerable money is saved from downsizing, when making two employees perform the work of four or five, the results fail their assumptions, because regular delays occur due to employees' loss of focus. This consequently affects the outcome and progress of any organization (Bradt, 2015).

According to Towers Watson Global Workforce study conducted in the UAE in 2013, which was based on a survey of 1001 employees belonging to different large and mid-sized organizations, workers in the UAE are putting in more working hours than ever due to companies downsizing and their attempt to do more with less employees. Two-fifths of the surveyed employees reported that excessive pressure was experienced at work; a fifth said that the amount of work demanded by employers had become unreasonable; a quarter agreed that insufficient employees were available to complete work tasks; and 37% of all respondents complained about constant organizational change (Maceda, 2013).

Reports on the UAE workers revealed that employees who suffer from psychological emotions of distress, due to concerns on their job security, such as job benefits, job status, job loss and undergoing new supervision, also suffer from depression, leading to several negative outcomes (Maceda, 2017). These include withdrawal from work tasks, isolation from co-workers, disorientation, experiencing accidents during work time (Olatunji & Uwalomwa, 2008) and eventually very poor performance.

## **Employees' Perception of Organizational Commitment and Organizational Justice**

Studies have stressed on the importance of considering employees' perception of the role of superiors and top management in managing the change process (Behery et al., 2016). It was found that employees

monitor their supervisors closely, skeptical of their effort and commitment to the new system and the merger process (Ismail & Umar Baki, 2017).

Although the approaches and processes to change are designed by the executives, middle managers are the ones who carry out those change initiatives by aligning their units with executives' plan for change (Bebenroth & Ismail, 2014). Managers are considered by employees to be the role models in demonstrating the effective desired behavior, by handling responsibilities, conveying meanings of change to employees, providing support to the organization and showing great commitment to the change process and organization's objectives.

It has been noted that some employees report low perceived organizational justice during organizational change, considering that they perform task responsibilities of two to three employees and work excessively without appreciation from their organizations, while the managers do much less work and are paid bigger salaries (Maceda, 2013).

They add that if downsizing is to occur, those managers should be removed, since they do not put in the required effort, and the organization would then be able to cut down costs by removing a level of hierarchy instead of retaining them and laying off several frontline and middle-level employees (Maceda, 2017).

## **Employees' Perception of Job Commitment**

When employees perceive low organizational justice, they become less satisfied, less attached and less committed to their job. Studies in the UAE observed that employees' perception of organizational commitment is expressed in their discipline and physical obedience to their organization (Al-Ali et al., 2017; Laouisset, 2009), rather than improving productivity. In other words, employees who are dissatisfied about changes occurring in the organization might continue to operate according to the organization's demands but would not commit to improving the

productivity. This highlights the strong relationship between job satisfaction and job commitment and is thus an efficient way to determine the reaction and behavior of employees toward the merger.

## **Recommended Approaches for Successful and Sustainable Mergers in the UAE**

Based on the above discussion, findings and review of the literature, the author recommends multiple approaches for successful and sustainable M&A in the UAE.

### **Building and Implementing Organizational Learning Culture**

Studies have rarely focused on how change impacts employees' psychology and these studies are considered new in the UAE. After exploring researches on change and merger initiatives, it is determined that it is important that organizations implement an *organizational learning culture*, which helps in promoting continuous learning and knowledge gaining throughout the organization. An organizational learning culture helps in building flexibility to adapt to changes occurring in the internal and external environment (Wahda, 2017). When such culture is institutionalized and adopted across different organizational levels, employees would be more anticipative and proactive to any change introduced and hence would be more supportive to transformational change (Islam et al., 2016).

Organizational learning cultures are based on the assumptions of continuous learning to develop and improve the efficiency of the organization, its systems, processes technology and employees themselves to become proactive to change (Froehlich et al., 2014). On the other hand, organizations that do not adopt such cultures struggle in their attempts to change and require more effort, support and clarification to facilitate

the process. Hence, if the change initiative does not explain its purpose and promise security to the employees, then their stress and anxiety would increase, resulting in the outcome of low job satisfaction and commitment.

## **Role of Leadership in Building Organizational Culture**

Researchers have often emphasized on the important role of the leader in balancing the development of a competitive, strong culture (Al-Ali et al., 2017) while ensuring that this culture is flexible, agile and adaptable to change (Ndaba & Anthony, 2015).

Before implementing mergers and acquisitions, it is important for leaders to understand the currently adopted culture and the obstacles that it would present during change. This would also entail an assessment of the internal and external environment, by identifying the needs of the market, revising the available skills, abilities and expertise of employees and understanding their perspective on change. Further, according to Maceda (2017), organizations require continuous update and formation of high-developmental culture and managerial system that addresses the changes occurring in the external environment.

## **Strong Communication Between Top Management and Employees**

It is pivotal to develop, facilitate and maintain a two-way communication between top management and employees at other levels, allowing for the flow of information and clarification of the cultural changes to employees.

Living in ambiguity stirs several psychological emotions that not only hinder the progress of the merger but also affects the current performance of the organization through poor work quality. Therefore, it is essential to have a strong communication system that connects the units closely

together (Kubicek, Hoelzl, & Korunka, 2013) and ensures that lower level employees are able to voice their concerns and report their feedback to their managers, given that they are directly involved with customers and the market, acting as the interface between the organization and the external environment.

Middle managers are responsible for guiding employees, maintaining a relationship that would help understand their concerns, providing clarity about the purpose of change (Dahl, 2011) and conveying the desired behavior and attitude by being a role model and demonstrating commitment and support to the merger initiative.

Some researchers have promoted the concept of a rewarding system that acknowledges those who adhere to the new culture and behavior (Thomas & Hardy, 2011) and penalizes those who adhere to old practices and cause disruptions to the overall organization's operation. This limits the spread of chaos among employees, as not everyone would be supportive to change despite the attempts of managers and leaders to guide and help their employees.

## Organizational Justice

During change, affected and unaffected employees tend to evaluate organizations' actions and decisions through cognitive assessments to determine its fairness (Abu Elanain, 2010; Bashir, 2012). Organizations need to be understanding of these perceptions by building connective relations with them to address their concerns and remove any fear of favoritism.

Employees' relation and involvement with the organization would then reflect a positive impact on their psychological wellbeing, because they perceive their organization as a setting that applies social organizational justice. As a result, job satisfaction and intention to stay increases

and is reflected as positive behaviors and attitudes that facilitate the change and merger process.

## **Identifying Gaps and Planning for Efficient Resource Alignment**

Banks undergoing mergers should first identify the gaps and needs that ought to be filled to properly plan, manage and align in place resources such as human capital, financial aspects and technical processes to facilitate change and ensure that the arranged placement supports change.

## **Avoiding Employee Downsizing**

During mergers and acquisitions, large-scale downsizing of employees occur as the organization goes through restructuring of its hierarchy and systems. In some cases of mergers, organizations shut down a whole department or carries out layoffs without considerable planning (Behery et al., 2016) in an attempt to cut major costs and save resources. In the long run, when the merged organization settles, the consequences of this choice begin to show and the complete picture is more vividly seen by the leaders.

The action of downsizing builds a climate of stress and increases distraction and withdrawal from the job, resulting in poor performance (Reuters, 2017). Studies have shown that unaffected employees experience depression and anger for the layoff of their colleagues, along with feelings of stress, anxiety and job insecurity, expecting to be suspended as well.

Another important aspect is that over time, organizations begin to experience employee shortage (Latif, 2017) and would then have to go through the process of recruitment again. This process is considered costly (Bashir, 2012) and time consuming and requires a lot of effort to adapt new employees to the organizations' culture and system. In

addition, employees who are usually laid off report feelings of disappointment and anger, as they feel undervalued and unappreciated.

Negative comments about an organization is harmful to its brand image and results in withdrawal of both customers and employees, since negative reviews spread faster than positive ones. Consequently, many organizations in such situations were affected (Abu Elanain, 2010), as they were unable to retain existing employees or attract potential employees and applicants, who shifted to other competitive organizations.

In contrast, retaining employees and assuring their employment during mergers and other transitional phases would translate to feelings of comfort and sense of job security (Abu Elanain, 2010) and result in an increase in employees' positive personal valence while reducing feelings of stress, anxiety and resistance to change.

In cases where organizations strive to reduce costs through mergers, cutting all employees' salaries is a more prudent option than downsizing. This action communicates the organization's value to its employees (Lawrence et al., 2014) as it attempts to retain them all, despite the challenge it is facing. This instills in employees a sense of loyalty, belongingness and attachment with the organization, as they perceive equality of treatment and organizational justice (Hassan et al., 2016), given that the burden of the obstacles and struggles faced is shared by the whole organization. Moreover, it gives employees time to look for other job opportunities, reducing the feelings of stress and anxiety they would have experienced had they lost the job abruptly as a result of merger change. Thus, such an approach reflects a positive image of the organization's concern about its employees.

## **Establishing a Sense of Stability and Security for Employees**

Employees perceive change as a cost due to the disturbances it causes to their daily work life, since they would need time and effort to adapt to

the new proposed changes (Chen et al., 2016). Therefore, supervisors and managers maintaining employees' daily work tasks along with providing support and understanding to any changes that alter their tasks would provide a sense of continuity to their routine. Employees fear the unknown and the ambiguity surrounding their future roles as well as whether they would be able to efficiently carry out their work tasks as done before the merger. Job continuity is positively viewed by employees, providing them with a sense of stability, safety and security, which positively increases their personal valence.

## **Boosting Performance Through Benefits Gained from Merger**

Employees evaluate change based on the benefits or threats that they are likely to receive as they identify themselves with the organization. Therefore, it is vital that the benefits that would be gained from merger reflect both at the organizational level and at the personal (employee) level.

From the analyzed case studies on mergers and acquisitions, it is evident that increases in the benefits gained by the organization such as improved financial position, performance and status would lead to increases in organizational identification (Bauer & Matzler, 2014; Dorling & Dorling, 2017; Thomas et al., 2011). Increases in the perceived personal benefits (employee benefits) such as improved personal status, organizational justice, job security and job continuity would also increase employees' job satisfaction, thus increasing their intention to stay. On the overall outcome, an increase in personal benefits would reduce employees' voluntary turnover.

Employees need to view the significance of the merger and its benefits in the same vein as the top management to provide the desired support and facilitate the change process (Helpap et al., 2016). The change agent can communicate these benefits and provide clarity on the purpose of merger, along with highlighting the positive outcomes it would have on the employees, who are valued by the organization. Change could be portrayed to employees as a new opportunity for growth within the organization.



## Provide Guidance, Training and Tracking Progress

Leadership plays an important role in not only guiding but also training employees at various levels by clarifying the vision, assigning managers to support their subordinates during merger and ensuring that they are fully equipped (AlMazrouei & Pech, 2014). This displays commitment to change and to employees (Senior et al., 2017), who are considered contributors and facilitators to the success of change. In addition, it is important to continuously track the progress of merger implementation by evaluating the established and accomplished goals and providing adjustments as necessary.

## Limitations

After conducting this research, the significance of understanding and managing organizational change has been further clarified and acknowledged. The information presented by scholars was enlightening and foreshadowed future researches on discovering other human aspects of adaptability to change during mergers and acquisitions. It is recognized that there is further need for future researches in this domain, especially in the UAE market context, and such researches would require an explorative study that consists of mixed methods combining qualitative and quantitative approaches. Conducting semi-structured interviews with open commentary sections would be vital for more accurate analyses of the information, thus allowing employees to freely voice their comments, suggestions and issues. A series of interviews would be required, conducted before and after the merger, to compare and evaluate the results.

## Conclusion

From the findings of this study, it can be concluded that mergers and acquisitions generally bring about major changes to an organization's processes, system and culture by challenging the deep assumptions held

by employees as well as organizational values. The resulting issues may then impede the smooth progress of mergers and acquisitions due to resistance for this change. The inability to acknowledge the importance of organizational culture and its impact on employees' psychology has led to the widespread failure of many merger attempts. As a result, change engendered by mergers and acquisitions under poor management has resulted in employees' negative psychological and behavioral outcomes, such as stress, anxiety and fear, which have led to low job satisfaction, reduced commitment and decreased productivity and to resistance to the merger in the UAE. The study therefore emphasizes the need to consider the human and soft aspects, along with the hard core elements related to financial data, economies of scale, strategy, cost cutting and purposes for growth, to be able to handle the various psychological emotions experienced after mergers and successfully achieve and sustain merger initiatives.

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# **Theme IV**

**Employer and Nation Branding in  
the UAE**



# 9

## Key Elements of Nation Branding: The Importance of the Development of Local Human Capital in the UAE

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Since the beginning of the 21st century, globalization has led nations to brand themselves and get competitive advantage in order to develop a positive country image. Since the world is now one single market where countries compete against each other, nation branding has become a matter for discussion. In fact, today's single international market has led countries to manage their strategies in view of a larger audience, to benefit from foreign investment, skilled labour and businesses between nations. Like product and corporate branding, nation branding corresponds to the strategies set up in order to enhance reputation and image and help build and sustain competitiveness. This chapter sheds some light on nation branding, especially for the case of the UAE, and highlights general practices that can be used by the country to enhance its nation's value.

One of the most significant factors in competitive advantage is not reality but perception. In fact, countries have brand images that are their most valuable asset as these images are the only thing that people really

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know about these countries. Hence, nation branding has come under the international spotlight as a way of better understanding the strategies that need to be implemented to enhance country image. The purpose of this chapter is to determine the main elements influencing nation branding and explore potential opportunities for the UAE to strengthen its nation branding. Although there is considerable amount of literature regarding nation branding, no studies have been carried out on the case of the UAE as a brand. Hence, this chapter aims to investigate the global practices the UAE needs to follow in order to be ranked in the top ten most valuable nation branding (Brand Finance, 2017).

Nation branding has factual and positive outcomes. Despite the debate around the existence of nation branding, many researchers agree on the fact that 'nation branding' is not a myth and that each nation has a brand and an image (Andrei, 2017; Anholt, 2007; Dinnie, 2008; Fan, 2010; Zeineddine, 2017). A well-planned progressive strategy for nation branding can enhance the country's ability to attract tourists, investors and talented workforce alike (Zeineddine & Nicolescu, 2018).

Most researchers agree on the actual existence of nation branding and the various aspects influencing it; however, conducting research about nation branding remains a challenge for marketers due to the international dimension. This study, carried out using an exploratory qualitative approach applied to the UAE, aims to provide an insight of nation branding and eventual recommendations regarding the global practices to be followed. Findings from this research will help develop the elements of the concept of nation branding in order to understand the basics of the topic and the main factors to focus on to enhance nations' ranking. Products, tourism, political and cultural brandings have been identified as the main elements of nation branding after analysing the rankings of the main determinants from Anholt-GfK Roper Index.

