Building Strong Corporate Cultures in the GCC

A GCC BDI and Nasdaq Governance Solutions report, in collaboration with APCO

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A new wave of culture-building is sweeping through organisations in the Gulf Cooperation Council (GCC) region. Despite the momentum, many organisations are missing out on transformation opportunities due to a series of 'say-versus-do' gaps. Committed boards can spot and close those gaps and guide their organisations to build strong, sustainable corporate cultures by exercising intelligent oversight.

Time to get serious about corporate culture

A post-pandemic surge in economic growth has attracted a wave of highly skilled professionals to the region, intensifying competition for talent. Add other factors such as developments in artificial intelligence, ESG compliance, supply chain rebalancing, inflation and fast-evolving regulatory expectations to the mix, and it is clear that board agendas are saturated with multiple challenges.

Charting a course through these complex transitions places a premium on agility, adaptability and execution capabilities. Organisations – and their people – need to be able to evolve and change. Those with clear and strong corporate cultures will have the best possible chance to attract and retain the right people, deliver results consistently above sector benchmarks and secure long-term competitive advantage.

What is the state of corporate culture in the GCC region?

To equip board members with actionable insights, GCC BDI and Nasdaq Governance Solutions set out to sense the corporate culture climate across the region by surveying GCC BDI members. Survey responses show that while many organisations have articulated their desired corporate culture, few are successful at making their culture a living, operational reality for their people.

Beyond a generic understanding and appreciation of corporate culture, findings indicate there may be prevailing disconnects between those responsible for defining and implementing desired culture and those living it day to day. Numerous organisations appear to be operating under the assumption that they are fostering a clear and productive corporate culture, yet this assumption often lacks substance.

The types of culture are also important. Findings showcase that the region rates highly on a transactional approach to culture and low on transformational leadership. In such transactional cultures we may see less engagement from employees, underpinning challenges in embedding positive behaviours and embedding values.

The survey results scratch the surface of corporate culture, searching for insights to prompt more coherent analysis, diagnosis and action. It is hoped that a deeper understanding will guide boards to ask executive management more informed and insightful questions. This may help them succeed at both the human dynamics of change and the more traditional business mechanics.

Corporate culture: Illuminating data points

Five issues in numbers

- Half of respondents indicated their boards do not regularly review corporate culture
- More than 50 percent were critical of their organisational culture
- Nearly a quarter (23 percent) of represented organisations are considered to be authoritarian and compliance driven
- One in five respondents are unsure who is responsible for corporate culture
- Fewer than one in 10 define their organisation's leadership style as transformative and inspirational

The current state of corporate culture is characterised by three prevailing trends according to the survey responses - high conventionality, inconsistent perspectives and conflicting practices. Few organisations are meaningfully embedding culture within their business and human capital practices, making it difficult to measure or improve.

Whilst survey responses indicate that most organisations claim their cultures focus on teamwork and collaboration, many respondents also said they had strong hierarchical structures. This appears especially evident in oil and gas firms and family-owned enterprises.

As a result, organisations tend to manifest behaviours and leadership styles that are KPI-driven and focus on the short-term. This indicates a gap between executive management's perception of the corporate culture and the day-to-day reality of the broader workforce.

One in five respondents indicated their organisations incentivise those embracing or upholding corporate culture, extending rewards through additional remuneration, awards, or recognition. It is far more common for organisations to establish mechanisms to hold individuals accountable for negative behavior. 53 percent claim to have accountability standards in place for non-compliance. This can mean that culture becomes defined by the negatives – by what not to do rather than by the positive behaviours the board and the organisation's leadership want people to exhibit.

Leadership teams are typically seen to be the custodians of the implementation of culture – the realisation of the organisation's vision, mission and values. However, one in five respondents were not clear on where the responsibilities practically lie. A slightly higher proportion of respondents were comfortable that their boards actively oversee implementation of corporate culture, but designated committees with responsibility for monitoring and measuring cultural evolution remain a rarity.

And only one-third of boards engage in active monitoring and measurement according to our survey, leaving the remaining two-thirds either unaware of any established system or claiming not to measure corporate culture. This indicates a lack of clarity on what role boards can or should play in monitoring and sustaining corporate culture.

