

Trends: the labour market in oman



Introduction

This paper presents an analysis of the following within the working context of the author who is working as External Relations Manager for Bank Muscat, in the Bank's Head Office in Muscat.

Main issues and trends in the labour market in Oman that impact the key competences of the organisation – Bank Muscat, Oman

An Evaluation of the Strategic approaches to HRM that can improve organisational performance

Organisation's approaches to HRM toward ' Talent Management'

After the analysis and evaluation of the above HRM issues and approaches, this report concludes with some recommendations for improving the performance in Bank Muscat, where the author is working as its External Relations Manager.

Issues and Trends in the Labour Market in Oman

Labour market issues and trends are driven by labour market structure and labour diversity (Schuler & Jackson, 2007). The labour market in Oman is composed of indigenous Omani workers and expatriate workers (Al-Lamki, 2005) who have different national cultures (with different ethnicities) which give rise to labour diversity (Triandis et al, 1994) as well.

Like its member countries of the GCC-Gulf Cooperation Council, Oman's labour market is tight which always poses recruitment difficulties (Metcalf, 2007). The GCC – Gulf Cooperation Council countries (Saudi Arabia, Kuwait,

Oman, the UAE, Bahrain, and Qatar) do not have sufficient indigenous skilled work force[1]as a result of which the GCC countries had been relying very heavily on imported work force for their economic development.

According to the World Tribune report[2], Oman’s expatriate work force constitutes a majority of 54% of the total work force in the country. As per the recent statistics published by the Ministry of National Economy (2009), Oman, the expatriate population stood at 900, 248 against the Omani population of 1, 967, 180 at mid year 2008. In other words, these statistics indicate that from only a third of the nation’s population the expatriates occupy a high 54% of the labour market in Oman.

In consequence of the above, the Government of Oman has been implementing its ‘ Omanisation Policy’ vigorously since the start of year 2009 (although the Government’s Omanisation Policy has been active in the country since 1988 when it was introduced by His Majesty Sultan Qaboos Bin Said through the Ministry of Civil Services to replace the expatriate work force with local Omani work force) in the private sector.

This is due to the fact that the Government’s implementation of its Omanisation Policy has been successful so far only in the Omani public sector and not in the private sector as the sector still relies heavily on the expatriate work force (Table 1). Nonetheless the banking sector in Oman is an exception to the poor Omanisation in the private sector (Al-Lamki, 2005).

Table 1: Employment of Omanis in the Private Sector[3]

Currently there are 17 commercial banks, including Bank Muscat, in Oman. Bank Muscat is the largest and leading commercial bank in Oman[4]. Bank

Muscat has been continuously striving to improve its human resources to enhance its operations as well as to contribute to the further development of national human resources. Currently, Bank Muscat has a very high 92% Omanisation rate which has earned the Bank the prestigious ‘GCC-Level Achievement in Nationalisation of Human Resources’ in November 2009[5].

The Bank also continues to be a heavy investor in information technology to keep itself on top of the competition. Bank Muscat has won for the ninth consecutive year in 2009 the ‘Best Consumer Internet Bank’ award from the prestigious Global Finance.

Service sector organisations are labour intensive and in consequence the human resources represent a substantial portion of the overall operating cost of the service organisation (Massey, 1994). Also human resources cost continues to be one of the most difficult expenses to control in organisations yet it is the critical most factor that affects organisational performance (Pfeffer, 1998). These views apply very well to Bank Muscat also.

Being an operator in the ‘services sector’ where in the customers and the employees engage in direct contact (Schneider et al, 1980), and driven to be more cautious in conducting its daily business due to the current global economic crisis, Bank Muscat’s major focus of its HRM practice is directed at enhancing customer services through effective customisation of banking products and efficient delivery of quality banking services in a cost-effective way. It would be pertinent here to mention Bank Muscat’s Mission and its Quality Policy.

