

For Immediate Release



AUB research team pinpoints weaknesses and strengths of human resources management in Arab banking sector

Beirut, Lebanon- 29/03/2011 - The banking sector in the Arab Middle East is behind on innovation, high on bureaucracy and hierarchy, but it also takes care of its personnel with regular training and talent management opportunities.

These are the main findings of a study conducted by an AUB research team on human resources management (HRM) practices in the Arab banking sector. The study is currently being reviewed for publication by the International Journal of Human Resource Management, an academic peer-reviewed journal. It will also be presented at Cambridge University during the 2011 Gulf Research Meeting scheduled for July 6-9, 2011.

Conducted by professors Fida Afiouni and Charlotte Karam, as well as research assistant Hussein El-Hajj, all from the Olayan School of Business at the American University of Beirut, the study was funded by the Lebanese National Council for Scientific Research and made possible by the participation of HR managers in 98 banks across 13 countries in the Arab Middle East. The study encompassed commercial, investment, Islamic, universal, private and "mixed" banks with over 100 employees.

"Today, Arab banks are among the most pioneering in developing countries, and some are competitors to major international banks," said Afiouni, adding that the Union of Arab Banks (2009), ranks the performance of the banking sector in the Middle East as better than that in most other developing countries, but much lower than the performance in industrialized countries and Eastern Asia.

"Despite such advances, the degree of innovation in the banking sector in the Arab Middle East remains relatively low compared to developed countries," Afiouni noted, adding that Arab banks are still hesitant to merge to form bigger and more solid ventures.

The study results identify an "Arab Middle Eastern HRM model", which is characterized by a focus on internal recruitment, extensive training, talent development and retention, high concern for people and for building relationships of trust with employees, line and top managers. In contrast, what is markedly absent from these banks are alternative work arrangements, outsourcing, downsizing, massive layoffs and sophisticated performance management tools.

"The model also shows that the organizational context in which HR managers operate is characterized by high levels of centralization, bureaucracy, and rigidity," said Afiouni. "Banks

are thus still bureaucratic, hierarchical systems in which employees have to follow strict directives instead of being empowered to make decisions on their own. As a result, employees are unable to respond quickly to changing job requirements.”

Moreover, although 79 percent of surveyed HR managers have a solid knowledge of banking operations as well as HR practices in the banking industry, the study found that they are not heavily involved in designing business strategies, have limited knowledge of current mergers and acquisitions in their countries, and are not concerned with diversity management issues. “This reflects that HR managers are not yet strategic partners and change agents, which is somehow contradictory with the previous findings pertaining to the importance of talent management and the high level of professionalism of HR managers,” explained Afiouni. “It is clear from the study results that HR managers in the surveyed banks are highly professional, yet they are not playing much of a strategic role. That’s why top management should work on elevating the status of HR managers to the executive level, while reducing bureaucracy and rigidity in banks-- the main barriers to a strategic and value-creating HR entity.”

There were variations among countries and HRM practices in Bahrain, Qatar, Oman, Kuwait, Jordan, UAE, and Palestine were found to be the most sophisticated; HR managers in banks operating in these countries perceive their role in the organization as more strategic and visible.

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Note to Editors

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Founded in 1866, the American University of Beirut bases its educational philosophy, standards, and practices on the American liberal arts model of higher education. A teaching-centered research university, AUB has more than 600 full-time faculty members and a student body of more than 7,000 students. AUB currently offers more than 100 programs leading to the bachelor’s, master’s, MD, and PhD degrees. It provides medical education and training to students from throughout the region at its Medical Center that includes a full service 420-bed hospital.

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