In most cases, the status quo appears to be that corporate culture is assessed either on an ad hoc basis or not at all.

Embracing cultural stewardship

Boards can play a business- critical role in supporting strong corporate cultures and closing the multiple 'say-do' gaps that exist across organisations in the GCC. Boards are uniquely positioned to positively influence their organisations to

embrace more comprehensive and holistic views of organisational culture and the cultural climate within a business. The challenge for many organisations is to understand how what is done aligns with what is desired (as set out in vision, mission, values and culture statements) and to influence change where necessary.

It is important to measure culture more regularly, systematically and accurately – beyond the historic practice of periodic employee engagement surveys. It is no longer enough to monitor corporate cultural sentiment once per year or using engagement as the sole measure.

Our survey data showed that only one in ten organisations are benefiting from a culture that genuinely inspires. Boards should ensure that robust cultural frameworks are developed in line with the organisation's vision, purpose, mission, values, strategy, governance, behaviors and stakeholders. Where organisations identify the need for culture change, boards should also recognise that cultural transformation requires a unique skillset and ensure that governance and leadership teams reflect the organisation's specific needs.

Executive management should be encouraged to explore ways to ensure culture is not only promoted from the top-down, but from the bottom-up and the middle-out. 'Tone from the top' represents the starting point only. For this to work, boards should actively encourage initiatives that capture the diversity of voices and points of view across an organisation and its stakeholders. Communication and openness is key to success and yet only 8% of respondents reported that their organisations allow employees to question executive leadership.

At a minimum, boards should exercise active stewardship over the recognition and enforcement of ethical behaviours throughout the organisation. So, it is important for them to actively solicit and listen to employee feedback. While employee engagement surveys provide valuable insights, they can be largely subjective and limited. Engagement and culture are not interchangeable terms.

Boards need more comprehensive and objective insights, as well as coherent indicators of culture. Boards are increasingly focused on examples of employee experiences and 'outcomes' from processes such as hiring, performance evaluations and promotions to get 'real world' understanding of culture.

Overall, cultivating the right culture takes time and sustaining it requires consistency. Boards should uphold a long-term view of culture-building and protect organisations from themselves when they are tempted to succumb to short-term thinking and quick fixes triggered by the ups and downs of the business cycle.

Case studies: Perspectives on corporate culture

First Abu Dhabi Bank: Adopting a culture that fosters leadership

Culture is the lifeblood of any organisation. At First Abu Dhabi Bank (FAB), this manifests itself in a value-based culture which has empowered employees to embody the organisation's ethos in their day-to-day operations. By incorporating this value-based culture, the bank has helped increase its operational performance and alignment around business goals. FAB has also become more people-centric and humane as a result.

FAB works on a system of feedback. An ingrained receptive attitude and ethic have helped take its Employer Net Promoter Score (ENPS) to the top quartile and contributed to strong retention levels.

FAB's journey towards a value-based culture began in 2018. Five years ago, leadership noted that, while work and operations were being carried out successfully with no interruptions, something was missing. The bank placed its priority on customer integration and channeled its values and energies towards achieving this, as well as putting customers first.

A large part of the value-based culture at FAB is driven by its focus on Emiratisation. The bank hires 300-350 UAE nationals annually at entry level with a low 6% attrition rate.

Moreover, one of FAB's integral values is customer centricity. This stems from the belief that each employee is accountable to customers, internally and externally. The company also focuses significantly on leadership development, making a concerted effort to empower and educate candidates with strong management skills and transform them into role models.

Leadership development is a key priority at FAB. This is exercised through implementing a leadership calendar for all managers. Managers receive rigorous training and education and have access to educational resources, leadership programmes and executive coaching. This is offered based on the managerial level and nature of capabilities – technical or executive.

FAB offers up to seven days of training on average to its managers. This includes coaching, in-person learning, leadership programmes, business skills and technical capabilities, as well as regular assessments. The programmes are internal and external. Internally, managers have access to FAB Business School and the Business Leadership Center of Excellence Leadership. Externally, managers have the option to participate in regional or international training events.