Bank Muscat's Mission Statement & Quality Policy

Bank Muscat's Mission Statement is effectively combined with its Vision Statement which states that, " Over one million satisfied customers by 2010 through continuous enhancement of stakeholder value[6]".

And Bank Muscat's Quality Policy Statement states, " Our Quality Policy is to achieve and sustain a reputation for quality in the national and international markets by offering products and services that exceed the requirements of our customers. We strive to remain the bank of first choice in all our product and services[7]".

Accordingly, Bank Muscat's strategic emphasis is on building further its sources of competitive advantage which are strong community of satisfied customers and quality offerings of banking products and services.

Further the financial services market in Oman (Bank Muscat competes directly with HSBC, Standard Chartered Bank, Oman International Bank, National Bank of Oman, Bank Dhofar, Bank Saderat Iran, and Bank Sohar) is becoming relatively more competitive than the financials services market in the neighbouring Qatar.

Currently Bank Muscat runs 125 branches, operates 362 ATMs and 112 CDMs, and 4, 200 PoS terminals throughout Oman. And another 3 more branches are going to be opened soon in the other cities of Oman, namely, Sohar, Salalah, and Sur.

Human Resource Investment

Bank Muscat considers its investment in its human resources as the most valuable asset which forms the basis for the Bank's operations. In as much as the Bank's human resources contain highly-skilled and experienced people, it also has newly recruited staffs that are relatively low-skilled as they are fresh University Graduates. Human resource movements are caused by recruitments and exits.

Since bulk of Bank Muscat's operations occur in the Bank's retail branches, from time to time Bank Muscat recruits new Omani staffs in order to meet its human resource requirements, based on its formal recruitment and selection policies, at its new branches. There are no effects on the movements in the Bank's human resources due to employee leaving. For instance, the employee turnover rate at the end of 2009 was 0% for the third consecutive time, as there were no exits due to resignation, retirement, or termination.

For senior positions at the branches staffs are appointed through internal recruitment – job promotions (e. g. Assistant Manager to Branch Manager) and the resultant vacancies are filled through the recruitment of new Omani staffs.

Competence and Training and Development

In view of the above Bank Muscat requires its new staffs with low-skills (who are currently filling in the first-line staffs mostly in the clerical cadre) to upgrade their skills. Acquisitions of higher level skills by these staffs would help the Bank to provide its quality-integrated services to its customers much more vigorously in the pursuit of its strategic mission and vision

through a high quality services strategy and at the same time complying with the Government's Omanisation targets.

Accordingly, the present HR competence needs of Bank Muscat are derived from the necessity to up skilling its young Omani staffs within the Bank's need to maintain competitive advantage against the ongoing rapid changes in the business environment in Oman. To this end the Bank Muscat's HR goals are currently focussed in training and development:

To reduce skills shortages in the area of complex tasks

To Encourage learning to acquire Bank specific-business knowledge for obtaining higher efficiency as well as to cope with changes

To provide opportunities for personal and professional development and career growth

To forge long term employment tenure on the basis of competence and skills-advancement (through higher/professional education) for entry-level staffs.

Strategic Approaches to HRM for Improving Organisational Performance

In today's rapidly changing competitive business environment, human resource management is being increasingly considered as a critical part of the strategic management (Sheehan, 2005; Schuler & Jackson, 2007) and in consequence Strategic Human Resource Management (SHRM) as a field in itself has been increasingly applied since the 80s as part of management practice (Becker & Huselid, 2006).

According to Tichy et al (1982) the strategic approach to HRM is known as Strategic Human Resource Management. The strategic alignment of HRM with the organisation's business strategies would contribute to enhanced organisational performance (ibid).

Strategic Human Resource Management is defined by Ulrich (1997, p. 89) as, “ the process of linking HR practices to business strategy”. The outcome of the application of strategic human resource management is “ HR Strategy: the mission, vision, and priorities of the HR function” (ibid, p. 190).

