

Middle East CEOs balance present action with future thoughts amid COVID-19

Highlights from recent digital gatherings with CEOs from various industry sectors in the Middle East, hosted by Egon Zehnder's Dubai office

Middle Eastern CEOs are protecting their core business while simultaneously reinventing the future, balancing a strong wish to return to normal with the desire to move ahead, they told Egon Zehnder in recent digital gatherings.

Most leaders' default setting, especially in times of crisis, is to take action and get things done. This is referred to as the "warrior" type, according to the big four personality types, as developed by Erica Ariel Fox in her book ["Winning from Within"](#). At the moment, over two thirds (67%) of Middle Eastern CEOs are regularly taking tough decisions and acting as "warriors" to fight the consequences of COVID-19. Two thirds (67%) also realize that in order to reinvent the future, they need to develop their "dreamer" attributes. Given that most leaders characterize themselves as either warriors or analytical thinkers right now, they need to take care not to hold back their organization's dreamers, who are best placed to add value as they reflect how to rebuild the future.

Ultimately, being a successful leader is about embodying each of the four archetypes. CEOs need to build all four capabilities into their leadership style and

simultaneously dedicate their focus on crisis management, business opportunities, future planning and people, maintains one CEO. This allows his management team to “consciously cancel out all the white noise” and not be distracted while they divide the business into silos and work out what needs to be done.

Back to work, but how?

When faced with a crisis such as COVID-19, individuals, teams and organizations move through different phases – from shock, to response, to resolve, to transform, Egon Zehnder has found. At this stage of the crisis, most regional CEOs (91%) consider themselves to be at the “resolve” stage, although their organization is currently still in the “response” stage, according to Egon Zehnder poll results.

So just how are leaders meant to resolve the issue of moving employees back to the office? Many are still unsure how to make the practicalities work. One asks, “How do you enforce protocol? If someone walks in without a mask, what do you do?”

The second question is who to let back? One CEO is currently trying to identify who are his essential employees and who really needs to be in the office – or indeed, in the country. “Do we really need to have all people for say customer service and accounting based here in Dubai, which is very expensive? We’re looking at distributing our workforce also throughout India, Egypt, and probably Jordan.”

Another company plans to introduce “hot seats”, namely not giving anybody a fixed desk or office space but instead, encouraging employees to reserve desks for an allocated slot per week and otherwise work from home.

Uncertainty over the future number of employees on site makes it difficult to determine the necessary size of future offices. Should you make your office space bigger due to social distancing or smaller in anticipation that more people will be working remotely? There will undoubtedly be a knock-on effect on residential real estate, as every remote working employee will suddenly want an extra room or additional space to use as a home office.

Just how productive though are those working from home? One CEO of a company in the digital sector reveals that his company already uses 10,000s of freelancers who work remotely, “And I don’t think any of these people underperform or under-

deliver in terms of creativity. We can easily continue like this for the next decade: a small number will come into the office but it's really going to be selective."

Despite the clear benefits of smart working, there's recognition that "human contact is a necessity for humans – a virtual meeting just isn't the same" and that, "in the long-term, remote working might not be cut out for everyone". The regional head of a technology firm admits that morale is low among his workers, who have to work 15-hour-long days within a confined space. Elsewhere, leaders are devising innovative ways to buoy employee spirits, such as virtual cycling routes, or online yoga sessions as the crisis continues, while leaders stress the need to "over-communicate" while employees are out of the office.

Strong leaders build up trust

Communication might be essential but there's one thing that's even more vital for leaders right now – developing trust. "Teams will do a lot if they trust you as a leader. They'll be willing to accept things such as unpaid leave or pay cuts if a culture of trust exists," says a CEO. And trust needs to be paired with compassion, adds another. "In times like this compassion is critical. Dialogue with your people and with your customers is essential so that when business comes back you don't lose that trust moving forward."

However, it's going to be difficult to maintain those trust levels during the hard times ahead, points out one CEO. "I'm not feeling very optimistic. We're all going to have to prepare ourselves for a very tough 18 months. Let's face it; the main expenses are rent and people. With such a drop in revenues, I can't carry the load of all these people's salaries. It's going to be survival of the fittest and I'm struggling to keep up the trust in an environment where I know I will be making tough decisions."

For sure, there will be many difficult conversations. Regardless, CEOs need to remain transparent and open with staff about the possibility of job cuts. "We've already started our process of redundancies – it's been unavoidable. The only trust that we can give is that the process will be fair." However, having to make people redundant remotely, by email or by telephone, makes the process considerably harder, he adds.