In addition, all senior and executive committee members are strongly involved in business discussions and decisions are governed by the company culture. FAB has a steering committee in place that comprises the senior management, who work on driving integral business decisions.
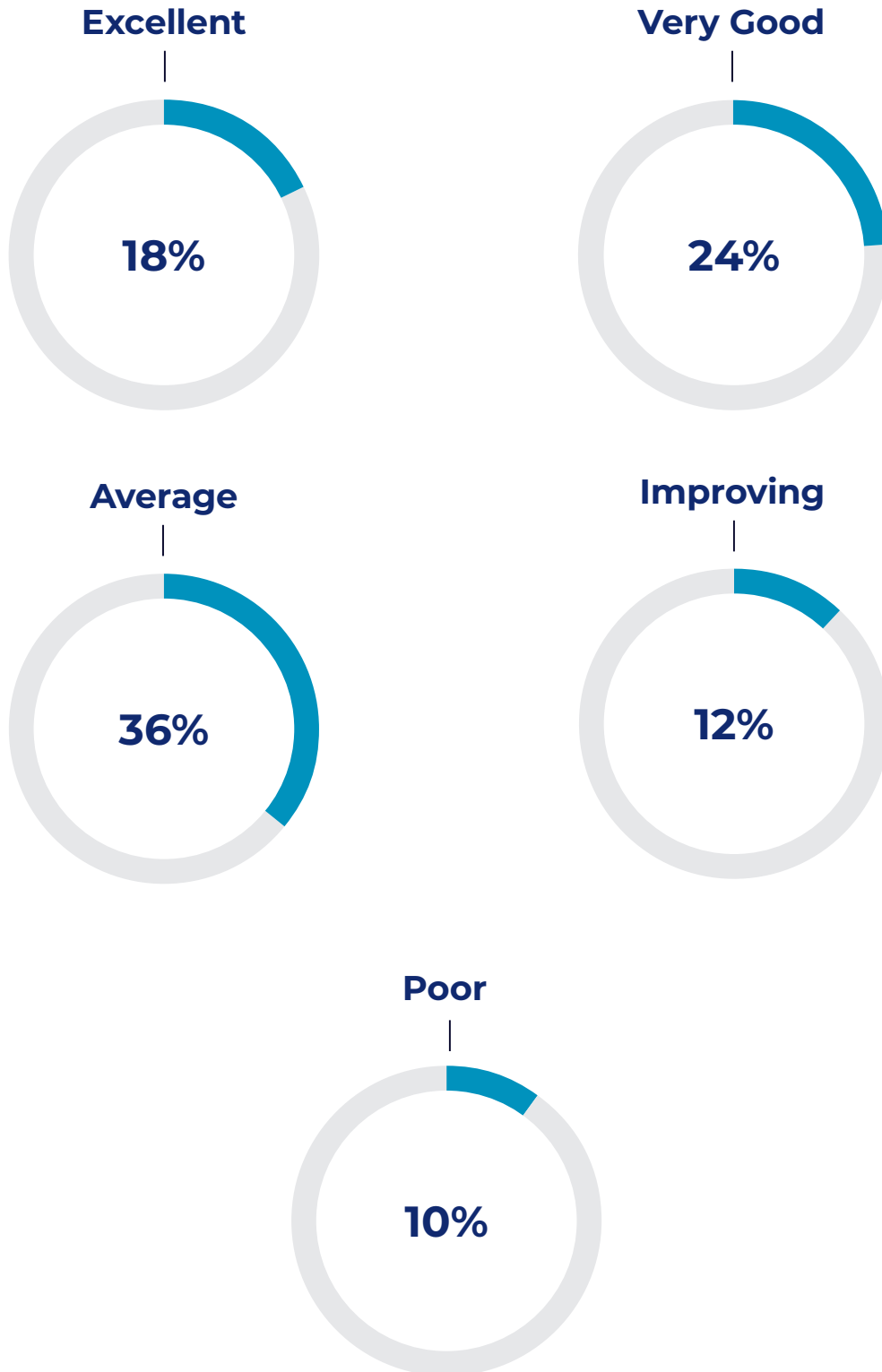
FAB also engages regularly with senior leadership across roles, including the head of human resources, vice presidents and executive committee members, to make sure they have an engagement plan for each business area.
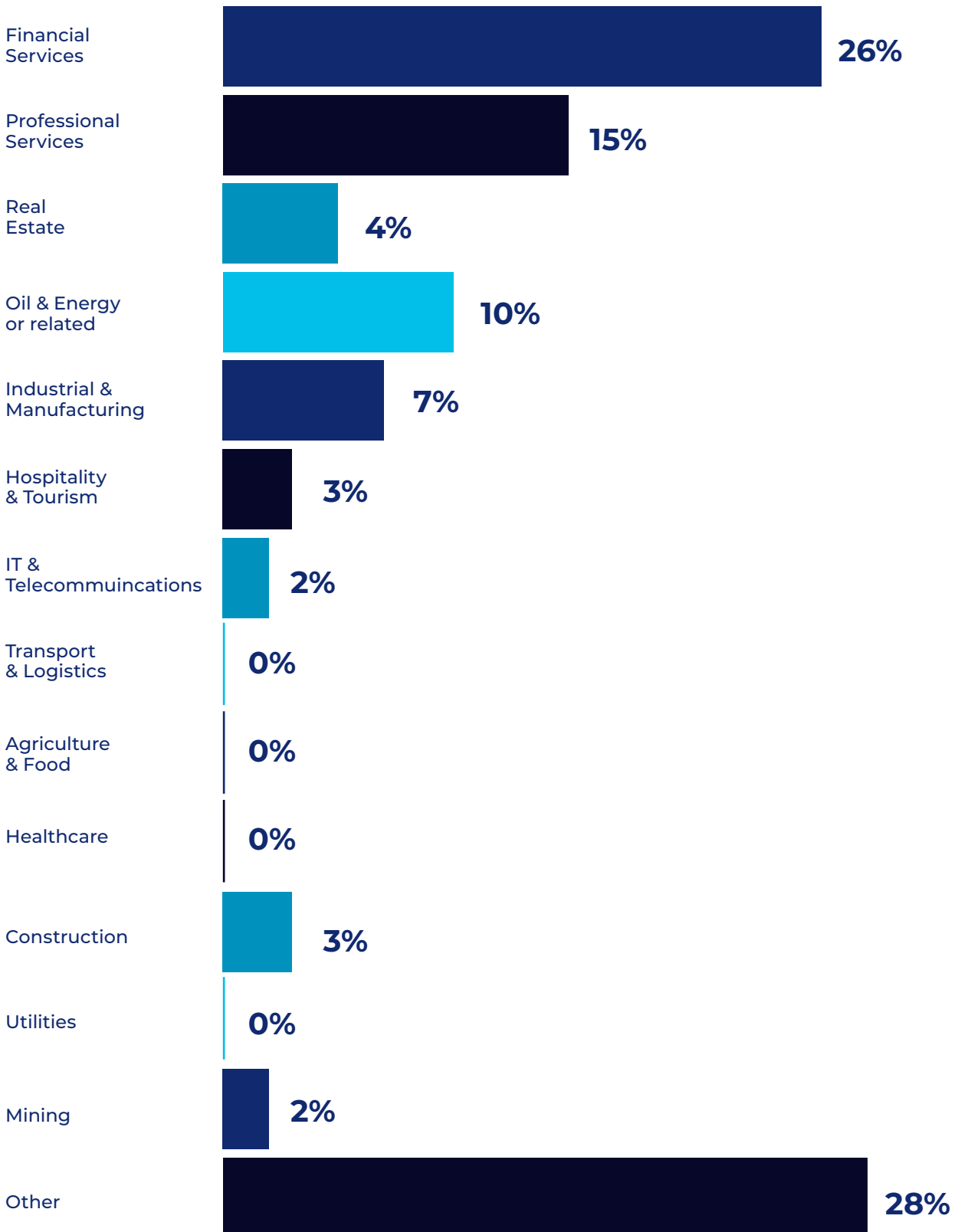
Survey overview