Managers can contribute more in the form of value-addition to the firm through the strategic use of their human resource competencies (Mullins, 2007). A strategic approach to HRM for improving organisational performance would demand the matching of the needs and talents of people with that of the organisation's objectives (ibid). In other words, a competency-based HRM system can provide an organisation to sustain as well as develop its people's competencies for the organisation's future success.

Four-task Model of HRM

Schuler et al (2001, p. 115), through their “ Four-task Model of HRM”, assert that a strategic approach to HRM would contribute to the development of an effective HR plan which would help improve organisation performance by carrying out effectively the following four core HR activities:

The organisation maintains the right number of people

Employees are equipped with the right work knowledge and job skills for rendering efficient and effective performance (‘ competence’)

Employee relationships and behaviour are consistent with the culture and values of the organisation.

Employees are motivated adequately to meet the organisation’s needs.

When these core activities are effectively carried out the resulting changes in the human resources in the form of employee attitudes and behaviours within a right organisational climate should lead the organisation’s successful performance (Bowen & Ostroff, 2004). For instance these four core activities can help an organisation to create cultures that maintain its unique competencies, promote social relationships built on mutual trust, knowledge sharing, and teamwork (Schuler & Jackson, 2007). Together these imply that an organisation which develops employees to acquire better work skills, become more knowledgeable, and achieve higher competencies would be able to effectively promote improved organisational performance.

High Performance Work Practices (HPWPs)

A key approach to SHRM is ‘ high performance work practices’ (Huselid, 1995). HPWPs are considered by researchers to produce positive effects on an organisation’s financial and business performance (Appelbaum et al, 2000; Schuler & Jackson, 2007). When individuals are provided with the right environment and collaborative team work with adequate job discretion it is highly likely that they would produce high individual performances which collectively would lead to accomplishing a successful organisational performance (Becker & Huselid, 2006). In order to do this the management

of the organisation should use high performance work practices (Huselid, 1995). In other words use of high performance work practices would impact positively on both individual performance and organisational performance.

HPWPs include employee empowerment, employee training, and teamwork (ibid) and talent management and staff retention (Huselid et al, 2005).

Likewise high performance HR practices that includes a rigorous selection of staffs and robust training and development systems to increase employee ability levels and skills, supported by comprehensive incentive schemes to motivate employees, and empowering employees, have positive impact on employee productivity and organisational performance (Appelbaum et al, 2000). These HPWPs can lead an organisation to the development of skilled employees who actively engage in producing successful behaviours for the organisation which thus form a key source of competitive advantage to generate mutually beneficial outcomes to obtain higher organisational operating performances (Schuler & Jackson, 2007).

HPWPs lead to the achievement of these favourable organisational operating performances through the improved social structure within the organisation that greatly assist in better communication and higher cooperation among the work force (Appelbaum et al, 2000).

Employee empowerment today is considered as part of talent management (Bux & Tay, 2010). Hence, these two key HR practices that are in use at Bank Muscat have been discussed: in the next section 2. 2. 1, namely, employee empowerment; and talent management, including employee empowerment in Bank Muscat have been discussed in section 3 later.

Employee Empowerment

Only when individuals are empowered and made to get involved they can become an organisation's most valued employees as a consequence of which they would become the right people who can offer value creation both for the organisation and its customers (Sarkar, 2009).

Mullins (2007, p. 702) defines employee empowerment as, “ allowing employees greater freedom, autonomy and self-control over their work, and responsibility for decision-making.”

According to Spreitzer (1995), 'employee empowerment' is a motivational factor that embeds: employee competences and consistent behaviour and ability to initiate and regulate actions, which collectively influences operating performances in the organisation.

The concept of employee empowerment is about leaders giving up their control in order to get the desired results for the organisation (Gretton, 1995 in Mullins, 2007). This is supported by Spreitzer (1995) who states that leaders can become more effective if only they can give up their power, but retain responsibility, to their staffs and teams.