Regardless, there is a silver lining: streamlining companies may make them more efficient. Previous job cuts during the 2008 financial crisis have already made one

company more agile and stronger, says one CEO. For another leader, the COVID-19 crisis is helping increase productivity, efficiency, and accelerate the organization's transformation. "We're running our business in a better way than we have been for years. We have to go for it and be courageous."

Open for business, but no one's buying

Meanwhile, escalating fears of job losses and fears of catching COVID-19 from fellow shoppers is severely dampening consumer confidence. Stores might have already gradually re-opened their doors, but few customers are willing to cross the threshold. Business is hovering at just 20-30% of where it's meant to be. "It's more expensive to open and operate stores than to keep them shut – it's an act of courage to open a store right now," says one retail CEO.

Worse, sales were already lost during the first and second quarters, when Ramadan and Eid take place – normally the best retail months of the year. The situation is so dire that one CEO even predicts a "problem for survival for everybody, as we can't afford to pay basic rents". Another CEO hopes that landlords will accept rent as a percentage of turnover, rather than having to pay a flat rent.

Fashion sales have taken a particularly big hit, adds the CEO of a retail organization. "I'm holding some stock that goes back to February and March, and this is hard to sell now."

Regardless, discounting still isn't seen as a smart move. "Traffic is low and we're sitting on a lot of inventory, but we shouldn't reduce prices with low customer numbers. We know that the old tricks won't work anymore."

Another retail CEO is maintaining contact with his customers via methods such as WhatsApp messages and emails. "Some don't want to hear anything, but others really appreciate it. We're not trying to sell, just to connect with our customers. We're not pushing them to come into the store but hope to service them at home."

Despite consumers initially stocking up on food items, the grocery sector is also now being affected as people buy less produce and opt for cheaper brands. One food group is thankful of the agility brought by splitting into multiple business units a few years ago. This has allowed his team to move ahead with "autonomy and speed",

says the CEO. For example, one of its units recently started an online ordering platform “to contribute to our business more meaningfully”.

And a shift towards home delivery means that one fast food operator needs to rethink its business model and potentially increase its younger and more digitally savvy talent base. Here, as elsewhere, digital skills are becoming more and more attractive as COVID-19 accelerates the adoption of digitalization and forces companies to shift their employees’ skillset.

Boom in online sales

If consumers are buying anywhere right now, it’s online, with online channels witnessing up to 1000% growth increase. One retailer is investing in an online platform and a WhatsApp sales channel to lure back customers. “Our thought process has changed – we need to launch online and improve our online presence.” Another adds, “Online business has transformed and won’t go back to what it was a few years ago.”

Nevertheless, retail CEOs shouldn’t entirely abandon their real estate presence – online won’t be everything, predicts one leader. “I think this is an opportunity for online stores to have a physical presence. Not everyone will want to buy stuff online. People in places like Saudi Arabia as well as in other Gulf countries will still want to go shopping in the mall on hot summer days.”

Tourism badly hit

COVID-19 has also dealt a devastating blow to the region’s tourism industry, with CEOs not expecting tourism to return to previous levels until 2022, or even 2023.

One hotel group, which previously broke even at 40% occupancy, has had to adjust to 15% occupancy. Nevertheless, the CEO is determined to keep the business going and the brand alive. “We’ve realised that if we close the business, the ranking on booking engines will drop and it will difficult to remain front of mind with customers.”

It’s hard to predict what lies ahead for the travel sector, with travellers likely to adopt different types of consumer behaviour, such as shorter trips, predicts one hospitality group CEO. Therefore, it’s crucial for leaders to take advantage of

numerous lateral business opportunities. “Now is the time to look at new models and address immediate solutions. For example, we’ve had to put a lot of people on unpaid leave but have actually also sub-contracted 1,000 staff out to third party businesses, such as crisis call centres.”

Money matters

A lack of consumer spending is also hitting the region’s banks, as are deferrals of payments. “We’ve seen a massive reduction in non-credit card spend, with double-digit reduction across all sectors,” says a banking CEO. “From a fiscal standpoint it’s very hard. We need to get people to go back to work and to start spending money for banks to do better.”

Despite introducing all the necessary preventative measures, such as social distancing, fear is discouraging customers from returning to branches, says one bank CEO. Instead, the bank is enhancing digital products and using digital means to stay connected with clients. “We see the future as digital – it’s a new norm.”

Overall, working out how to recover revenues and cover losses, and rethink go-to-market strategies, is forcing CEOs to become more agile. In the words of one leader, “It’s like a white page – we can take some of the radical decisions which were hard to take in the past and let go of some of the businesses that we previously couldn’t have let go of.”

A retail CEO agrees, “For a business to survive, it needs to be agile and lighter”. And costs need to be moved from fixed to more variable. “Who is to say that there won’t be another pandemic again later?”

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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