This chapter may guide scholars, practitioners, researchers and government regarding the specific elements that should be considered when deciding to enhance nation branding and country image. Therefore, this study contributes to existing research by providing with a thematic study based on real indexes.

## Research Background

The term 'nation branding' has initiated several debates on its existence and its real meaning (Fan, 2010). Over the past years, the level of interest in a country's reputation and image has been growing, mainly in Asia. Indeed, nations are trying to ensure that their global image and reputation keep pace with the quick growth of their economy and politics (Anholt, 2008). Being part of the Asian continent and experiencing rapid growth, the UAE turns out to be an interesting country to focus on in terms of nation branding. The UAE is now a famous destination for work, business and holidays due to the high income offered, the tax-free structure and the luxurious lifestyle.

However, to be able to compete against other nations, the UAE needs to base its strategy on different determinants and elaborate an attractive nation brand. Currently, the country is well known as a strong driver of reforms and has been taking initiatives to enhance growth. Although it has successfully won the bid of the Expo 2020 and has emerged as a leader in the Middle East and North Africa region, the UAE has not reached the top ten most valuable nation branding yet. Through diverse projects, the country has drawn the world's attention and improved its economy. Hence, a study of the UAE's nation branding was chosen here because of the high potential of the country.

Over the past years, the UAE has been showing a strong effort and motivation to grow its economy at a fast pace. Ranked 35th in most valuable nation branding in 2012 (BrandFinance, 2013), it reached the 21st position in 2017. Its high involvement in FDI attraction within the country has allowed the country to become the third strongest nation brand in the world, considering the fact that nation brand power is based on FDI power (Brand Finance, 2017). According to the 2019 report, UAE brands are at the top of the list in the GCC region (<https://brandfinance.com/news/uae-home-to-the-middle-east-s-most-valuable-brands/>).

Through Vision 2020, the UAE has shown a willingness to stand out from other countries and be an active participant in the global competition. This research is particularly important as today's global market is very competitive and countries need to establish strategies to build their brand and attract the world's attention. The high potential and capability

of the UAE makes it an ideal destination and country to study for improving nation branding. Despite the large numbers of published articles related to this topic, few, if any, are related to the UAE as a brand. By investigating global practices of strong nation brands around the world, this study can provide scholars, practitioners and researchers with an overall understanding of nation branding elements, as well as an eventual approach for the UAE to enhance its brand.

This research aims to identify the key determinants of nation branding and the way the UAE needs to proceed to increase its nation ranking. The specific research questions are:

- What are the key elements of country branding in emerging countries?
- Which approach does the UAE need to follow from global best practices for sustainable human capital?

## Literature Review

### Concept of Nation Branding

The term ‘nation branding’ is based on images from strong and persuasive stereotypes that significantly influence nations’ growth (Anholt, 2007). Globalization has led many countries to invest in branding efforts for the sake of conveying a positive image. Branding has an important role in today’s global market as it acts on enhancing the way nations perceive each other and influence stakeholders’ purchasing decision. From developed to developing countries, nation branding has become a matter of interest due to its complexity and its importance when it comes to attracting foreign direct investments, talents and businesses. It aims to attract the world’s attention with the purpose of economic growth, by conveying a unique image and message to other nations (Fan, 2010). According to Dinnie (2015), nation branding is similar to corporate branding, as nations aim to attract worldwide consumers to their country and products. Many studies highlight the importance of competitive advantage of nations due to the high international competition between them (Andrei, 2017; Anholt, 2003). Anholt (2007) particularly emphasizes the notion



of competitive identity when alluding to national reputation and image. He describes the concept of competitive identity as “the synthesis of brand management with public diplomacy and with trade, investment, tourism and export promotion” (Anholt, 2007, p. 5). Knowing that people passively collect information and form their own perception of a country’s image, it is important to convey a positive image (Lee, Toth, & Shin, 2008).

As mentioned earlier, despite the debate around the existence of nation branding, many researchers agree on the fact that ‘nation branding’ is not a myth and that each nation has a brand and an image (Andrei, 2017; Anholt, 2007; Dinnie, 2015; Fan, 2010; Zeineddine, 2017) that are shaped through diverse sources such as previous experience in the country, product purchases, mass media and word of mouth (Loo & Davies, 2006). Amongst emerging countries, BRICS countries have been particularly involved in nation branding, which enhances their corporates’ competitiveness (Anholt, 2007; Loo & Davies, 2006). The more an emerging country becomes ‘global’, the more it needs to focus on its nation branding, its reputation and the way the international arena perceives it. Failing to establish an appealing nation brand can give its competitors the opportunity of creating harmful stereotypes about it. According to Anholt (2000, 2007), Andrei (2017), White (2012) and Zeineddine (2017), it is essential for a nation to focus on its branding in order to attract investors, skilled workforce, tourists, and governments of other nations through:

- Export opportunities
- Attractive foreign direct investment opportunities
- Enhanced tourism experience
- Favourable government environment

## **Export Opportunities Via National Identity and Country of Origin**

Branding is as essential for a nation as it is for a good or service. A country may be famous for exporting a specific product (Papadopoulos & Heslop, 2002), and in some cases, companies from particular countries

promote their features adopting the Country of Origin (COO) as an asset (Kotler & Gertner, 2002). German cars, Japanese electronic gadgets and Swiss chocolates are some examples in which companies in specific industries promote their products and services with their country's name. Hence, the COO can be considered as a competitive advantage.

The first form of branding starts with determining a nation's advantages compared with its neighbours as well as utilizing those advantages. Many small countries with low natural resources, such as Switzerland, have been establishing their nation branding successfully through different national specialities, where they are now considered the main exporter country and COO (chocolate and luxury products for Switzerland). National identity constitutes the 'essence' of nation branding, as the brand comes not only from the products and company but also from the culture of the country in its widest sense (Dinnie, 2008).

Here, export refers to the way people perceive products and services coming from each country (Anholt, 2007) and the degree of seeking or avoiding products based on COO. Research reveals that consumers relate places to products and have preferences for products from specific countries. Hence, products' COO labelling directly influences consumers' attitudes, perception and purchasing decisions. This is the Country of Origin effect, also called 'the label effect'. Many studies are already available about the COO effect, and it might be one of the most investigated nation-branding tools.

According to White (2012), COO can play a role on nation image and contributes in nation reputation. The COO effect impacts behaviour towards products, services and nations' brands, which can directly impact exports. The way people perceive a product from a specific country can vary over time; hence, nation-branding stakeholders aim to ensure that people's perception varies in a favourable manner. According to Dinnie (2008), COO and national identity are two concepts that are integral part of nation branding and form pillars to the nation brand development. Existing COO research looks mainly at impacts of 'Made-In' labels on consumers' purchasing decision without considering the cultural aspects of national identity that play a part in country image.

The intersection of national identity and COO is related to the general field of culture. Considering the large meaning of 'culture', it is necessary

to determine the way the term has been defined for the sake of having a better understanding of the way expressions of 'culture', as a determinant of country image perception and an important component of nation branding, can be examined (Dinnie, 2008). Danesi and Perron (1999) describe culture as being a lifestyle that relies on signifying order handed down generation to generation. Some other definitions relate culture to national identity and COO, mentioning that culture is a set of norms transmitted by a group of people that guide individuals to decide on their acts and their feelings (Goodenough, 1971). In addition to the importance of COO in nation branding, the above definitions also indicate the importance of culture in nation branding campaigns, as country image is mostly shaped by its culture and not uniquely by the way consumers perceive products and services of the country.

## FDI and Immigration

The world is facing a significant macro-economic challenge with respect to trade, investments and immigration, which means that people and capital are increasingly mobile (Kavaratzis, 2007). Nation branding aims at boosting investments, skilled as well as unskilled labour, and exports. Many researchers agree on the fact that place brand assets is an essential terminology in terms of FDI attractiveness. In fact, investors perceive place brand, where the perception of brand quality highlights the dependability of a brand. Jacobsen (2009) developed a framework to enable an effective way to establish regional place branding in order to attract FDI in innovative industries through place brand assets. The latter can be accomplished by strengthening awareness, reputation and impression as well as promoting quality and heritage. The attraction of local as well as foreign investments and immigration is determined based on people's perception of the country's political, economic and social conditions (Alam, Almotairi, & Gaadar, 2013). Consumers' perception is macro (about the country) and micro (about its product) and requires special attention since strong macro-micro relationship leads to reliable and powerful brand awareness (Hakala, Lemmetyinen, & Kantola, 2013).

Lee (2009) mentions nation branding as an eventual tool to attract and retain FDI, which can be considered as FDI competitiveness. An

effective nation brand combined with country image management can lead to sustainable competitiveness of the country. Researchers on nation branding focused on its various aspects, such as its existence. They have also pointed out the connection between FDI, place branding and exports, which enhance nations' global competitiveness (Dinnie, 2008; Kotler & Gertner, 2002). Hence, from an international perspective, FDI, place branding and exports are essential nation branding actors (Lee, 2009). Meanwhile, Mihailovich (2006) explains the relationship between destination branding, FDI and labour mobility. According to the author, that nations focus on their slogans and brand images during holidays times to build nation brand stronger, which results into generation of generating FDI and employment.

## Tourism Industry

Nowadays, tourism is internationally acknowledged as a fast growing and important sector, where catchy slogans are used to represent nations, for instance, Malaysia ('Truly Asia') or South Africa ('Alive with Possibilities'). Tourism measures the level of interest displayed by people in visiting another country (Fetscherin, 2010). Similar to companies, countries need to manage and enhance their brand image uniqueness in order to attract local as well as foreign investors and tourists (Kotler & Gertner, 2002). It has a positive influence on the country brand (Caldwell & Freire, 2004).

Many authors mention the notion of 'place branding' as a marketing strategy to convey its identity, in order to enhance its competitiveness and relevant target audience's image of the place. The sense of 'place' is broad as it can mean a country, a city, a neighbourhood or even a museum. Place branding encompasses nation and destination branding, which makes it confusing (Akotia 2005; Foroudi et al. 2014). Hence, it is important to understand that place branding differs slightly from the following notions, though they are often used interchangeably: 'destination branding' and 'nation branding'. Destination branding refers to the reinforcement of a unique destination image and the differentiation of the

destination from other countries, for tourism purposes (Blain, Levy, & Ritchie, 2005). On the other hand, nation branding relates to conveying a nation's identity in order to enhance its national branding's positioning, national competitiveness (Anholt, 2007; Fan, 2010; Mihailovich, 2006) and nation image (Fan, 2006, 2010) as well as to boost its political and economic interests (Kotler & Gertner, 2002; Szondi, 2007). The confusion between these terms have been highlighted in the famous Malaysian campaign ('Malaysia Truly Asia'), which was considered for a long time as a successful nation branding strategy whereas it was purely targeting tourists, which means that it aimed at increasing visitors in the country and enhancing the destination branding of Malaysia (Anholt, 2008; Fan, 2010).

The UAE is recognized as a strong destination brand due to the high advertising and marketing around Dubai as an investment and holiday destination (Stephens Balakrishnan, 2008). Despite the little amount of review available about the UAE branding, it is represented as a fast-growing destination, famous for its attractiveness for investments through incentives. Meanwhile, India has been particularly active in its efforts to increase tourism and play on its high scores in 'Heritage and Culture' and 'History' aspects. Through its 'Incredible India' campaign launched in 2002, India has worked on unifying and creating the uniqueness of its brand to remain competitive in the global market place as well as boost its tourism industry (Kerrigan et al., 2012). Raj, Griffin and Morpeth (2013) relate culture to tourism by stating that culture is not only the heritage of a destination, heritage here meaning the remains of the past, but also the living essence of the past.

Culture influences the choice of destination, since it often acts as the image foreign tourists will get from the destination. Hence, tourism and cultural heritage are interdependent since tourism can dole out funding for the preservation and protection of cultural heritage while the latter can offer a unique experience to tourists coming to the destination (Raj et al., 2013). Most nation branding strategies aim at incorporating both past heritage and actual culture so that outdated perceptions do not confuse the way potential tourists perceive modern societies.

## Government Environment

Nation branding originates from COO studies and multiple literatures about national identity, which is a combination of political, economic and social views of national identity. From a political perspective, the main components of nation branding are international relations and public diplomacy, which is also described as a competitive state (Cerny, 1997). It refers to government communication with foreigners with the intention of accomplishing changes in the minds of people and other governments (Szondi, 2007). From a local standpoint, it can also mean domestic public being involved in the explanation of the goals of foreign policies to the domestic audience. In both cases, it is based on fostering the nation's values to the rest of the world (Özkan, 2013). In the case of a well-reputed country, except if the policy is wrong-headed, the public may receive it well and it would just need to be plainly communicated to the audience. Conversely, if the country suffers from a bad reputation, especially in terms of policies, it would be challenging to get the policy enthusiastically received and it can lead the public to ignore the policy or take it as additional proof against the nation. This is the reason Anholt (2010) clearly mentions in his article the definition of nation image as being the “context in which messages are received, not the messages themselves”.

Public diplomacy is conceptualized through three dimensions: the first one is condition, which is the context of the communication. The second is the objectives of communication, from persuading to building relationship. The third dimension is power, which is the capability to effect the results one wants. The concepts of soft power and hard power refer to resources used by the nations for the sake of accomplishing their goals by affecting people's behaviour (Nye, 2004). In fact, if a country is aiming to bring about regime change in another country, it is important to be able to persuade the other country's population through soft power, instead of launching a direct military intervention. Thus, soft power is an essential concept of public diplomacy, even if the relationship between soft power and public diplomacy is still ambiguous (Szondi, 2007). Hence, most researchers agree on the fact that public diplomacy is an important

component of nation branding (Anholt, 2006; Fan, 2010). However, there is still a debate on the direct impact of public diplomacy on nation image, which needs to be clarified. In fact, Anholt (2008) clearly explained that people cannot change the views they have held for years based on a simple campaign.

## Nation Branding, National Identity and Nation Image

Competition is getting global, and for the purpose of attracting the world's attention, nations must distinguish and improve their image. In other words, nations must brand themselves (Hakala et al., 2013). Similar to product branding, the first step in nation branding is to create brand awareness to develop a positive image of the nation in people's mind even before visiting it (Percy, 2008). In terms of marketing, a 'brand' is identified as a symbol, name, design or a combination of these, which results in differentiation from the competitors (Kotler & Gertner, 2002). Similarly, a country's place brand represents how the state promotes and represents its identity and values to the world as well as the reputation of the state among other state and non-state actors (Dinnie, 2015).