The survey was conducted by the GCC Board of Directors Institute over two months, surveying its members between July and September in 2022, in partnership with Nasdaq Governance Solutions. Narrative and qualitative inputs were sourced through in-depth interviews with First Abu Dhabi Bank. APCO Worldwide assisted with the collation, interpretation and articulation of the findings.

Respondents representing 68 organisations participated in the survey. More than three-quarters were from Saudi Arabia or the United Arab Emirates, with a the remainder of the respondents from Bahrain, Kuwait, Qatar and other countries. Respondents included Board members, Managing Partners or Directors, Chairmen, Senior Managers, Chief Legal and Governance Officers, Presidents, Heads of Culture, Chief Operating Officers, Human Resource Directors and IT Directors.
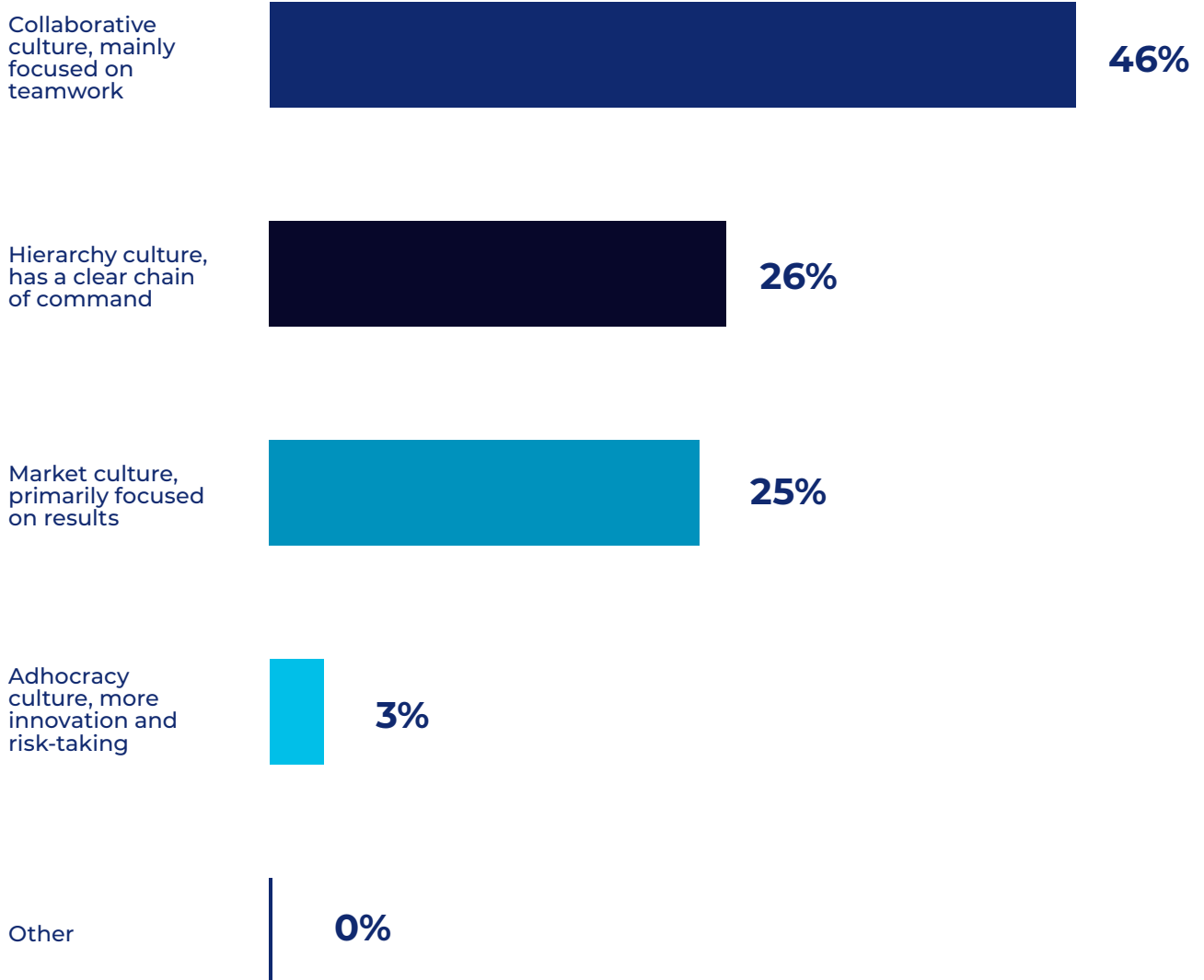
Overall, how would you rate your organisational culture?

