Local Value Creation - Part 3

Building capabilities: Local workforce and supplier development in the GCC

pwc

PwC Middle East's Local Value Creation series offers a comprehensive framework to design and manage localisation programmes that drive economic growth and build local capabilities.

Moving beyond traditional policies, this approach allows GCC countries to expand their localisation agendas across multiple sectors, creating long-term value while reducing reliance on foreign goods and labour.

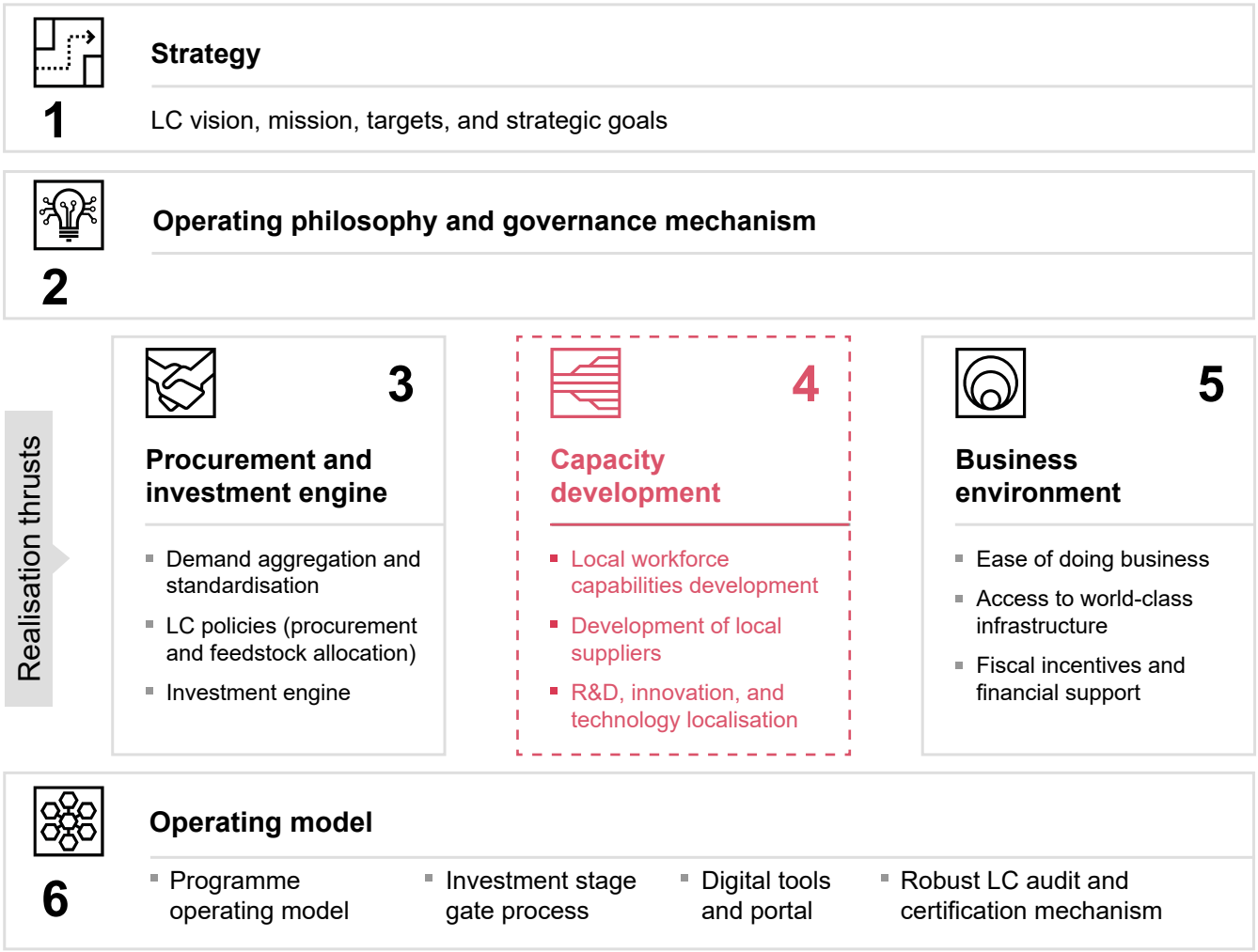


Figure 1 LC Framework

1. Introduction

This Local Value Creation series provides a framework to use to design and manage localisation programmes aimed at driving economic growth and building local capabilities.