Nation image refers to the country's projection to the world (Fan, 2010). All nations, with or without brands, do have an image, and they aim at valuing the image they enjoy—*real image*—as well as making it attractive to others—*ideal image*. It is a main factor in consumers' and travellers' investment as well as decision-making. Nation image is not only evaluated on the basis of real or imagined characteristics but likely in terms of 'brand' as well. The image is defined by the perception of people outside the country, which comes from stereotypes, previous experience and media. Most researchers agree on the relationship between nation branding, nation image and national identity, and Fan (2010) summarized it and has discussed the relation in depth. National identity is the 'self-perception' of a nation and directly affects nation branding, which is the 'nation brand identity'. Nation branding helps in the development of the nation's image, which is the 'perception by the others'.

The purpose of nation branding is to enhance nation image; however, it is important to bear in mind the fact that image might be influenced by many other factors from political, economic and social aspects. The biggest challenge for nations is to be able to share a unique image or message to various individuals in various countries. Hence, in theory, nation branding aims at consistently conveying a coordinated message to different stakeholders. However, in real terms, it is more complicated than expected to create such a single core message, considering the fact that a nation is represented in multiple industries across the world. Hence, Fan (2010) clearly affirms that a single slogan or campaign can hardly convince everybody to perceive the country in the same way.

## Methodology

An exploratory qualitative approach has been selected using external secondary data. Taking into consideration the lack of adequate amount of research related to nation branding in the UAE, this chapter aims to give an insight into the topic, understand the way the UAE could currently improve its national ranking and open the floor to further research. It uses the UAE's brand as a unit of analysis for in-depth investigation of nation branding in its global context and the potential elements on which nations need to focus on.

## Data Collection

Data have been collected online through publicly available secondary sources, including official data archives (Hox & Boeijs, 2005). The type of data collected has been chosen based on existing rankings. Seven index tables have been collected from different index websites, namely BrandFinance, Bloom Consulting, Statista, Business Insider, USnews and Nation Branding Index. Later the six indexes were collectively compared to the Most Valuable, Nation Branding Index. Also, the UAE's government website and diverse newspapers have been used for the sake of having a better idea of the UAE's current situation in term of vision,



missions and actual processing. In order to aid the flow of the report, different existing models and theories related to nation branding have been used. In fact, determinants of nation branding developed by Anholt (2000) have been mainly used to lead the research of ranking.

## Data Analysis

This research has been done through a thematic analysis, using different sources to identify and analyse themes and patterns in the current topic (Aronson, 1995). The top ten countries in different domains have been compared to top ten countries with most valuable nation branding to evaluate the importance of each one of the domain in nation branding. Based on the most commonly used variable in Anholt-GfK Roper ranking, the main elements of nation branding have been determined. Finally, the indexes with the most matches (five or more) were chosen as the main elements of nation branding, considering the fact that a country's success in the specific ranking had an impact on the nation brand.

This thematic analysis allows evaluating the importance of some components in nation branding. The following indexes have been selected according to Anholt-GfK Roper ranking and split into four themes.

### Theme 1: Nation Branding and COO

The first theme compares the top ten countries with most valuable nation branding and the top ten from made-in-country index. The purpose of this comparison is to determine the common countries between these two rankings and assume the importance of one on the other. The well-known 'Made in China' and 'Made in India' rank, respectively, 49th and 43rd (Statista, 2017) due to their reputation often being associated with poor quality. Indian products' reputation remains higher than Chinese goods, despite the actual improvement of the 'Made in China' image (Shepard, 2018).

## **Theme 2: Nation Branding and Destination Branding**

The second theme focuses on the relationship between most valuable nation branding and the index for tourism. The purpose of this comparison is to understand if attracting tourists in the country can affect nation branding. The fact that six countries are common to both indexes demonstrates the importance of branding the place to positively impact nation branding. In addition, the remaining countries are all in the global top 25 performers (Bloom Consulting, 2017), with Japan, Canada, South Korea and India, respectively, ranking 14th, 15th, 21st and 22nd in the tourism index. Hence, all countries with most valuable nation branding are part of the most touristic countries. In a nutshell, branding the destination is a factor that considerably influences nation value.

## **Theme 3: Nation Branding and Public Diplomacy**

The third theme relates the nation's power and nation branding. It is noticeable that the top six most valuable nation branding countries are part of the most powerful countries. South Korea, Canada, India and Italy are positioned, respectively, 11th, 12th, 16th and 18th (Business Insider, 2017). Hence, the most valuable nation brands are part of the top 20 powerful countries and it is possible to assume that the power of the nation is an important component of nation branding.

## **Theme 4: Nation Branding and Nation Identity**

The fourth and last theme focuses on nation branding and cultural influence of nations. Although it does not have the highest match, it is an important point of nation branding. According to [Usnews.com](https://www.usnews.com) (2017), countries like—Canada (11th), Germany (14th), China (21st), India (29th) and South Korea (30th) still rank in the top 30 countries with cultural influence. It shows a high implication of national identity in nation branding. In a nutshell, the above similarities have allowed assuming that the COO, tourism, political power and cultural power influence nation branding.

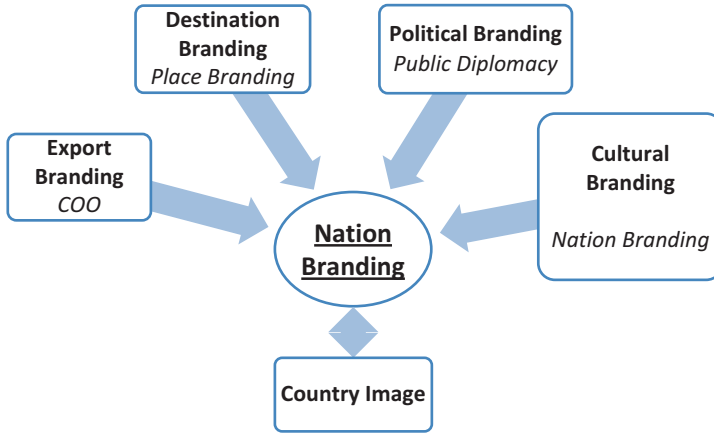
## Results Discussion

### The Concept of Nation Branding Elements

This study of nation branding has involved many elements that play a considerable role in the overall nation management. Amongst the rankings analysed, four elements have been showing many similarities with nation branding index, as well as between each other. The first element identified is export branding, which is the equivalent of product branding. By having a label, a country will attract the world's attention as well as create and develop its credibility in the world's mind. The next element is destination branding, as it is crucial to develop the tourism industry in order to influence the way people perceive the country and strengthen its reputation. Also, political branding is a significant element of nation branding as it involves communication between nations, which aims to enhance the country's reputation. Finally, cultural branding corresponds to national identity, which is the core of nation branding, as it encompasses the country's history and culture. According to Gertner (2007), as well as Anholt 2018, brand images have played an active role in the emergence of many economies, leading to increased exports, attracted investments, businesses, factories, visitors/tourists and talented workforce (Fig. 9.1).

All these elements are important components of nation branding, with the purpose of enhancing the country image, that is, the way the country is perceived by others. This perception cannot be directly controlled by nations, and this is why it is not part of the elements of nation branding. Nevertheless, it is the goal for nations, and branding products, place, politics, and culture is done with the purpose of enhancing the nation's image similar to corporate branding. From another perspective, the country image improves when the country conveys a simple and clear message to the world. Once implemented, it will attract the world's attention and its nation branding value would increase further.

The above concept also highlights the interdependence between these elements. While destination and products are related due to the image that one can give to the other, public diplomacy is linked to product,



**Fig. 9.1** Elements of nation branding (Source: Author)

destination and culture because of the government's duty to promote the nation's features, place and identity. Cultural branding, also called national identity, is the essence of nation branding as well as the other three elements. From a product point of view, culture can influence consumers' purchasing decision and hence links to the COO label. From a tourist perspective, culture and heritage attract people to the place, which will encourage the preservation of the culture to keep appealing to the tourists. Finally, from a political view, national identity is the core of the message that governments attempt to convey to the world.

## UAE Nation Branding

Established in 1971, the UAE has been promoting itself since the 1980s as a 'world financial gateway' through the Department of Tourism and Commerce Marketing (Zeineddine, 2017). Moreover, since the 1990s it has been actively building its nation branding and has successfully emerged not only as a regional leader but also as a global player in the domains of emerging technologies, finance, media, retail, tourism, aviation and innovation (Allagui & Al-Najjar, 2018). Dinnie (2012) noted that UAE leaders fully embraced the strategic

importance of national identity and culture for the development of a national brand. Saberi, Paris and Marochi (2018) have discussed in detail that during the last decade how UAE was able to project a positive image through investments in the tourism and film industry, which resulted in nation branding, cultural diplomacy and soft power development. The 49-year-old nation is certainly a nation branding leader in the region (Zeineddine, 2017).

The UAE is a multicultural work destination, reflecting many races, cultures, ethnicities and origins. It has been estimated that more than 80% of the UAE labour workforce is made up of expatriate workers, a compound of more than 100 nationalities (Ababneh & Hackett, 2019). According to a 2018 report, the share of employed UAE nationals out of the total workforce, both expatriates and nationals, across all sectors was 7.19% only (UAEVision2021, 2018). Thus, the UAE depends heavily on expatriate skilled labour. In coming years, the country is expected to face a shortage of highly skilled workers. This labor gap is expected to widen by 2030 and might cost a loss to the nation, worth \$50 billion (Khaleej Times, 2018). Due to mobility of the talent and unfavourable immigration policies, attracting talented workforce remains an arduous challenge for the UAE. Contemporary nation branding strategy can play an effective and dexterous role in captivating the capable and expert labour pool (Silvanto, Ryan, & McNulty, 2015).

## Nation Branding and Sustainable Human Capital

According to the World Economic Forum (WEF) report in 2011, it is the responsibility of the national governments to adopt and practise nation branding to attract international skilled human capital as a means to augment their human capital stock and to boost economic competitiveness (WEF, 2011). This call of WEF resulted in wider acceptance of nation branding as a tool to attract and retain skilled human capital and in active research. Five years later, in 2016, the WEF published its annual Human Capital Report and stated that a “nation’s human capital endowment—the skills and capacities that reside in its people—can be a more important determinant of its long term economic success than virtually any other resource” (WEF, 2011; p. 1).

Many researchers are of the opinion that nation branding strategies must be practical, instrumental, symbolic and reachable to the internationally mobile skilled professionals and must not be limited to high wages and steady work only (Silvanto & Ryan, 2014; World Economic Forum, 2011). According to the findings of the study conducted by Silvanto et al. (2015), a successful nation branding campaign should focus on the 'pull' factors like quality of life, employment opportunities, economic dynamism, good governance and tolerance. A strong nation brand has been identified to emphatically attract the talent (Herrero, San Martín, & del Río Peña, 2015; Roozen, Chia, & Raedts, 2017). The study by Nadeau and Olafsen (2015) concluded that efforts like attracting investments and tourism should be exercised by the national governments for nation branding to attract skilled workforce.

According to Baruch, Altman and Tung (2016) globalization and the corresponding 'war for talent' has resulted in a world in which 232 million people are termed 'foreign' because they live and work outside their countries of origin. Usage of flags, anthems, mythologies and other symbolic forms has been prevalent in the histories of the nation to mark their sovereignty, but the robustness of the current tech- and media-savvy world urges to develop and establish a global image (Pittz, Benson, Intindola, & Kalargiros, 2017). As stated by Jansen (2008) "Branding not only explains nations to the world but also reinterprets national identity in market terms and provides new narratives for domestic consumption."

Fougner (2006) states that "statesmanship is transformed into salesmanship", the aim being to sell "the state as a location to globally foot-loose capital and firms". Simon Anholt, who is the branding consultant and promoter of 'nation branding', suggests that to have a nation brand is to possess a 'license to trade' (Aronczyk, 2008). In addition to presumed material benefits, nation branding has become pivotal in fostering a sense of ontological security and national esteem (Browning, 2015). Zeineddine (2017) has emphasized that nation branding is essential to attract investments, boost exports and attract tourists and not the least the talented workforce.

The main aim of the nation branding campaigns is to attract and retain the talented human capital from abroad by presenting a competent image

of the country (Silvanto & Ryan, 2018). As noted by Al Ariss, Koall, Özbilgin, Suutari and Özbilgin (2012) the relocation of highly skilled people is considered a multilayered and multifaceted phenomenon, not one-dimensional. It is evident from the literature that highly skilled individuals immigrate due to a combination of personal, political, professional and financial purposes (Silvanto & Ryan, 2014; Solimano, 2010). Silvanto and Ryan (2014) offer five drivers of 1. employment, 2. economic dynamism and opportunity; 3. cultural diversity and inclusiveness; 4. clear immigration policies and effective governance; geographic concentration of talent; and 5. quality of life, lifestyle, and services. Strategic vision for relocation branding, which often overlap and are not mutually exclusive. It is recommended that these drivers can be effective in making a nation branding campaign successful.

## Recommendations

The UAE has shown a high potential for improvement, as it ranks 21st in the most valuable nation branding, worth \$594 billion in 2017 (Brand Finance, 2017). After investigating the UAE ranks in different indexes, it is noticeable that some areas could be improved and this improvement can lead the UAE to the top ten. The first one is the Made-In ranking, where the UAE is not even registered. Although the industry sector represents about 46% of the UAE's GDP, 'Made in UAE' remains poorly recognized at the international level and can be an area to focus on. The local productions such as construction material and porcelain are mainly used for domestic purposes, and the production of goods to be exported would strengthen the UAE's position in the global arena. Hence, the creation of an Emirati label of origin can give some credibility to the UAE's manufacturing sector. It would involve standardization and governmental funds. Another way to boost the industrial sector is to go through university-industry collaboration as India has done. It involves an agreement between the Ministry of Education in the UAE and universities to get more specialties in industrial fields through research partnerships, shared infrastructures, and grants and donations. Finally, the UAE needs to focus on the tourism industry combined with the country's

heritage. In fact, the UAE is currently positioned as the top touristic place in Arab countries, whereas globally it ranks 44th. It is important for the UAE to focus on its unique cultural heritage and aim to strengthen its cultural tourism. It will influence the image of the country and increase tourism. Though the UAE is already well known as a business and holiday destination, it now becomes an event destination with the Expo 2020 being held in Dubai; it should take this opportunity to target the ranking of the world's leading family destination, through its culture.

### **Theoretical/Academic Contributions**

Since this is an exploratory research of a recent and complex concept, the contribution of this study is to shed some light over the nation branding in the UAE and the elements and factors surrounding it.