Excellent

18%

Very Good

24%

Average

36%

Improving

12%

Poor

10%

Which sector does your organisation operate in?

Sector	Percentage
Financial Services	26%
Professional Services	15%
Real Estate	4%
Oil & Energy or related	10%
Industrial & Manufacturing	7%
Hospitality & Tourism	3%
IT & Telecommuincations	2%
Transport & Logistics	0%
Agriculture & Food	0%
Healthcare	0%
Construction	3%
Utilities	0%
Mining	2%
Other	28%

How would you define your organisation's culture?

Collaborative culture, mainly focused on teamwork — **46%**

Hierarchy culture, has a clear chain of command — **26%**

Market culture, primarily focused on results — **25%**

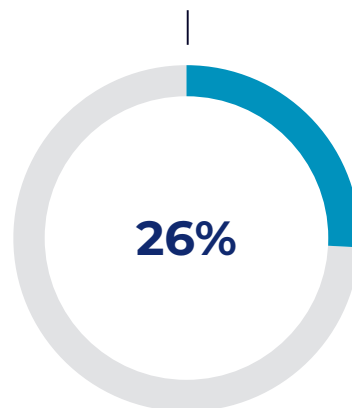Adhocracy culture, more innovation and risk-taking — **3%**

Other — **0%**

How would you define your organisation's leadership style?

Authoritarian
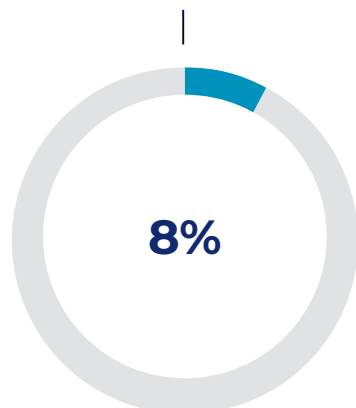Commands Compliance

23%
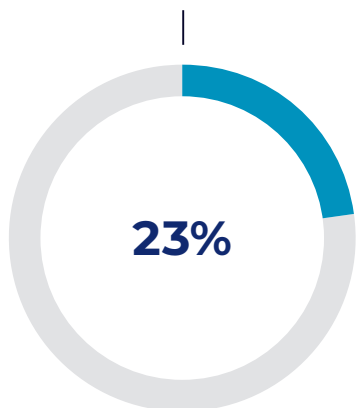
Participative
Cultivates Inclusion

26%

Transactional
Focuses on Results

30%
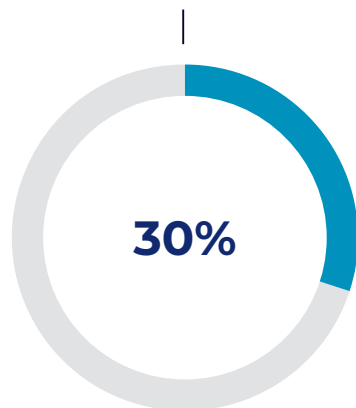
Transformational
Fosters Inspiration

9%
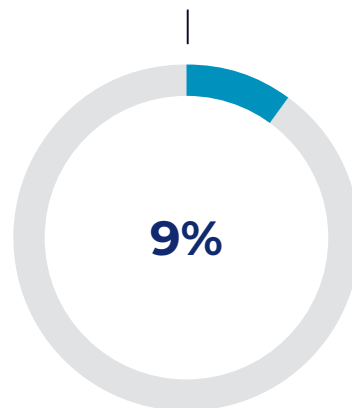
Bureaucratic
Demands Process

8%

Other

4%
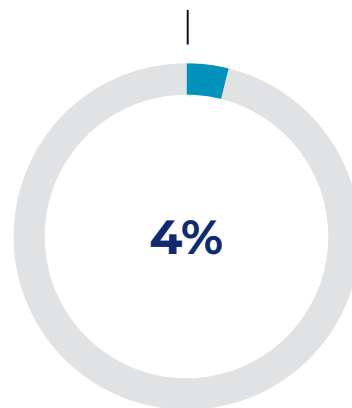
Does the board monitor and measure the CEO's and/or management team's leadership style?

No

32%

I don't know

36%

Yes

32%