An effective management of employee empowerment is capable of producing a large number of benefits to an organisation from the top level to the bottom level (Mullins, 2007). By empowering its employees an organisation can improve both the individual ability and the organisational ability to perform successfully (ibid). Further, employee empowerment can be used as a successful organisational tool to raise employee productivity and profits (ibid).

Likewise, empowerment facilitates employees to become innovative and render good performance since conflicts can be greatly avoided and more cooperation can be obtained (Spreitzer, 1995). Appelbaum et al (2000) suggest that empowerment enables greater utilisation of employee knowledge, abilities, and skills which in turn makes them cooperate more in the form of teamwork (Spreitzer, 1995).

In many organisations HR role is restricted to routine tasks like hiring and firing, implementing the decisions made by others on pay and benefits (Frost et al, 2002). However, if the HR managers are empowered, then they would be engaged in much deeper aspects of recruitment, selection, and retention, employee training and development and focus strongly on workplace diversity which can contribute to increasing their competence and encourage them to empower their staffs in order to enhance the business and financial performance (ibid).

Approaches to Talent Management

It would be useful to understand the meaning behind two key words: 'Talent' and 'Talent Management'. CIPD of the UK provides two critical definitions on 'Talent' and 'Talent Management' as follows[8]:

Talent

"Talent consists of those individuals who can make a difference to organisational performance, either through their immediate contribution or in the longer-term by demonstrating the highest levels of potential".

Talent Management

“ Talent management is the systematic attraction, identification, development, engagement/ retention and deployment of those individuals who are of particular value to an organisation, either in view of their ‘ high potential’ for the future or because they are fulfilling business/operation-critical roles”.

As discussed earlier, Bank Muscat operates in the services sector and by nature is a labour intensive Company whose main objective of running its banking operations is to provide high-quality customer services in banking and finance. And in this pursuit the role of the Bank’s people is critical in adding value not only to the customer services they render but also add value to Bank Muscat, thus eventually adding value to the Bank’s stakeholders.

In view of the above and given the diversity of the work force of Bank Muscat, talent management at the Bank would have implications for recruitment and selection of competent staffs and staff retention. Further in terms of succession planning the Bank also has a need to mentor/coach future leaders/managers for Bank Muscat.

Figure 1 illustrates the Talent Management framework at Bank Muscat which has been reproduced from the talent management framework supported by the Government of Australia for managing skill shortages[9].

Accordingly the following HR activities will be discussed here:

Staff Recruitment and Selection

Strategic Human Resource Development

Mentoring

Staff Retention.

In addition to the above employee empowerment in Bank Muscat has been discussed as part of the Company's talent management practice under the heading ' Strategic Human Resource Development'.

Figure 1: Talent Management Framework

The major recruitment and selection objective of Bank Muscat is to attract and retain and thus have the right people with core competencies to enable the Bank to continue to maintain its competitive advantage as a the country's leading bank in terms of profits, net assets, and up to date IT infrastructure.

According to Pollitt (2004, p. 24) the following are the core competencies expected from the workers by organisations world wide. These are:

“ Well developed leadership skills,

The ability to shift attitudes and behaviors,

The capacity to exert effective influence and work through others,

The talent for successful partnership working and, most importantly, having the potential to adapt quickly to internal and external change, and

To get that change owned and embedded in an organization.”

Given the low level availability of talent with the above core competencies recruiting right people now is much harder for organisations (ibid). This is particularly true in the case of Bank Muscat which requires people with the above skills and consequential difficulties in finding and recruiting such talent within the tight labour market in Oman.

Main (2008) asserts that retaining highly skilled staff is a better option than recruiting new talent as recruiting would not only be an expensive option but also would be time-consuming in the present economic conditions, which applies to Bank Muscat as well though staff recruitment and selection process cannot be ignored.