### **Managerial/Practical/Policy Contributions**

The UAE may use this research as a guideline to have a better understanding of the notion of nation branding and create a strategy to construct an effective approach and enhance nation ranking. However, since this research has taken into consideration global practices, it can also be used by other countries. Therefore, scholars, practitioners and researchers can use this concept of nation branding when countries aim to develop strategies to enhance their brand, by understanding where to focus and the outside factors influencing their nation brand.

### **Research Limitation and Areas for Future Research**

Since this study is based on exploratory research, further conclusive research needs to be done. One of the major limitations of this study lies in the choice of indexes. The study focuses on seven indexes for comparison with the Most Valuable Nation Branding Index. Hence, the non-randomization of the selected indexes may bias the findings of the final concept. There is a need to expand the indexes selected to include



additional elements in the model, especially other variables used in different nation branding indexes. For instance, Anholt has started to focus on and developed a Good Country Index, which can be used to determine the elements of good countries that influence nation branding. Moreover, this study focuses only on the case of the UAE: other countries need to be explored. Finally, further research may take into consideration the different meanings of 'nation' and 'country', as well as 'brand' and 'branding', since they have been used interchangeably in this research.

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# 10

## E-Commerce Acceptance and Implementation Among Consumers in the UAE: An Opportunity to Build Human Capital for Future Jobs in Technology and Marketing

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With the steady rise in information technology and social media, e-commerce, over the past ten years, has shaped the way multinational corporations (MNCs) manage and conduct international business. Having contributed to the growth of many organizations, online retailing has been adopted and implemented by sellers and buyers all over the world as a thriving trend. It can be observed that until 2015–2016, researchers and industry experts strongly presumed that there would be no scope for cross-border e-commerce and online retailing in Dubai. However, since 2017, there has been a gradual but steady rise in cross-border business-to-consumer (B2C) online shopping among the consumers in Dubai. This chapter seeks to investigate the factors that have led to the gradual acceptance and implementation of B2C cross-border e-commerce in the region. It also examines e-commerce adoption as a

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technological innovation by using the adoption model of theory and finally discusses the impacts of e-commerce on human capital and employment opportunities in the UAE.

As of early 2016, industry experts and researchers stated that there would be no room for e-commerce growth in the UAE. In an article published by the *Gulf News* in May 2016, industry expert R. Nair stated that 'brick and mortar is here to stay, and that ecommerce will still be complimentary to the shopping experience in the UAE'. He further stated that 'ecommerce is likely to be a platform where people would seek to learn more about a product as opposed to buying it'. In the same year, Dubai carved a name for itself by being named as the fourth most attractive retail market in the world by a multi-national real estate firm, Jones Lang Salle (2016). However, despite the presence and growth of mega shopping malls in this region and industry expert predictions, there has been a gradual but steady rise in cross-border online shopping among the residents of Dubai. According to an article published by the *Arabian Gazette* in late 2016, the UAE is set to soon become one of the top three countries in the Middle East & North Africa (MENA) region to have the highest average proportion of cross-border purchases being made on a mobile device (smartphone or tablet). There has been a drastic increase in the e-commerce market size over a span of five years (from 2015–2019) in the Gulf Cooperation Council (GCC) region. It is observed that while there is a boost in the e-commerce market size in all the countries, a more prominent rise can be noticed in Saudi Arabia and the United Arab Emirates, signifying that both of these countries exhibit a strong potential to not just conduct international business on a digital platform but to thrive on it as well. Focusing on the UAE, this further indicates that there will soon be a drastic shift in the shopping trends in the region, which would subsequently change the dynamics of how international business will be conducted in the country. It is, thus, quite vital and relevant to probe into this research further and examine the factors that have contributed to the steady growth of e-commerce in the UAE.

This chapter examines the e-commerce environment in Dubai from an international business perspective. The purpose of this study is manifold. This study will first aim to assess and explore the reasons behind the rise of cross-border online shopping among the residents of Dubai from an international business perspective. Based on the findings, an adoption

model of theory will be applied to view the adoption of e-commerce by the residents of the UAE as a technological innovation. Therefore, the study seeks to gain an overall understanding of the changing dynamics of the international business environment in Dubai, due to the upsurge in e-commerce and its effect on employment. According to Terzi (2011), with an upsurge in e-commerce, information and communication technologies sector will witness generation of new jobs. Meanwhile demand and productivity will influence indirect creation of jobs. The observations of this study will be beneficial to those MNCs that are looking to establish their presence in the UAE, especially e-business.

## Literature Review

Since late 1990s, there has been a rapid change in the international business environment due to the arrival of IT and globalization, which have subsequently paved the way for e-commerce growth and online retailing. The Global Cross-Border Report 2016 indicates the Middle East as one of the regions with the highest incidence of cross-border online shoppers. Thus, it comes as no surprise that significant research has been conducted pertaining to e-commerce acceptance and adoption in the Middle East. These researches have touched base on key impediments to the growth of e-commerce, cultural impact on the popularity of online shopping and the effects of social media and mobile usage on e-commerce. The growth of e-commerce adoption in Saudi Arabia, Kuwait, Jordan, Bahrain and Egypt was also explored by industry academics. These academic studies include but are not limited to:

- E-commerce and globalization: An exploratory study of Egypt (Elbetagi, 2007);
- E-commerce in Saudi Arabia: Adoption and perspectives (Sait, Al-Tawil & Hussain, 2004);
- Key internet characteristics and e-commerce issues in Arab countries (Aladwani, 2003); and
- Factors affecting social e-commerce adoption in an Arab country: Findings from a qualitative study (Rouibah & Al-Qirim, 2017).



Focusing on the UAE, various literature has been published pertaining to e-commerce; however, it can be noted that the emphasis has always been on the factors that affect the adoption of e-commerce among local firms in the region. Little has been researched from an international business perspective or from the consumer's, that is, the buyer's, viewpoint. It can also be observed that barely any model of framework was used in relation to this study, apart from the technology acceptance model (TAM). For the purpose of literature review, some articles are highlighted and their aims and scope are outlined below:

- A case study: Adoption of IT in e-business of the UAE (Akhter, 2007)—The aim of this study was to analyze the factors that affected the adoption of e-commerce in the region; however, the primary focus of this research was to perceive and observe how privacy and security factors affected the adoption of e-commerce in the region.
- Impediments of e-business: A Dubai experience (Al-Alawi, Kuzic, & Chadhar, 2005)—The research reported in this article explores the challenges of e-business faced by the Dubai companies in contemporary times.
- The effect of exogenous factors on the technology acceptance model for online shopping in the UAE (Mouakket, 2009)—This study tests the applicability of the technology acceptance model within an e-commerce setting. It aims at examining the relationship between perceived ease of use, perceived usefulness and three exogenous factors (computer self-efficacy, security issues and features of a website).
- E-commerce: Adoption, acceptance, and prototyping in Abu Dhabi (Radaideh & Selim, 2004)—This article specifies the critical factors that affect the adoption of e-commerce in the United Arab Emirates, particularly in the emirate of Abu Dhabi. These critical factors are studied from firms' and consumers' perspectives.
- A model of consumer e-service adoption within Dubai (Courtney, 2010)—This study revolves around creating a model to assess the level of adoption of e-services, particularly in banking. The focus is primarily on e-services and the factors that influence the acceptance of e-service in the region.

- A study of the factors that influence the acceptance of e-commerce in developing countries: A comparative survey between Iran and United Arab Emirates (Dehkordi, Shahnazari, & Noroozi, 2011)—In this article, the dimensions of culture, gender and previous experience are assessed in relation to information technology. This study also makes it imperative to understand the role of these dimensions in e-commerce, while comparing the findings of the UAE with those of Iran.

## Research Aim

This study aims to fill the gap by, firstly, assessing the topic from a consumer's standpoint, evaluating the factors that have compelled individuals in the region to adopt online shopping despite the rise in mega shopping malls in the UAE. Secondly, keeping in mind the international business angle, it will focus on cross-border online shopping, taking consumer demographics and buying behavior into consideration. Lastly, the study will explore e-commerce's impact on job opportunities and the requirement of future human capital for e-commerce businesses. The adoption of e-commerce in a region can be effectively assessed using the adoption model of theory. No existing study has used this model of theory to assess e-commerce adoption in the UAE. This theory will therefore be used to gain an understanding on the inclination toward online shopping in Dubai.

## Methodology

In order to gain vital findings pertaining to the study, the methodical strategy that will be used, by and large, will be descriptive as much of the data is qualitative in nature. However, some of the data found for the purpose of this study was found to be quantitative as well. In this case, the methodical strategy will be more associational, as a more correlational approach will be used to assess the quantitative data.

To understand the factors that have contributed toward the steady growth of e-commerce usage in the UAE a descriptive research is

conducted. This includes using qualitative data and carrying out a content analysis to make significant inferences. As mentioned above, the data found here will also be quantitative in nature and thus the research might also be associational. A combination of quantitative and qualitative data will be used to generate conclusions.

This study will address the conceptual and theoretical aspects of e-commerce acceptance by using a model of framework approach, namely, the adoption model of theory framework. This model will help to facilitate a better understanding on the gradual adoption of e-commerce in the region using five perceived characteristics, namely, relative advantage, compatibility, complexity, trialability and observability. For the purpose of this topic, security/confidentiality will also be included as a characteristic.

## Data Collection

Data collected for this research is secondary in nature and mostly qualitative, although quantitative data is also present in the research study. Most of the data has been collected through news articles from reputed sources and from interviews, pictorial representations, charts and surveys generated and compiled by multi-national research firms.

E-commerce and its advent in the Middle East, particularly the UAE, has been monitored and reported by newspapers and multi-national research firms closely over the past few years. It is particularly interesting to note that much of these articles published during 2014–2016 vouched for a stagnant e-commerce future for the region; however, as of 2017, there has been a drastic shift in what most of these news articles post. These articles by and large revolve around the gradual spike in e-commerce performance in the UAE. For the purpose of this study, most, if not all, of this data will be analyzed so that significant findings can be inferred.

## Data Analysis and Results

This research study aims to address two main factors revolving around e-commerce performance in the UAE by using a theoretical model of framework, namely, the adoption model of theory, to critically analyze the adoption of e-commerce in the region as a technological innovation:

- Factors that have contributed toward the steady growth in e-commerce usage in the region
- Impact of e-commerce on employability of current and future human capital in the UAE

### Factors That Have Contributed Toward Steady Growth in E-commerce Usage in the UAE

Extensive findings reveal that the United Arab Emirates undertook and implemented dynamic initiatives from late 2016 onward, which led to a vast array of factors, which in turn subsequently contributed to the steady rise in cross-border online retailing among the residents of the UAE. Before delving on these factors, it is vital to first highlight these initiatives and developments. In November 2016, the chairman of Emaar Properties, Mohamed Alabbar, got the ball rolling with the opening of a new e-commerce platform, Noon (*The National Business*, 2017). This \$1 billion e-commerce venture offers around 20 million items for sale in the UAE. It is interesting to note that this e-commerce platform operates in and is also open to the residents of Saudi Arabia. In March 2017, the e-commerce giant Amazon took over [Souq.com](#), which happened to be this region's largest e-commerce venture (*The National Business*, 2017). This venture may well be the ultimate peak point for online shopping in the country as the integration of Amazon's technology and global resources with the local expertise would help Souq to offer and attend to its local customers with exceptional products and services. With the advent of e-commerce platforms such as Noon and Amazon, the e-commerce scene in the UAE is expected to change dramatically. According to the consultants of the multi-national consultancy firm AT

Kearney, e-commerce in the UAE is set to grow at a compound annual growth rate of 25% per year up to 2020.

Additionally, the arrival of new entrants such as [Namshi.com](#), [awok.com](#) and further add to the vast array of e-commerce platforms in the region, consequently leading to a competitive digital environment. This competition in turn has led many of these platforms to add more variety to their product range while lowering the prices. It thus comes as no surprise that as of 2017, 76% of the respondents of a survey conducted by Go-Gulf in 2017 cited 'better prices' as one of the topmost factors for opting for cross-border online retailing. It can also be noted that 'access to items not available in the region' was reported to be the second factor for e-commerce adoption (65%), followed by the opportunity 'to discover new products' (59%), availability of a wide variety of products (52%) and 'affordable shipping costs' (50%) (Go-Gulf, 2017). In a nutshell, it can be inferred that all of these factors arose primarily as a result of diverse and new e-commerce platforms entering into the region, paving the way for aggressive competition.

In an article published by the *Gulf Business* in June 2017, the CEO of [Awok.com](#), Ulugbek, states that 'one of the key factor that helps nurture online shopping culture is customer trust'. Until recently, consumers in the region have been reluctant to buy and pay online. This lack of trust has been a reason for the slower growth of e-commerce here. This article further emphasizes the innovative measures that online sites have implemented recently in order to encourage consumers to purchase products online. Some examples of this include the cash-on-delivery feature, which reassures consumers that they can make payments safely. Sites like PayPal have also become popular and renowned in this region, enabling residents of the UAE to swipe their card securely. According to the *Arabian Gazette*, 'the UAE consumer base prefers PayPal as their preferred payment method due to security (55%) and brand worthiness (42%)' (Arabian Gazette, 2016). Providing customers with secure and safe transaction options has no doubt been a critical reason for the residents of the UAE opting for online shopping.

Along with the security factor, many of these sites now offer flexible options such as refund with 100% money-back guarantee, magnified and detailed pictures of the product online and a 24/7 customer service

hotline, leaving no stone unturned in compelling residents of the UAE to opt for online retailing. According to the global cross-border report, the main drivers for UAE online shoppers to buy cross-border online are secure payment gateways (47%), free shipping (44%) and proof of product authenticity (43%) (Arabian Gazette, 2016).

With globalization and technology reaching its peak, the UAE's e-commerce revolution is set to only boost further with time. This in turn will significantly change the way international businesses will soon be conducted in the region, with brick and mortar being replaced by digital retail spaces. MNCs looking to establish themselves in the region will thus choose to skip FDI and opt for a more feasible digital approach.

### **Adoption Model of Theory: A Framework for Critically Analyzing the Adoption of E-commerce in the UAE as a Technological Innovation**

The adoption model of theory, also known as the innovation diffusion theory, is a theoretical framework introduced by Roger and Shoemaker (1971). This model, with its five perceived innovation characteristics, serves to provide an apt explanation of the rate of innovation adoption, the innovation in this case being e-commerce adoption. The five perceived characteristics are relative advantage, compatibility, complexity, trialability and observability. For the purpose of this study, security is added as a perceived characteristic as well.

