

Dubai

December 31, 2016

Dear Majid,

Please allow me to wish you the very best for 2017 and share with you some of the key issues – from an organizational and leadership perspective - that my C-level coachees are discussing with me as their main challenges and priorities for 2017.

2016 extended many “black swan” moments, from Brexit to Trump, and we have seen tumultuous change in our region, especially in KSA. The “lower for longer” oil price has hit our economies and trimmed our companies. The pace of economic, geopolitical, commercial, and technological change has created a real inflection point for many Gulf-based corporations.

Many pragmatists see 2017 as a year of “survive and cull” – modest expectations on growth, prudence in capital allocation and a unique opportunity to eliminate some of the unproductive practices and behaviors that have historically constrained us in the region.

The most disconcerting thing about 2017 is that many of the issues we will need to manage are unprecedented and as such will demand new capabilities and skill-sets.

Please see below some of the key themes I am picking up in the market. I have ordered them by priority and provided a brief overview upon which we can build our discussions in January.

### Leading in Austerity

- **The Leadership Mandate**

Our petro-dollar fueled economies enjoyed a prolonged period of rude health and we have developed the leadership styles, systems, and competencies to lead in a time of plenty. The fact that leaders could lead by awarding generous performance management ratings, pay rises and bonuses, constrained leadership development and the use of a wider array of Talent Management skills. The challenge to “do more with less” and get real on productivity and performance is now a reality in major Gulf-based companies. The time is now for a move to true performance-based cultures.

- At OLE Consulting we are encouraging our client’s to have renewed and elevated drive around performance management at all levels of the organization by being clear on the drivers of top performance at the enterprise, team, and individual levels. We are driving a clear “line of sight” by connecting and cascading goals. We drive for robust performance management systems that differentiate performance levels, optimizes talent and drives relevant development plans. Clear KPIs are leveraged to cement and deliver goals at all levels of the organization.

### 2. Technology, Digitization, and Cyber Security

- **The IT Mandate**

The pace of technological change is accelerating and given the demographic, experience, and talent profiles of many top teams – CEOs and CIOs included – it is no surprise that many aspects of digitization, such as “Machine Learning” “Internet of Things” “Big Data” and “Cyber Security” are alien to most of us. Cyber Security has become a massive issue for my client base here in the Gulf. Recent technological disruptions in KSA and at my largest client, Saudi Aramco, have catapulted this issue onto the media and corporate agenda.

As a CEO, you need not be expert on all the technical aspects of the overall IT strategy but three fundamentals exist:

1. Leveraging technology to find innovative and novel ways to connect with customers, market to them and monetize these processes.
  2. Becoming fully cyber-ready to withstand even the most sophisticated of cyber security threats
  3. Ensuring we have the right expertise in our IT capabilities and consultants to keep us focused on the right things – efficiency, analysis, insight, and commerce - under the command of a progressive CIO, is critical.
- At OLE Consulting, we are advising our CEO's to conduct full digitization and cyber security audits and to house their digitization risk management practices within the wider corporate governance frame. We are coaching CIOs to review business models and marketing strategies through the lens of digitization and ecommerce to ensure critical areas like innovation, customer privacy etc. are considered in all critical decisions and investments.

### **3. Robust and Rigorous Risk Management Policies and Practices**

- **The Risk Management Mandate**

There is unprecedented potential for global developments to unsettle economic conditions and restrict growth opportunities in the region. With cyber security risk the main priority, CXOs are also focused on geopolitical and currency fluctuation risks in the region, together with the staples of regulatory risk, technological risk, and strategic risk.

In 2017 we will see the Regulatory Institutions like the Central Banks and the PRA in the UK (where you are exposed through your International Bank) mandate foundational work on organizational culture with a laser-focus on embedding risk management into the psyche of leaders and employees.

At one client, an Arab Bank, with significant operations in the UK, we have leveraged the PRA's mandate around "setting a risk management culture" to embark on a culture change journey that will re-set the culture around risk but also around a "high performance" culture.

With threat comes opportunity, and it is those firms that have learned to stay focused and agile and to innovate at a time of uncertainty, that will flourish in 2017.

- At OLE Consulting, we are encouraging our clients to leverage mandates from the regulatory authorities around culture to go beyond the minimum requirements of "developing a risk management culture" to designing the type of relevant and agile cultures that will encourage, recognize and reward "winning" behaviors and help drive business performance.

### **4. Leading for Disruption and Innovation**

- **The Innovation Mandate**

Most CEO coachees I serve are ruthlessly focused on new ways to grow their revenues, serve their customers and to drive creativity and innovation into their businesses. CEO's in the region are moving beyond new product and service development and operational excellence and looking at ways to transform business models and customer experiences in ways that catalyze new growth.

There has been much focus on Saudi Aramco's venture capital arm (SAEV) and their international investments and in the STC investment in our region's own "disruptor," Careem, the car-hailing service, has put disruptive innovation on the regional map.



- At OLE Consulting, we are encouraging our clients to leverage their organizational cultures and systems to stimulate, recognize, and reward innovation. We are leveraging PMS systems to explicitly reward creativity and innovation and using ideas portals to ensure innovative ideas are captured, tested and refined up, down and across the organization. We currently have an Action Learning process live at a pan-regional Bank where we are leveraging deep analytics on consumer behavior to target new service delivery models for increased levels of customer service and cross-selling.

## 5. Consolidation

- **The Growth Mandate**

The recent megadeal involving ADCB and FGB has catapulted M&A to the top of many CEO agendas, even our major Family Businesses (80% of GCC GDP) are considering M&A as an accelerated route to growth.

The fundamentals in the marketplace of easy-access capital, uneven growth across businesses, technology-led disruption, sector-blurring as well as the perennial CEO quest for growth will see M&A – volume as well as value – most likely increase in the GCC in 2017.

Joint Ventures aside, we have never needed to build deep-rooted M&A capabilities and readiness in our businesses in the Gulf – certainly not of complex, cross-border deals. With M&A activity likely to rise, we will need to build capability in our organizations to ensure we are piqued to exploit opportunities and that we are skilled across the full M&A value chain – from targeting and due-diligence to the always tricky area of post-integration management.

- At OLE Consulting, where appropriate, we are encouraging our clients to get M&A-ready in their corporate strategies and in their organizational and leadership toolkits. We currently have three M&A readiness training programs live in the UAE and KSA.

There is much to ponder, Majid. We find solace in the fact that everything has changed but nothing has changed and that the fundamentals remain – we'll work smart and hard and focus on returning shareholder value, we'll manage expectations and inject confidence whenever we can and finding time for creativity, invention and reflection and renewal will remain our perennial quest. The enthusiasm for change at Board and C-level and in our young, emerging talent provides hope and inspiration.

Wishing you and your senior team every success in 2017. I look forward to seeing you for the Executive offsite in January and to collaborating to build your CEO key messages prior to the event.

Yours ever,

Brendan

**Dr. Brendan McCann,**

**Lead Partner, OLE Consulting.**