Staff Recruitment and Selection

As mentioned earlier the labour market in Oman is differentiated in terms of the composition of the workforce (indigenous workers and expatriate workers). Further Oman has a tight labour market (like its other GCC member nations) which makes recruitment and staffing of employees extremely difficult due to the domestic shortage of skilled people on the one hand and the available young work force lack work experience and the required job skills.

In the current economic downturn more and more employers are driven by the need to attract and retain workers with high skills and competencies to improve their organisational performances (Lunau, 2009). Many firms in Oman are experiencing low business and Bank Muscat is no exception which is indicated by a 21% drop in its annual profits for 2010 at OR73. 7 million (about USD191. 4 million)[10]. Nonetheless, aided by its human resource

planning the Bank is on the look out for new workers to meet its staffing requirements for succession planning as well as its ongoing retail branch expansions.

Without clear job descriptions any recruitment and selection process would be a failure (Frost et al, 2005). For example, the recruitment and selection process in some of the Omani public sector undertakings were criticised by the State Audit institution of Oman.

The key to Bank Muscat's recruitment and selection process is the use of clear job descriptions for recruiting the right people. Further since competence is considered as the critical element of Bank Muscat's HR practices, priority is given to internal recruitment through promotions which actually helps the team members to work with maximum initiatives, increased expectations, and higher motivation.

Strategic Human Resource Development (SHRD)

Incorporating the core competencies of human resources and relating them for improving organisational performance is the purpose of strategic human resource development (Bratton & Gold, 2007). When strategic human resource development is aligned the corporate strategies of the organisation it can lead to the creation of organisation-specific knowledge and skills (Garavan et al, 2007) which will also help build the core competencies of human resources.

An effective recruitment and selection process should complement and support the training and development process (Boxall & Purcell, 2003 in Bratton & Gold, 2007). Accordingly, Bank Muscat's recruitment and selection

process is complemented by its training and development process which primarily focuses on building strong customer relationships.

Training for Skill and Competence Development at Bank Muscat

For this purpose, the Bank has been operating successfully its own ' Management Development Centre' since year 2005 as part of its SHRD. Each training programme at the Centre is driven by the HR Department's training needs assessment exercise. This internal training and development Centre handles the training of the low-skilled employees on one end and high-skill positions on the other end. Training is imparted by training consultants from Dubai, London, and Australia who are supported by 3 full-time professional trainers of the Centre.

The Centre's training emphasis is based on ' self learning and Job-integrated learning'. And the taught instructions along with the workshop learning programmes are delivered by the trainers who interact freely on a dialogue-basis rather than on a monologue-basis, encourage the trainees to participate more actively in the training and development process.

The newly recruited low-skilled employees undergo a short and vigorous training to skill them for their current jobs. Likewise, mid-level skilled employees are trained on a regular basis to develop their current skills to high skills. In other words, both these skill groups receive training for advancing their careers within Bank Muscat.

As for junior executive positions customised training programmes are provided at the Bank's cost through the College of Banking and Financial

Studies (CBFS), Muscat. These training programmes are revised from time to time to keep them up to date in terms of relevance to meet Bank Muscat's HR needs. To ensure this the Bank's HR Director and the College engage in the course revisions.

Additionally, for senior executive positions Bank Muscat provides fully funded educational support for the MBA programmes from the UK. However, it is left to the choice of the individual staffs to pursue the MBA programmes.

Nonetheless, employees from all the three skill-level categories receive full career guidance from the Management Development Centre's Career Counsellor.

Performance Appraisals in Bank Muscat

Staff progress and promotion are based on formal performance appraisals in Bank Muscat. Performance appraisals are carried out mainly by the branch managers and within the Bank's Head Office they are carried out by the departmental managers (e. g. Manager – SME Department). Informational inputs to the branch and the departmental managers for these performance appraisals come through the 360 degree feedback process (including customer complaints).