**Relative Advantage:** Relative advantage, in this case, can be deemed as the 'extent to which an innovation is perceived to be better than the original idea. For an organization, it is viewed as an advantage for the organization over previous ways of performing the same task' (Agarwal & Prasad, 1997). It can be further noted that relative advantage has been found to be an ideal indicator and is positively related to an innovation's rate of adoption (Premkumar, Ramamurthy, & Nilakanta, 1994; Rogers, 1983, 1995; Tan & Teo, 2000; Tornatzky & Klein, 1982).

For a multi-national corporation looking to expand internationally and in the UAE, e-commerce brings with it significant benefits, the first and foremost being reduction of risk, primarily in terms of financial and

investment risks. Financially, it enables an organization to enter into a new market without investing heavily in land/rent and capital requirements, trade license requirements, labor, warehouse and so on. The second advantage that e-commerce provides an MNC is the ease with which it can enter into the local market. It is imperative that an organization have a local sponsor should they choose to establish themselves in the UAE via FDI. Most MNCs in this case choose to have a local franchisee who takes up the responsibility of managing the MNC in the region. These formalities can be time consuming and expensive in itself, which in turn may deter the MNCs from entering into the region. It can be observed that the e-commerce setup and license registration in the UAE is currently permitted under a variety of trade or service activities.

Although entities are required to be registered, no strict licensing requirements exist and thus determining market positioning has been at the option of the owner in consultation with the authority with whom they register (Khaleej Times, 2017). This implies that digital establishment of a firm is considerably easier than brick and mortar setup in the UAE. Other advantages include collecting and diffusing information on an international scale, strengthening customer relationships via direct customer service chats with clients, reaching new markets, improving business knowledge and awareness through social media, attracting investments and optimizing business processes.

## Compatibility

This characteristic can be defined as ‘the degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters’ (Limthongsai & Speece, 2003). According to Tornatzky and Klein (1982), an innovation is more likely to be accepted when it synchronizes with the individual’s job responsibility, value system, lifestyle and deeply held cultural values. It is also important that innovation be compatible with previous ideas. Keeping this in mind, MNCs need to determine the needs of their customers and then carry forward with the innovations to effectively cater to those needs.

The UAE is home to millions of individuals that are technologically savvy and carry out much of their day-to-day activities online. It can be noted that people in the UAE lead a very busy lifestyle, which in turn makes convenience a top priority for them. E-commerce, hence, fulfills this criterion by enabling individuals to order and purchase products at the comfort of their home. A research conducted by Google reveals that the UAE, with its high rate of mobile penetration, is home to online shoppers that are increasingly opting to make purchases on their mobile devices. Consequently, there has been a sharp upsurge in the purchase of smart phones to the extent of 29% between 2015 and 2016, valued at close to AED 10 billion. This region further leads the global smartphone penetration at 73.8% and the country's internet usage statistics show that 91.9% of the population has internet access (Gulf Business, 2017).

Another factor to look into is social media usage. It can be noteworthy to observe that social networking and online retailing go hand in hand, as much of the advertising and awareness of these e-commerce sites are done on these social networks. According to a survey conducted by Northwestern University in Qatar in 2013, users residing in Qatar, Lebanon, Egypt, Jordan, Tunisia, Saudi Arabia and the UAE consider Facebook (41% of online users), Instagram (23%) and Twitter (12%) as their primary social media influence when it comes to making buying decisions. Furthermore, the same survey revealed that the Middle East has 72% of online buyers that firmly believed that social media platforms serve as a great source of information and feedback regarding product recommendations and reviews.

Suffice it to say that a robust internet, tech-savvy lifestyle, thriving social networking culture and high mobile penetration across the region have fostered compatibility in the adoption of e-commerce among residents in the UAE. However, online retailers in particular will have to focus on ensuring that their e-commerce sites are mobile friendly to offer efficient and convenient shopping experiences for the smartphone-obsessed residents of the UAE.



## Complexity

Complexity as a perceived characteristic is defined as the ‘extent to which an innovation is perceived as relatively complex to comprehend and use’ (Wang et al., 2010). In this regard, ideas, systems and products that are easier to understand are more likely to be adopted by the mass than complicated innovations, which in turn may compel adopters to develop new knowledge, skills and understanding.

Engaging in cross-border online retailing does not require the residents of the UAE to develop any new skills or knowledge apart from a basic understanding and know-how of computers, smartphones, and tablets. As mentioned above while discussing compatibility, almost every resident of the UAE is an avid smartphone and internet user, from a teenager to an adult to an elderly individual; thus, making purchases and networking online have become something of a secondary nature to the residents of the UAE, making e-commerce adoption a non-complicated innovation for users to accept.

## Trialability

This characteristic can be defined as the ‘the extent to which an innovation may be experimented with on a limited basis’ (Rogers, 1995, p. 243). Innovations that can be implemented with a trial period are generally adopted more easily, as adopters have the chance to grow more comfortable with the adoption, than those that are not experienceable. Trialability serves as a vital feature for innovation as it provides adopters the chance to curb the uncertainty they feel toward an unfamiliar technology or product (Weiss & Dale, 1998).

E-commerce as an adoption did not arrive into the region suddenly; rather, it was always present and gradually started gaining the interest of the individuals as they experimented with online shopping at their own pace. During the course of 2015–2016, it could be observed that cross-border online retailing was an innovation that was being explored by customers in this region. While some users grew accustomed to online shopping (early adopters), some still expressed reluctance due to security

concerns. This further enabled the MNCs and the government of the UAE to identify existing loopholes that made the users hesitant to opt for this shopping trend.

As new customer-friendly, secure-friendly features and e-commerce websites entered into the UAE market by late 2016, the trialability phase of this innovation transitioned to a more accepting phase. Hence, cross-border online retailing as an innovation began to grow in the UAE gradually as customers became more comfortable with the chance to explore and engage in this innovation.

## Observability

Observability in simple terms refers to the 'extent to which the results of an innovation are visible to others' (Rogers, 2003). It is interesting to note that observability is difficult to create in a market that is already dominated by an established technology. Before attempting to challenge the dominant technology in its native market and application, it is hence vital to first establish observability in a niche market or a new application of the technology (Weiss & Dale, 1998).

Observation of e-commerce websites and its growth and performance are way easier than ever before. Surveys and statistical trends compiled by multi-national research firms, newspapers and the government pertaining to e-commerce growth in the region are readily available for assessment and evaluation. These pictorial representations and analysis can be viewed throughout this report. Additionally, e-commerce websites themselves serve as a shopping window, as these websites are open 24 hours a day and 7 days a week to millions of potential customers and suppliers. Feedback and reviews are also simultaneously posted on these websites, along with product details. There is also a 24/7 customer service chat hotline for clients to get general information and get a response to their queries. This, in a nutshell, not just facilitates observability but also helps the organization to create relationships with both buyers and sellers.

## Security/Confidentiality

An extra perceived characteristic that is added in relation to e-commerce adoption as innovation is security. It can be observed from various findings that security is one of the topmost factors that influence an individual's decision to make a purchase online. In the findings section, this study had stated that one of the main factors for individuals to engage in online retailing was secure payment gateways (47%). It is noteworthy to observe that this same factor served as a major hindrance in 2015–2016 to online retailing, as credit card fraud and cyber-oriented money swindling have been a cause for concern in the UAE. Around one in ten residents in the UAE has been a victim of online credit card fraud, with about 37% of them not able to recover their money back.

Keeping this in mind, the Department of Economic Development, under the consumer protection department, in 2017, implemented the 'Consumer Protection Initiative', which seeks to offer stringent security to the public in their access and use of e-commerce platforms. This initiative further permits authorized sites to display consumer protection logo, which adds to the comfort, authenticity and security factor for the customers in the UAE. It also offers promotional and logo tools to the appropriately licensed websites and platforms as an incentive for effectively undertaking efforts to abide by the consumer protection laws, while reporting to the authority as required.

Lastly, this initiative allows 'ease of recourse in the event that complaint is lodged against a registered site providing enhanced consumer protection of the same degree to which consumers have come to expect from traditional "bricks and mortar" stores' (Khaleej Times, 2017). In the same year, the government of Dubai further introduced the launch of 'Dubai CommerCity', which is the first e-commerce-specific free zone in the MENA region. This zone revolves around providing a centralized option via offering an ease of compliance and uniformity throughout the e-commerce industry, that is, organizations that operate out of and within the UAE.

These strict initiatives, followed by e-commerce websites' flexible options (cash on delivery, PayPal secure payment), have instilled a sense

of trust in the residents of the UAE to freely indulge in online retailing in the comfort of their home. It can be safely said that e-commerce adoption, over the recent years, is an innovation that has been gradually accepted by the residents of the UAE as it fulfills all the criteria of the adoption model of theory framework.

## **Impact of E-commerce on Employability of the Current and Future Human Capital in the UAE**

The fast growing and competitive e-commerce in the UAE has placed the country in the leading position in the region. According to the UAE e-commerce report 2018 by Dubai Economy Department (DED), it was estimated that in the MENA region, e-commerce sales will reach \$28.5 billion, whereas it reached \$34.69 billion by the end of 2019, 40% of which was generated by the UAE (Go-Gulf, 2019). It is forecasted that UAE e-commerce will experience a steady 23% growth per annum until 2022. This indicates that with the upsurge of the e-commerce in the UAE, there is a pressing need for the development, acquisition and retention of high-skilled talent. The current and futuristic digitalization and automation of the businesses will create more jobs for tech-savvy labor while non-tech or low-tech labor might suffer, thus creating an imbalance in the employment sector. During October 2019, all the leading job-hunting platforms, like [indeed.com](https://www.indeed.com), [naukrigulf.com](https://www.naukrigulf.com), [laimon.com](https://www.laimon.com) and [Bayt.com](https://www.bayt.com), announced 100–1000 e-commerce jobs. These roles mainly included *E-commerce* Web Developer, *E-commerce* Studio Manager, *E-commerce* Marketing Executive and Manager, Head of *E-commerce* and Digital.

Balsmeier and Woerter (2019) conducted a study in Switzerland, one of the global technology leaders, by using firm-level microdata. The results of the study showed that investments in digital technologies have positive association with the overall net effect on employment. Meanwhile, it has been noted that this association is positive for employment of high-skilled workers whereas negatively related to low-skilled individuals. Similarly, Arntz, Gregory, Zierahn, Lehmer and Matthes (2018) studied the overall impact of digitalization on employment in the German economy and found small yet positive correlation. On the contrary, Frey and

Osborne (2017) argued that computerization or digitalization in the current era would have a negative impact on the job market due to automation. However, they also agreed that the low-skilled population will be more affected than the high-skilled one. Biagi and Falk (2017) conducted a decade-long study in ten European countries and empirically proved that e-commerce and employment growth have no significant relationship.

In the past, many researchers have studied the impact of innovation on employment and concluded that innovations will have a positive effect on the jobs at the firm level (Blanchflower & Burgess, 1998; Smolny, 1998; Van Reenen, 1997). Terzi (2011) also agrees with job expansion and generation of new jobs in the high-tech sector, which will demand high-skilled workers. Evangelista, Guerrieri and Meliciani (2014) also found a positive influence of technologies in the job market. According to Yub, Chankwon, Sooyoung, Hyun and Saebyul (2018) since e-commerce expands the market, it has a positive influence on the employment at both industry and firm levels. However, they also argued about labor-capital substitution. According to a USITC (2013) report, e-commerce resulted in employment growth by 1–2%.

Although the required talent for e-commerce is dominated by technology, logistics and warehouse management, it also requires skilled labor for digital marketing, customer care, merchandising and sourcing (Girotra & Kaushik, 2018). Software developers, AI specialists and data analytics will be in high demand for e-commerce-related jobs. Additionally, customer care representatives, marketing specialists and warehouse managers remain highly demanded. Hence, it is concluded that with this global e-commerce boom, a new set of human capital will be in demand to fulfill the requirements of the shift in the businesses.

## Recommendations

From this study, the following can be inferred in relation to cross-border online retailing in the UAE:

- The gradual rise in the e-commerce usage among the residents of the United Arab Emirates was a result of dynamic initiatives that were undertaken by multi-national corporations and the government of Dubai from late 2016 onward. This in turn led to a vast array of factors that subsequently contributed to the steady rise in cross-border online retailing among the residents of the UAE.
- The primary factors that motivated the residents of the UAE to opt for online shopping were better prices and stringent cyber security initiatives.
- Using the adoption model of theory framework, it can be observed that e-commerce adoption as an innovation is easily adaptable in the UAE as it fulfills all the five criteria (including security as an extra characteristic) outlined under the framework.
- Education, training and continuing professional development are necessary to fill the gap between skills and job requirements. Such human capital development programs must not be limited to technological skills alone but should also include soft skills.
- With these advancements in the e-commerce growth, in the UAE, there will soon be a shift in the way multi-national corporations will conduct their international businesses. FDI may be outdated, as digital markets take over their regional markets, paving the way for exporting/importing of goods.

## Conclusion

From a customer's standpoint, individuals need to ensure that their rights and resources are protected on online platforms. They also need to be more aware of the digital platforms and conduct adequate online research before engaging in cross-border online shopping.

From an organization's standpoint, MNCs with a physical presence need to tap into digital markets as well. It is important for firms today to have a noticeable existence on social networks, while expanding internationally via a dynamic digital website. While the costs associated with e-commerce are low, competition on electronic platforms makes it nearly impossible for firms to stand out among the millions of digital companies. Moreover, firms

with only a digital presence would benefit from having a physical presence as well to better establish their brand name and identity while gaining opportunities to generate competitive advantage. In summary, MNCs looking to conduct international businesses need to innovatively tap into both the digital and retail markets to best utilize their market potential.

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# Theme V

Human Capital and Innovation in  
the UAE



# 11

## The Role of Human Capital in the Implementation of Healthcare Innovation in the UAE

Wardah Qureshi

Since 2009, with the construction of worlds' tallest building Burj Khalifa, UAE has earned the reputation of being the world's best destination for tourism. Since 2014, the UAE has been preparing for Expo 2020 and the government has announced its vision to become one of the top ten innovative countries in the world by the year 2021 (UAE Government portal, 2019). Out of the seven targeted categories for innovation, the health sector is one. Healthcare innovation strategy is meant to promote advanced technologies and to stimulate the growth of biotechnology and pharmaceutical industries and medical research. The government of the UAE has set the agenda, aiming at building a world-class healthcare system. The mandate is to achieve this objective by enhancing the healthcare system's readiness to deal with epidemics and health-related risks. In the fiscal year 2017, a budget of AED 48.7 billion was allocated for innovation, out of which AED 4.2 billion (8.6%) was granted to healthcare innovation and protection of society (MOF, 2019).

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According to global innovation index (GII) 2017, the UAE was ranked 35th among 127 countries, but in 2018 the ranking dropped to 38 (GII, 2017). However, among 129 participating nations, The UAE was ranked first in the Arab World and 36th globally in 2019, jumping two positions up from last year. This improvement in ranking is mainly due to high performance in the pillars of human capital and R&D (GII, 2019). As mentioned earlier, the government is aiming to be among the top ten innovative nations by 2021.

Upon close observation, it is noted that UAE healthcare has shown minimal progress toward the adoption and implementation of healthcare innovation since 2014. Although many conferences and seminars have taken place in the region, the practical implication of healthcare innovation strategies has moved at a slow pace. According to Dubai Health Authority (DHA) newsroom updates, (2018), “Dubai Health Authority (DHA) is working with private companies from across the world to implement cutting-edge technologies to provide patients with the very best standards of care”. The local authorities are still in the negotiation process with companies and international regulatory authorities to pave the way for cutting-edge technology in UAE healthcare, like robotic surgeries, using artificial intelligence for early detection and prevention of diseases (see DHA, 2019).

This chapter will explore the current challenges faced by the UAE healthcare system’s readiness and preparedness in terms of HRM policies and the readiness of Health Care Professionals (HCPs) to adopt and adapt to upcoming healthcare innovation strategies. These factors are discussed in detail to explore the area that is most challenging for healthcare innovation strategy in the UAE, namely, adoptability and adaptability of health innovations by HCPs. Recommendations are provided based on international best practices to accommodate the anticipated innovation strategies by HCPs.

Currently, this is an under-researched topic in this part of the world. Although, the UAE government and authorities are very much focused on the implementation of healthcare innovative strategies, there is limitation of research and data collection in this domain. Implementation of healthcare innovation strategies require a sophisticated approach of continuous improvement and carefully crafted change management

procedures, which ultimately leads to resilience. If innovation strategies are imposed superficially, then desired outcomes cannot be achieved.

## Methodology

For this exploratory research, which provides insights on and measures the level of preparedness for innovation strategy among the current UAE healthcare practitioners, a methodology of qualitative research is adopted, taking into account secondary data collected through extensive literature review. The author also looked into the current policies and strategies of health authorities (HAAD, DHA, DHCC and MOH) in the UAE to assess the resilience and preparedness of the policies for advances in the field of healthcare innovation. However, secondary data is analyzed to assess the readiness for healthcare innovation strategies so challenges and factors can be identified and discussed.

Secondary data is collected by systematic literature review of literature sources, published industry reports, peer-reviewed articles and information from the websites of the government and healthcare industry in the UAE. Utilization of secondary data is beneficial because it can be helpful for data analysis and reanalysis, in the process of inquiry and to combine information from various data sets (Johnston, 2017).

Initially, the plan was to conduct an online survey, which might have been included briefly in this study. The survey was meant for the evaluation of healthcare services delivered at tertiary care hospitals in Dubai, which are providing a complete range of services under one roof for the healthcare consumers. This primary data would have helped in the assessment of healthcare resilience and current quality of services. The respondents would have been doctors, nurses and healthcare administrators. However, due to legal aspects related to healthcare authorities in Dubai, this survey was called off.

## Innovation

Once a forbidden word, used for accusation and humiliation (Heylin, 1637), innovation has recently become the catchword of this era. The word took its current form back in fifteenth century, arising from Latin roots. It is derived from a combination of two words, ‘in’ meaning into and ‘novare’ meaning introducing novelty. W. Rupert Maclaurin can be considered the first person to explicitly define innovation: “When an invention is introduced commercially as a new or improved product or process, it becomes an innovation” (Maclaurin, 1953). During the seventeenth and eighteenth centuries, innovators consciously and cautiously kept on denying their innovations to avoid the label of ‘evil character’ (Godin, 2012). An in-depth study of the history of this word revealed that it has been misunderstood as antisocial, renovation, invention, imitation and improvement.

The twentieth century brought not only better meanings to this word but also a better understanding of its role in the development of an economy. In 1967, the US Department of Commerce established that innovation is a “process by which an invention or idea is translated into the economy” (US Department of Commerce, 1967: 2). Europe recognized the urge for policies to stimulate technological innovation by stating “The health of the Western European countries very much depends on their international competitiveness. Such competitiveness increasingly requires a relative technical advance in certain science intensive industries” (OECD, 1966: 12).

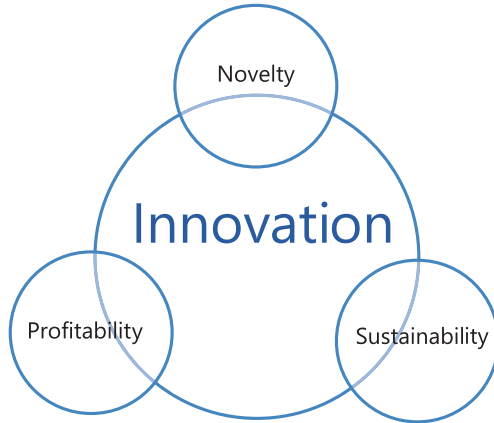
The words ‘innovation’ and ‘emerging technologies’ have become the buzzwords of the twenty-first century but still there is lack of clear understanding of the effects of disruptive technologies on the outcomes of firms, employees and competition (Hang, Garnsey, & Ruan, 2015). There is extensive literature available for the development and advancement of emerging technologies, yet the adaptability and adoptability of these technologies on organizational and individual levels remain underexplored (Curado et al., 2018; Liu, Ying, & Wu, 2017).

In the 1970s, Quentin Skinner put forward the idea that “words are markers of our social understanding of the world, and that the emergence

of new words is a marker of changes in society's values" (Skinner, 1978, 1988). The word 'innovation' is an excessively used word these days and it is relevant to international competitiveness, the world economy, competitive advantage of a company, growth sustainability or out of the box creativity. In simple words, 'innovation' means doing things differently yet efficiently. In addition, "Innovation can be explained as a new idea, product, device or novelty. It is a mind-set, a way of thinking beyond the present and into the future" (Stenberg, 2017). To achieve sustainable economic growth and gain competitive advantage for both companies and nations, innovation is considered a central driver (Chen, 2017).

Baregheh, Rowley and Sambrook (2009) suggested a complete and multistage process definition of innovation: "Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace". Fri, Pehrsson and Søylen (2013) suggested, "Innovation is an activity which companies solves problems by combining knowledge". However, Huebner and Fichtel (2015) argued that innovation is "a novel solution to an old problem". To find a new solution to an old problem, individuals must stop practicing old strategies and must behave flexibly. Sardana (2016) explained, "Innovation was one key component to growth because it creates revenues which in turn creates profitability". Hence, innovation plays a vital role in the sustainability of an economy. Länsisalmi, Kivimäki, Aalto and Ruoranen (2006) captured the three mainly significant yet distinctive characteristic of innovation, which are: (a) novelty, (b) a function element and (c) a proposed advantage.

Considering above-mentioned definitions, the word 'innovation' can be linked to creativity, profitability and sustainability. In recent times, innovation has become inevitable for sustainable survival. In the business world and for companies, the word 'innovation' is often used for something risky, costly and time consuming (Costello & Prohaska, 2013). Whether it is a country, an organization, an educational institute, the technology industry, transportation, manufacturing, retail, trade, construction, real state, agriculture, banks, pharmaceutical companies or health sciences, innovation plays an imperative role. These days, innovation has become a key ingredient and companies have to continuously deal with the creation of new products and services to manage global



**Fig. 11.1** Innovation in the context of this study (Source: Author)

competitiveness (Farniha et al., 2016). To sum up, ‘innovation is novelty, profitability and sustainability’ (Fig. 11.1).

## Healthcare Innovation and Global Trends

When it comes to healthcare, there is a need for further elaboration of the term ‘innovation’. ‘Healthcare innovation’ can be defined as “the introduction of a new concept, idea, service, process, or product aimed at improving treatment, diagnosis, education, outreach, prevention and research, and with the long term goals of improving quality, safety, outcomes, efficiency and costs” (Omachonu & Einspruch, 2010b).

Innovations and the emerging technologies of today will shape the future of the world tomorrow. Robot-assisted surgery (RAS) using 5G technology is a bright reality of the current era. Healthcare systems in the twenty-first century are experiencing certain challenges in the introduction of innovations and the implementation of emerging technologies and are aspiring to look for redesigned and modernized approaches. These challenges are not limited to the development and improvisation of new technologies but are more prevalent in the area of adoptability and adaptability of these technologies.



There is an enormous need to study and evaluate the influence of these emerging technologies on the human capital of the healthcare industry, to understand the perspectives to build corresponding HRM policies and to develop a competent workforce to embrace the impact of forthcoming technologies and innovation in healthcare. Some common examples of today's emerging technologies are found in the fields of nanotechnology, biotechnology, genetic technology, neurotechnology, machine learning and other advances in computing. The rapid development and availability of these technologies is associated with uncertainties in terms of, for example, risks and benefits and the effects of these technologies on the society (Nelson & Gorichanaz, 2019).

Grisot, Vassilakopoulou and Aanestad (2018) have discussed two case studies from Norwegian Healthcare and suggested a deeper need of 'sociotechnical sensibility' for the translation of emerging technologies and innovations into healthcare. So far, the widely adopted digitization in healthcare systems is Electronic Patient Record (ERP), which still is in the nascent stage, and did not happen without internal resistances and external pressures (Adler-Milstein et al., 2015). An Estonian firm is using blockchain for the management of ERP and providing services to healthcare entities (Angraal, Krumholz, & Schulz, 2017). Additionally, the latest products with digital information, nanotechnology, semiconductor and genetic engineering are transforming healthcare, creating previous statements and assumptions unacceptable and making unexpected predictions for innovation and development of presented procedures (Sahoo, Parveen, & Panda, 2007).

There is an increased demand on healthcare deliverance organizations all over the world (Starfield, 2000). Quality healthcare is the most important aspect through which individuals, especially patients, recognize the meaning of quality in their life. In some countries, healthcare industry is a part of the country's national identity. It is appropriate to consider that it is time for a new explanation in every feature of the healthcare system, where every industry and stakeholders from governments to ventures to individuals are being involved in improving and developing healthcare through innovation. Globally, most of the healthcare industries are facing the same issues or challenges (Scott, 2006).

The distribution of innovation has become a foremost challenge in every industry, together with healthcare (Berwick, 2003). In recent times, there has been an increase in innovation in the healthcare industry. This is intended to improve life expectancy, quality of life, investigative treatment alternatives, in addition to the competence and cost efficiency of the healthcare structure (Varkey, Horne, & Bennet, 2008). Thus, using innovations in the progression using innovations in the progression of care deliverance (Varkey & Athyal, 2005), medications and surgical intercessions (Varkey et al., 2008). Healthcare has become the last of the foremost supply-driven industries (IOM, 2001).

In healthcare, abrupt introduction and implementation of the innovations may lead to permanent discomfort, disability and sometimes death (Länsisalmi et al., 2006). This, along with clinicians' propensity to protect their patients' independence and status, can endorse a culture of responsibility and confidentiality that restrain organizational learning and new production of innovations (Huntington, Gilliam, & Rosen, 2000). Moreover, innovative practices related to patient care in healthcare industries are traditionally examined carefully in an early developmental stage, so that the potential risks of harmful innovations can be avoided (Faulkner & Kent, 2001).

Since the advent of 21st century, the world has been experiencing fast-paced technological revolution. Patients have become an essential and active stakeholder in healthcare. They demand simplicity in getting information, easy access to their health records and better access to healthcare services, and they fix appointments according to their convenience and prefer to be equally involved. The arrival of innovative consumer technology is initiating even more challenges, or making the older technologies extinct. The technology encourages greater power to be given to the patient. Patients insist on transparency and simplicity of data and processes when it comes to healthcare treatments (Picker, 2000). Due to accessibility of evidence-based medicine, they want to receive the latest medicine or clinical treatment; of course, they also do not prefer to be in surgical waiting lists or eagerly request to get the option of going private irrespective of the cost incurred (Pfeffer & Sutton, 2006).

To fulfill the expectations of the patient, and to begin the evolution of healthcare to a demand-determined form, some of the world's foremost

and important hospitals are placing patient confidently at the midpoint of everything they do. For instance, Cleveland Clinic in Ohio established a clear mission to improve the experiences that a patient might be expected to receive, with a board-level Chief Experience Officer leading and handling the Office of the Patient Experience (Mangione et al., 2007). According to the hospital's website, the mission is to "ensure care is consistently patient-centered by partnering with caregivers to exceed the expectations of patients and their families". Cleveland Clinic, alongside a handful of other revolutionary hospitals, has always been an innovative and state-of-art technological user in patient care, and it will be interesting to see how many other hospitals are trying to attempt and make comparable preparations (McGlynn et al., 2003).

In general, from the development of a new medical device or enforcement of a new health policy, innovations are embedded in organizational networks (Lewis & Smith, 2014). Self-effort and persistence have a significant direct effect on innovation performance (Bandura, 1977; Mumtaz & Parahoo, 2019). Venkatesh, Morris, Davis and Davis (2003) have recommended the analytical use of 'Unified Theory of Acceptance and Use of Technology' (UTAUT), which is based on four precursors of the acceptance of information systems. These precursors are extracted from fourteen initial constructs from eight acceptance theories, namely, technology acceptance model (TAM), theory of reasoned action, theory of planned behavior (TPB), combined TAM and TPB model of PC utilization, diffusion of innovation, motivational model and social cognitive theory (Taherdoost, 2018).

Nowadays, life expectancy has improved and the average age of morbidity and mortality is declining (Blyth et al., 2019). This is due to the advances in understanding and recognizing the causes of diseases and resulting improvements in analytical techniques and cure. Average life expectancy in the OECD countries (Organisation for Economic Co-operation and Development) has now reached 80 years and continues to extend. People are living longer, even those with chronic diseases. This is an outcome of effective and efficient healthcare delivery.

## Health Innovation Process and Its Stakeholders

Innovation in healthcare continues to be a powerful motivator in the exercise to control cost and steady healthcare quality. It is considered to be a significant element of a business in order to ensure productivity and competitive endurance (Christensen, 1997). The procedure of implementation of the innovation is equally multidimensional, apart from the industry itself, in which the innovative processes are being practiced. Implementation of healthcare innovation is multi-part and multi-dimensional involving many actors and factors, whereas progression of the innovation happens distinctly. The factors influencing the deployment of innovation into healthcare systems can be divided into three levels, namely, individual (micro), organizational (meso) and national (macro) (Kim & Von Glinow, 2017). Herzlinger (2006) has pointed out at the six forces that can accelerate or inhibit efforts at innovation, namely, industry players; funding; public policy; technology; customers; and accountability.