Employees of Bank Muscat are expected to have knowledge and understanding of the banking products. Therefore, performance of employees in the Bank is measured on the basis of their sales performances in the branches i. e. sale of the banking products (housing and auto loans, special savings accounts, fixed deposit schemes, Bank Muscat Credit Cards, etc).

Once the performance appraisal process is completed the concerned managers and their staffs meet to discuss poor performance issues and commendations. This dialogue is facilitated by the open communication (which is continuously kept alive due to the employee empowerment practice in Bank Muscat).

To the knowledge of this author the follow-up to poor performances resulted in the issues being solved rather than the same employee being found fault with, in terms of poor performance, again. Accordingly, none of the Bank's employees has ever been reprimanded or were subject to any disciplinary actions by the Bank's superiors.

Employee Empowerment in Bank Muscat

As discussed under section 2. 2. 1 earlier, employee empowerment is part of the talent management practice in Bank Muscat.

Employee empowerment in Bank Muscat is carried out through:

A simple 15 minutes briefing before the opening hours of the Bank on each first day of the week (which in Oman is Sunday for the Banks only) by the heads of the divisions/Branch Managers with their respective staffs.

Direct communications in the form of intra-mail to the staffs from their bosses.

Introduction of team-based work groups across SME Banking, Housing Loan, and Auto Loans that are linked with group bonus schemes for the team members.

Active encouragement by departmental managers to engage their team members in planning and decision making relating to customer service issues and issues relating to operations.

Above all the HR Executives directly report to the Bank's CEO.

By empowering its employees through delegation their productivity (faster processing of customer services) Bank Muscat has been able to keep its profitability up even in the current recessionary time.

Mentoring

A key strategy in the talent management is to put together the employees and their mentors to transfer the mentor's skills, experience, and work behaviours to up-skill employee competencies in order obtain higher-levels of organisational performance (Murray, 2001).

The purpose of 'mentoring' process is to transfer professional, technical, and generic skills to people who will continue working in the organisation (ibid). In other words the mentoring process would help employees to stay with the organisation and thus ensure not only in retaining their talent but also help the organisation in its succession planning (ibid; Main, 2008). For example, banking companies stand to benefit from the mentoring process in the form of "decreasing time needed to master customer service skills" (Murray, 2001, p. 36).

Bank Muscat's major objective is to capture key organisational knowledge from its senior leaders who are approaching their retirement and ensure knowledge-sharing among all its staffs. Based on the outline provided by

Murray (2001, p. 36) the other objectives of Bank Muscat's mentoring process are:

“ To improve retention by making our experienced and skilled people feel more valued

To improve results-profit or other-with people who are more competent, confident, experienced, and motivated

To ensure representation of diverse groups at all levels of the organization

To enable our people to learn to work with others with different education, ages, cultures, physical abilities, etc.

To improve communication across functional and divisional lines”.

Bank Muscat applies this to its staffs at all levels i. e. from new workers to newly promoted Managers. In particular the following details the formal mentoring process at Bank Muscat:

Each newly promoted Manager will be paired with a mentor.

New young recruits and those who are in their early career stages are paired with senior staff members for ensuring their training and retention.

Senior members of the staff are to identify leadership and managerial talent and coach them to excel in their present and future work.

Special rewards are given to managers whose mentoring leads to staff retention (over a 5-year minimum period).

During the last 3 years the top management carried out 4 promotions among assistant branch managers and 3 promotions among branch supervisors among the branches in the Muscat area.

Staff Retention

The noted management consultancy company, McKinsey & Company recommends the creation of ' Employee Value Proposition (EVP)' as a strong means to retain talent in organisations (Brannick, 2001). Four elements make up the EVP (ibid, p. 30):

Great Company – Company and its people care mutually for each other.
Employees have pride in working for the company.

Great Job – Employees feel that their work is highly valued and their talents and achievements are duly recognised by their company.

Great Leaders – People who provide