Innovation in the healthcare industry comes with unique and exclusive challenges. The confrontations and challenges of implementation and penetration of innovations in the healthcare systems at multiple levels (i.e., government, organizational, human capital and consumer engagement) demand an ambidextrous approach. The implementation of innovations effectively depends on both the adoption of the technology and the modification of current processes and/or services to allow optimum adoptability and adaptability (Savory & Fortune, 2015). Any challenge to recognizing the progression of applying innovation in healthcare essentially starts with a thorough analysis of its challenges. Birkinshaw and Gupta (2013) recommend a multiple-level span to address critical innovation challenges through the development of innovation culture, building innovation capacity and involvement of top management. According to Omachonu and Einspruch (2010a, 2010b), there are five key stakeholders anticipating the innovation process in healthcare industries, and each one has its exclusive and purposeful requirements and expectations:: (1) physicians and other care providers, who are expected to enhance clinical results, improve diagnosis and ensure patient safety and proper handling of treatments; (2) patients, who expect to have better experience

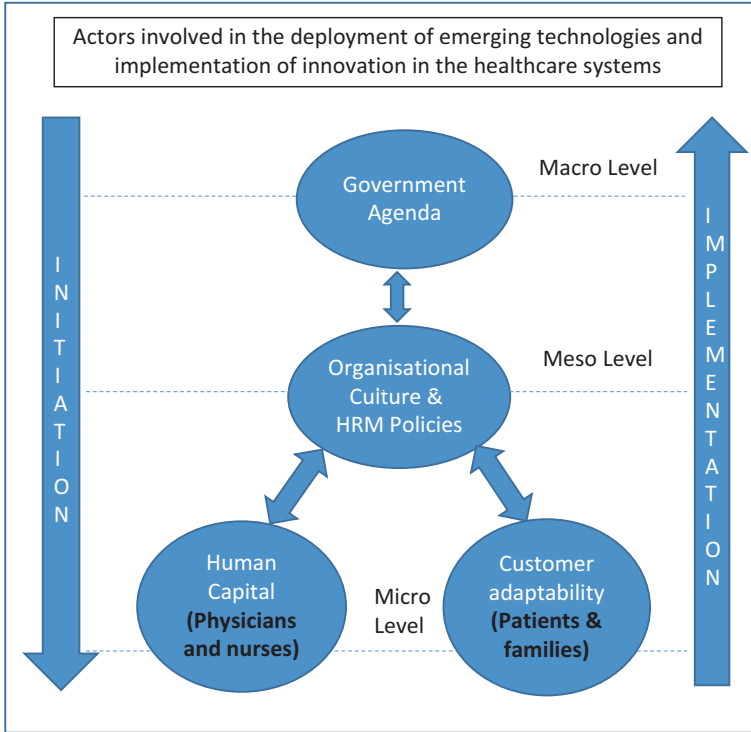
at a health facility, like less waiting time and prefer elimination of delays to the treatment so they can have improved physiological comfort; (3) organizations, who are required to develop swift internal operations, improve the cost effectiveness of treatments and enhance healthcare productivity thus achieving better quality and outcomes; (4) innovator companies, who are expected to increase profitability and provide enhanced results and (5) regulatory agencies, who are expected to establish policies to reduce perceived risk and strengthen patient safety.

A systems approach to healthcare innovation has four general stages: identification, description, alteration and implementation (Asch, Terwiesch, Mahoney, & Rosin, 2014; Kaplan et al., 2013). In the 1980s, Fennell and Warnecke (1988) suggested that healthcare institutions may find the adaptation of a new technology beneficial due to the general competitive climate, to avoid malpractice suits, or to gain status. Christensen, Bohmer and Kenagy (2000) have expressed the pressing need to look into the enablers for the emerging disruptive innovations in the healthcare systems. During the last decade, technological innovations in healthcare have been accepted not only as a source of value generation but also as a source of profitability (Garber et al., 2014).

Meyer (2019) argued that the role of organization is pivotal for a detailed understanding of the emergence of envisioned futures. Omachonu and Einspruch (2010a) and Grose (2008) dispute the fact that massive savings can be realized by the additional and improved usage of emerging technologies like electronic record-keeping, utilizing software and automated workflows that can perceive inaccuracies and resolve matters in a speedy manner. The focus of healthcare research has shifted from molecular and tissue biology. The shift is towards health-related technologies to improve the patient care and in many countries, is being considered primarily under economy and commerce agenda (Tarkkala, Helén, & Snell, 2019).

## Conceptual Model

Based on the above discussion and literature review, a model is developed firstly to identify the active participants or actors or stakeholders of the healthcare innovation and then to comprehend the inter-relationship among them. Figure 11.2 shows this network of participants. Healthcare



**Fig. 11.2** Stakeholders in the initiation and implementation of innovation in healthcare systems (Source: Author)

is complex as it involves a very wide variety of participants with variant levels of knowledge and authority. Successful establishment and integration of innovation in this field is possible only through the development of a strong communication network, which overcomes the gap among the actors (Proksch et al., 2019).

Healthcare is a unique enterprise, which involves multiple actors to complete a routine task on a daily basis. It will be interesting to delve into the multilevel challenges (i.e., government level, organizational level and HRM policies, human capital level and consumer engagement level) of implementation of innovations in healthcare, but this chapter will explore the human capital factor (micro level) alone. According to Fig. 11.2, initiation of implementation of innovation will start at the macro level, but it will trickle down to the micro level and result in fostering and

implementation. As this research is conducted in the context of the UAE and its healthcare system, which is at the cusp of health innovation (Gulf News, 2019), the adoptability and adaptability of innovations by HCPs are of utmost importance.

## Role of Human Capital in Healthcare Innovation

Human capital is the stock of skills that the labor force possesses which results in economic value (Goldin, 2016). Although an institutional role is played by the government to provide incentives and regulatory support for innovative strategies (Watkins, Papaioannou, Mugwagwa, & Kale, 2015), physicians and nurses are the frontliners of the healthcare industry. Organizational policies, culture and decisions can influence healthcare innovation strategies (Moullin, Sabater-Hernández, Fernandez-Llimos, & Benrimoj, 2015). With appropriate controls and leveraging of human capital in the healthcare industry, innovation strategies can be adopted faster (Prajogo & Oke, 2016) and lead to sustainable development (Cavicchi, 2017).

According to Munjal and Kundu (2017), the role of human capital in the implementation and adoption of innovation is complex and consists of multiple levels of analysis. This approach of authors, leads to opening of new arena of discussion that the role of human capital in the fostering of innovation itself is a multilevel process. An in-depth analysis of this one stakeholder, human capital, demands multifold research. Hence, this study will focus on the role of human capital in the implementation of innovation into the healthcare systems.

It is interesting to note that the term 'human capital' was not in use in the English language until almost half of the twentieth century. It was only in the late 1950s that the word came into practice and in the 1990s that it was extensively used in the literature (Goldin, 2016). During the early 1960s two scholars defined human capital as the set of knowledge, skills, competencies and abilities that are embodied in individuals and which individuals acquire over time, through training, education, work experience, healthcare and relocation (Becker, 1964; Schultz, 1961).

Health Care Professionals (HCP) are continuously facing the challenges of increasing costs and disease burden. Innovation has developed into more than just a cost-saving approach and strategy, and it is currently significant to the sustainability of the healthcare system. Hospitals are known and being categorized as service organizations; health authorities, groups of private hospitals and governments are concentrating on two under-utilized forces for accumulating significance to healthcare: obtaining innovation and creating more innovative procurement performance.

Meeting the challenges of new technology implementation will require experimentation, dialogue and continuous monitoring of the change (Schartinger et al., 2015). Many current researches have documented that health technology development often presents the challenge of poor value alignment between supply-side and demand-side (Greenhalgh, Fahy, & Shaw, 2018; Lehoux, Miller, Daudelin, & Denis, 2017; Markiewicz, Van Til, & IJzerman, 2014). Hence, it is crucial to involve medical experts as a stakeholder during the development of medical technologies (Anwar & Prasad, 2018), because acceptance and adaptability by the professional staff can be considered as the single most important determinant that will decide the fate of a new technology (Gheorghiu & Ratchford, 2015; Pols, 2012; Taylor et al., 2015; Wade, Elliott, & Hiller, 2014).

The worldwide scarcity of healthcare human capital such as healthcare providers and other essential practitioners promotes progress in the case of special treatments and requires fostering of innovative processes and technologies in healthcare. Under this situation, it is forecasted that the withdrawal and elimination of existing personnel within the next ten years will be intensified (Kivisaari et al., 2004; Warne & McAndrew, 2004). However, with the advancement in the technologies, automation of processes and improvisation of the procedures and practices in healthcare, human capital such as nurses and doctors are also facing difficulties in accepting, adopting and adapting to innovative technological systems.

As regards the present medical practices, quite a few researchers have pointed out that it is complicated to modify the performance of clinicians (Greco & Eisenberg, 1993) as well as of healthcare organizations (Shortell, Bennett, and Byck, 1995; Shortell et al., 2001). The acceptance and application of healthcare innovations is frequently regulated by the



government and laws, in order to make changes over time (Faulkner & Kent, 2001).

Sustainable human resource management, described as the “adoption of HRM strategies and practices that enable the achievement of financial, social and ecological goals, with an impact inside and outside of the organization and over a long-term time horizon while controlling for unintended side effects and negative feedback” (Ehnert et al., 2016, p: 90). Lin, Qian, Li and Chen (2018) suggested that HRM practices must transcend the understanding of employees’ strengths and focus on enhancing employees’ capabilities and maintaining their wellness and prosperity. Many researchers have considered organizational culture as a key driver of innovation (e.g., Škerlavaj, Song, & Lee, 2010; Uzokurt, Kumar, Semih Kimzan, & Eminoglu, 2013; Zhu & Engels, 2014). In addition, Hogan and Coote (2014) suggested that ‘Schein’s model’ explains cultural processes that support organizational innovation. Similarly, Kalyar and Rafi (2013) found a strong relationship between organizational learning culture and the innovativeness of a firm.

The fact that work attitude of medical and technical workers is different can act as a hindrance in finding solutions for medical-related problems and the adaptation of new technologies (Anwar & Prasad, 2018). The transitions approach for a new technology demands taking the interests and perspectives of stakeholders into account. It is interesting to note that healthcare professionals are underestimated as facilitators of technology; however, technology developers should consider them as a stakeholder of the emergent technology (Saborowski & Kollak, 2015). Jacobs et al. (2015) quantitatively proved that the perceptions of implementation climate (physicians’ perceptions) directly affect the implementation effectiveness in healthcare industry.

Various innovation progresses in healthcare have been set off by the healthcare stakeholders, such as patients themselves, patient support groups, healthcare organizations, medical doctors and physicians, and other healthcare experts (Omachonu & Einspruch, 2010a, 2010b). In some instances, the lead can be provided by the government in an attempt to moderate healthcare challenges faced during the transformation phase by the healthcare industries.

Distribution of innovations has become a foremost challenge in every industry, including healthcare (Berwick, 2003). The International Council of Nurses (ICN, 2018) has introduced a website intended as a platform for innovations in nursing and other human capital areas in healthcare industries. The ICN Innovations Database is a resource that is web-based and has been designed to smoothen the progress of spreading the usage of innovation in the human capital sector of healthcare globally.

The UAE healthcare industry is yet to find an innovative way to offer a seamless range of innovative technologies or innovative methods to its human capital and at the same time make it easier for patients to adapt to these innovations. This can lead the patient evolution among healthcare providers beginning from presentation of their problem to diagnosis to treatment and the end process of follow-up. Gaps in the permanence of healthcare providers threaten a patient's comfort and well-being and initiate possible unfavorable events (Asahi, 2011).

## **Innovation and Healthcare Providers (HCP) Resilience**

“Resilience is a key to enhancing quality of care, quality of caring, and sustainability of the health care workforce” (Epstein & Krasner, 2013, p. 301). Resilience is a concept that has been well accepted and practiced in other high-risk industries and has recently become a new approach in healthcare industry too. It is a key concept in human factors that deserves consideration in healthcare as well. As noted, organizational resilience is the main contributor for the drive of innovation.

It is important to recognize the internal process that innovation can bring to healthcare organizations such as a hospital, human capital and even patients. These organizations in general do not have the comfort of an enormous R&D department and so must depend on the unrefined talent and creativity of internal personnel and human capital of healthcare (Swan et al., 2016).

Resilience focuses on how and what HCPs can learn from successes and error avoidance rather than focusing on a basic reactive search for ‘causes’.

Resilience is the capacity to respond to stressful situations in a positive manner to achieve goals at minimal psychological and physical cost; resilient individuals “bounce back” after challenges while also growing stronger (Epstein & Krasner, 2013). Resilience is all about how individuals, teams and organizations monitor, adapt to and act on failures in high-risk situations; this is why it is an appropriate match for healthcare industry (Jeffcott, Ibrahim & Cameron, 2009).

To identify resilience in healthcare, especially in healthcare human capital, it is essential to first define the term in the healthcare context. Resilience has been conceptualized in diverse ways and is being used in a variety of disciplines. In healthcare treatment research, the word ‘resilience’ is often purposely connected to the professional and specialized challenges that human capital such as doctors, nurses and other healthcare personnel experience, and is observed as a personal ability that facilitates specialists, nurses, doctors and other healthcare personnel to deal with the demands of the workplace (Hart et al., 2014).

In terms of a more psychological approach, the expansion of psychological procedures to quantify resilience, in addition, reproduces a variety of definitions. The Connor-Davidson Resilience Scale (Connor 2003) consists of twenty-five items that review a variety of aspects that can influence resilience, which include self-esteem, adaptability, commitment, logic of control, and health and comedy. This instrument can be practical because considering what contributes toward resilience can facilitate the recognition of methods to develop it.

Another implementation is the Brief Resilience Scale (Smith et al., 2008), which is a technique to measure resilience particularly as an individual’s capability to recover from stress, as against measuring the aspects that possibly will contribute to resilience. Reciprocally, the definition stated from Hart et al. (2014) and the psychological conceptualizations of resilience were not successful in reproducing the complexity and difficulty of resilience and the broader frameworks that can influence it. Masten (2015) described resilience as the capability to completely and effectively adapt to demanding and tough circumstances or difficulties.

## Discussion and Analysis of Findings

The federal health authority of the UAE is the Ministry of Health and Prevention (MoHP), which serves to provide comprehensive healthcare to all citizens and residents of the country. Since 2007, due to the subsequent establishment of individual emirate-based healthcare authorities by Abu Dhabi and Dubai, the MoHP has shifted its focus to the northern emirates of Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah (UAE Government portal, 2019).

Previously known as the General Authority of Health Services for the Emirate of Abu Dhabi, the Health Authority of Abu Dhabi (HAAD) was established to regulate both the public centers and private healthcare sector. HAAD is responsible for healthcare policies, laws, regulations, inspections and audits in the emirate of Abu Dhabi. This authority currently manages forty-six (46) primary healthcare centers, twelve (12) hospitals (community and general), four (4) specialized centers and three (3) dental centers in the public sector and more than eight hundred healthcare facilities in the private sector in Abu Dhabi (HAAD, 2019).

Dubai Health Authority (DHA) is aligned with 'Dubai Strategic Plan 2015' launched by H.H. Sheikh Mohammed bin Rashid Al Maktoum. As a direct translation of the objectives of the strategic plan, the authority is determined to deliver an accessible, effective and integrated healthcare system, protect public health and improve the quality of life in Dubai.

Currently, DHA oversees 38 hospitals, 4 fertility centers, 34 one-day-surgery centers, 1,624 specialized and general medical complexes, 82 dental treatment centers and laboratories, 868 pharmacies and 38 health examination and house nursing facilities. There are more than 36,055 licensed physicians serving the emirate of Dubai in both private and public sectors (DHA, 2019).

According to statistics released by Federal Statistics and Competitive Authority there are 36 government hospitals in the UAE, employing 6504 physicians and 16,547 nurses. However, the private sector has 79 hospitals, employing 10,165 physicians and 16,882 nurses. In the past few years, the UAE has launched a number of initiatives to promote innovation in the healthcare sector (<http://fcsa.gov.ae>).

Gaps in healthcare and challenges in implementing innovation and creating resilience are evidences that the human capital in healthcare system is not capable of responding with adequate output to meet the demand. Whether, or how, a system acts to fill such gaps in healthcare industry indicates its resilience. Manifestations of gap-filling adaptations, such as clinician programs and development of equipment plan, specify classes of interruption or demands and foundation of resilience that are at hand to help implement and accommodate demands for having innovation in healthcare and creating an atmosphere for human capital to adopt.

The UAE's healthcare industry is at the cusp of health innovation. Automation, artificial intelligence and nanotechnology are being introduced in the UAE healthcare system (Gulf News, 2019). The local bodies are collaborating with international health authorities to institute cutting-edge technologies in the country. The government is playing a substantial role by filling the financial gap and providing platforms for further collaboration with global best practitioners. Similarly, the health authorities (HAAD, MOH and DHA) are taking initiatives for health innovation. As a part of DHA's fifth Dubai Future Accelerators cycle, H.E. Humaid Al Qutami, Director General of the DHA, has discussed and brainstormed with four companies to discover the ways for the implementation of smart solutions in the health sector in Dubai (DHA, 2019).

In October 2018, H.E. Sheikh Abdulla Bin Mohamed Al Hamed, Chairman of the Department of Health—Abu Dhabi (DoH), said: "Through this year's participation, DoH is aiming to contribute to the establishment of an innovation agenda for healthcare in Abu Dhabi by promoting entrepreneurship, invention and creative thinking. DOH is keen to attract top innovators and entrepreneurs from across the UAE to demonstrate their ideas and inventions to global investors who can provide the necessary support and funding to accelerate their development" (HAAD, 2019).

The Ministry of Health (MOH) is also diligently taking steps toward the translation of health innovation. The ministry has launched a platform for idea management, known as 'Afkari'. This world-class idea management hub is meant to empower HCPs and to welcome their ideas for active participation for health innovation. Furthermore, MOH has

collaborated with the international health authorities to develop and launch 'Leadership and innovation in healthcare' training program to fulfill the gap of knowledge among healthcare workers (MOHAP, 2019).

The findings of an intensive literature review show that the UAE health system is challenged by shortage of physicians and nurses, especially nationals with high turnover rate and low retention of expat HCP, skill-mix imbalance with weak knowledge base, and limited cognitive flexibility with inadequate investment in human resources (Hannawi & Salmi, 2014). Three of the above-mentioned challenges can have a strong negative impact on the UAE health innovation agenda.

## **Challenges of Implementation of Health Innovation in the UAE**

### **High Turnover Rate and Low Retention**

UAE nationals constitute 19% of total physicians and 8% of nurses, whereas more than eighty five percent (85%) of the clinical workforce is expatriate. The high turnover rate of expatriate nurses occurs because of unfavorable UAE immigration policies. Limited education and training capacities, low salaries, and lack of financial and non-financial incentives were identified as further reasons (Koornneef et al., 2015). As noted by Pereira and Malik (2015), increased mobility of the human capital can result in drop of expenditure toward training and skill enhancement of the human capital.

### **Skill-Mix Imbalance and Weak Knowledge**

Career development activities are uncoordinated and there are no systematic performance appraisal; the continuing education programs are episodic and often unplanned (Hannawi & Salmi, 2014). Recently, the UAE has changed the selection criteria for nurses. According to the new regulation, a nurse holding a diploma will not be licensed after January 2020. Only holders of bachelor's degree

(BSN) will be able to perform patient care. This announcement resulted in a chaotic situation because many of the nurses working in the UAE healthcare industry are only diploma holders and now at the verge of losing their jobs (<https://gulfnews.com/uae/uae-hundreds-of-indian-nurses-risk-losing-jobs-1.67129926>).

## Cognitive Flexibility

Huebner and Fichtel (2015) argued that innovation is “a novel solution to an old problem”. To find a new solution to an old problem, individuals must stop practicing old strategies and must behave flexibly. The practice of following protocol and performing tasks conservatively is routine in healthcare, which results in resistance to change and acceptance of innovations (Mørk, 2009; Mørk, Hoholm, Ellingsen, Edwin, & Aanestad, 2010).

## Developing Resilience in the UAE’s HCPs

Southwick et al. (2014) state that “determinants of resilience include a host of biological, psychological, social and cultural factors that interact with one another to determine how one responds to stressful experiences”. According to Schumpeter (2010), radical innovations demand creative destruction of existing practices, technologies and processes. Innovation, almost always, certainly results in disruption, which will consequently create stress, conflict and instability. However, these tensions can be taken positively as a precondition for learning and development (Hoholm, 2011). Learning at organizational level is characterized as an ongoing and continuous cycle of action and reflection (Sujan, 2017).

As discussed earlier, the UAE healthcare industry is at the cusp of innovation. At the macro and meso levels, so far the efforts for the initiation of innovation strategy are effectively moving in the right direction. But at the micro level, especially physicians and nurses seem to be in need of developing skills to effectively and efficiently participate in this wave of health innovation in the UAE.

Resilience is a dynamic capability which can be acquired deliberately (Lengnick-Hall, 2011). To establish this required capability, the UAE's HCPs should go through intensive training programs to acquire knowledge about health innovation. Milestad and Hadatsch (2003) have acknowledged that resilience can be built through the integration of knowledge.

The knowledge of the subject can be helpful in the removal of resistance and fear of the unknown. With adequate knowledge, HCPs can respond well to the uncertainty created by innovation. Personal resilience characteristics can be listed as optimism, flexibility and adaptability, initiative, tolerance, organizational skills, being a team worker, keeping within professional boundaries, assertiveness, humor and a sense of self-worth (Matheson et al., 2016; Jones 2019). To establish the required capability to foster and absorb innovation, HCPs can build and enhance resilience through knowledge and training. Thus, the UAE's HCPs should go through a tailored training program to accept the disruptive changes and be prepared to foster the incoming wave of health innovation in the country.

## Unified Theory of Acceptance and Use of Technology

As healthcare is embracing innovations and emerging technologies at large, the capability and resilience of HCPs can be enhanced by using Unified Theory of Acceptance and Use of Technology (UTAUT). This theory is intended toward users who are reluctant to adopt a new technology. According to Venkatesh et al. (2003), in this era of technology and innovation, recent advancements in Information Technology (IT) acceptance research have resulted in the development and availability of multiple competing models which have exhibited variant sets of acceptance determinants/factors. The authors have reviewed and empirically compared eight (8) models that are based on: (i) the theory of reasoned action; (ii) the technology acceptance model; (iii) the motivational model; (iv) the theory of planned behavior, (v) a model combining the technology acceptance model and the theory of planned behavior; (vi) the model of PC utilization, (vii) the innovation diffusion theory and (viii) the social cognitive theory.



The Unified Theory of Acceptance and Use of Technology (UTAUT) is comprised of four core determinants of intention and usage in addition to the four moderators of key relationships. UTAUT was tested over a period of six months in four organizations and the results were encouraging. It was established that the UTAUT surpassed the performance of the eight individual models. Hence, it was accomplished that the UTAUT provides a useful tool for managers and decision makers who are required to assess the probability of success of implementation of a new technology in their organization.

UTAUT is a beneficial tool to identify the drivers of acceptance of the technology, in order to proactively design interventions for the sustainable development of human capital in their organizations, like training and marketing. Utilization of this theory can be beneficial in future researches to improve the usage and acceptance of technological innovations in healthcare.

## **Healthcare Innovation Training Program for the UAE's HCPs**

The emerging technologies are abruptly challenging the status quo and are demanding updated policies and procedures for not only personnel management but also for proper selection of human capital to sustain in the future. According to Liu et al. (2017), high-commitment human resource management (HCHRM) system has a direct and positive correlation to the HR capability and ambidextrous technological innovation. However, they argued that HRM capabilities can affect knowledge management, both directly and indirectly. HRM policies and practices can stimulate creativity and innovative behaviors of employees (Pastor et al., 2010; Ishak, Eze, & Ling, 2010).

It has been noted that medical schools provide intense training and knowledge about the health of the human body. The core subjects taught are basic sciences like physiology, anatomy and biochemistry and advance subjects includes medicine, surgery, obstetrics and pediatrics. To complement the high-pace technological advancements in healthcare and to be able to effectively participate in the agenda of health innovation for better

patient outcomes, HCPs are suggested to undergo focused training programs. This will provide them with the ability to understand the expectations, develop resilience and leverage the cost and time effectiveness of current and future innovations.

Below is the suggested outline of ‘Healthcare Innovation Training Program’ for UAE-based health professionals, and may be beyond. These identified areas are usually lacking in medical education. In addition, most medical professionals go through only health sciences during their medical education, thus lacking the capability to incorporate such knowledge in the daily practices. In addition, with such educational activities, HCPs will be able to participate in the innovation strategy by contributing their ideas to make the translation at a better pace, as seen in Fig. 11.3.

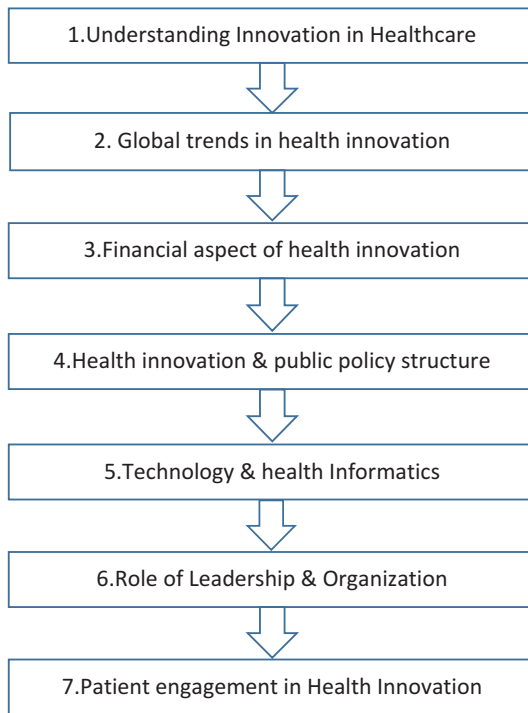


Fig. 11.3 Healthcare Innovation Training Program (Source: Author)

The suggested training modules will act as a guide toward the fostering of innovative systems, processes and procedures. The research was based on the identification of multilevel challenges; this is why it is recommended that while conducting these trainings, certain levels should be kept in consideration. This tailored program for the UAE's HCPs will be effective only if conducted with the involvement and mutual collaboration of qualified physicians and industry experts.

## Recommendations

- Training programs are required for the UAE's HCPs for better understanding of health innovation, as well as to establish the capability to incorporate innovation in daily practice. A detailed program comprised of seven modules has been suggested in this study. The HCPs play a pivotal role in the translation of innovation. Thus, these modules will not only provide required knowledge to them but can also be helpful in developing the strategies and policies.
- Also, it is suggested that health authorities should reward technology-based entrepreneurial activities that closely overlap with the challenges of health systems.
- Policy-makers should translate system-level demand signals into innovation development opportunities since it is imperative to foster innovations.
- The public should contribute to the articulation of system-level needs and challenges of health innovation.
- Funding provided by the government should also be used for further collection of data and researches by healthcare innovation policy-makers, for which purpose UTAUT can be a helpful tool.

## Limitations and Scope for Future Research

The challenges faced during this research includes the scarcity of the literature on the role of human capital in this region in all fields and specifically for healthcare sector. Health innovation in the UAE is in a state of

infancy; hence, collection of primary data and further investigations are essential and the need of the hour. Due to local health regulatory policies, primary data collection through surveys, interviews and focus groups was not accomplished. There is a scarcity of both qualitative and quantitative data in the domain of healthcare innovation in the UAE. This calls for further exploratory researches to determine the readiness of HCPs for the forthcoming innovations in healthcare. Lastly, time is a crucial factor to study innovations and technologies, because these are dynamic, apace, fast evolving and can be disruptive. This characteristic demands agile and continuous research, expeditious adoption and rapid implementation.

## Conclusion

Due to continuous support from the UAE government, the healthcare industry is at the cusp of medical innovation but is facing many challenges, which if not addressed in timely manner might result in delays of expected outcomes. The UAE government and healthcare authorities are enthusiastic about implementing healthcare innovation strategies, but there are limitations and weaknesses on the human capital capability. While these strategies are being implemented by the government, training and development of HCPs as well as of consumers must be provided on high priority. Moreover, outsourcing technologies and experts will not lead to sustainability of healthcare innovation. The current workforce must undergo training to embrace the impact of upcoming innovations. Professional research and development is pivotal for well-established and sustainable innovation in the health industry. By overcoming these challenges, the UAE's healthcare sector will become resilient for innovation and cutting-edge advances in healthcare.

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