Moving beyond traditional policies, this approach allows Gulf Cooperation Council (GCC) countries to broaden their localisation efforts across multiple sectors, fostering long-term value creation while supporting a diversified supply base.

In the first part, the series outlined how government, semi-government, and private sector can define their localisation vision to align with broader national strategies, such as Saudi Vision 2030 and Oman Vision 2040. The second part shifted focus to integrating localisation objectives into procurement, and enhancing supply chain resilience. By embedding well-designed localisation policies into procurement processes, government, semi-government, and private sector can foster local supplier development, upskill the workforce, promote innovation, and strengthen their economies to mitigate supply chain risks and achieve sustainability.

In the third of this five-part series, we focus on capacity development and its critical role in driving the success of localisation programmes. We also examine initiatives, both governmental and non-governmental, aimed at enhancing local workforce and supplier capabilities[1].

[1] https://www.pwc.com/m1/en/media-centre/articles/assessing-saudi-srabias-vision-2030-progress.html

2. Capacity Development

What drives localisation: Building a robust talent and supplier base in the GCC

Over the past decade, the GCC countries have undergone significant economic and social transformation across all sectors. The initial push for localisation focused on attracting foreign direct investment, establishing local content policies, and enhancing the ease of business. More recently, these countries have shifted their focus to developing local talent and supplier development programmes, aiming to strengthen capabilities and support supply chains at all levels. For example, introducing supplier development policies in the Saudi Arabian ecosystem targets local suppliers to improve key metrics, such as cost, quality, and lead times.

At their core, talent and supplier development programmes are designed to address gaps in the economy. This includes helping local suppliers enhance their quality to pre-qualify for business with large national players, as well as building a skilled local talent pool in emerging sectors like culture, tourism, and entertainment to support growth and attract investment. With ambition levels across the GCC at an all-time high, this paper outlines the key building blocks for establishing a strong local supply base, complemented by a workforce equipped with the right skills to meet growth targets and attract investors.

3. Local workforce development

As regional economies move away from a reliance on foreign labour, the human capital development of citizens becomes increasingly critical. Countries must not only possess a skilled labour base but also ensure their contribution to the economy. This necessitates a strategic shift towards reshaping the workforce composition, with investment in human capital serving as the foundation for economic growth and productivity. National agendas, including Saudi **Vision 2030**, emphasise the role of a skilled workforce in nurturing prosperous and educated populations.

Based on a study by the World Economic Forum (WEF), employers estimate that 44% of worker's core skills will be disrupted over the next five years, with cognitive skills, creative thinking, and technology literacy growing in importance. However, only half of workers currently have access to adequate training opportunities. With six in 10 workers expected to need training by 2027, addressing this gap will be essential for maintaining a competitive workforce[2].

This raises a fundamental question: **How can the public and private sector create effective local workforce programmes, aligning investments in education and skills with industry needs, while fostering collaboration and using innovative approaches?**

2. https://www.weforum.org/publications/the-future-of-jobs-report-2023/digest/

It is imperative to conduct a thorough assessment of the local workforce landscape, encompassing an analysis of skills gaps, industry demands, and prevailing employment trends. Once the current landscape is assessed, it is important to identify future requirements and define needs to bridge the gap.

Assessing the current landscape serves as the cornerstone for identifying priority areas necessitating intervention and provides invaluable insights to inform targeted strategic development. Metrics such as the Global Talent Competitiveness Index (GTCI) measure competitiveness through various pillars and evaluate countries' efforts to enable, attract and grow talent, as well as endeavours to enhance workforce skills and capabilities to achieve desired socio-economic outcomes.

2023 Global Talent Competitiveness Index (GTCI)

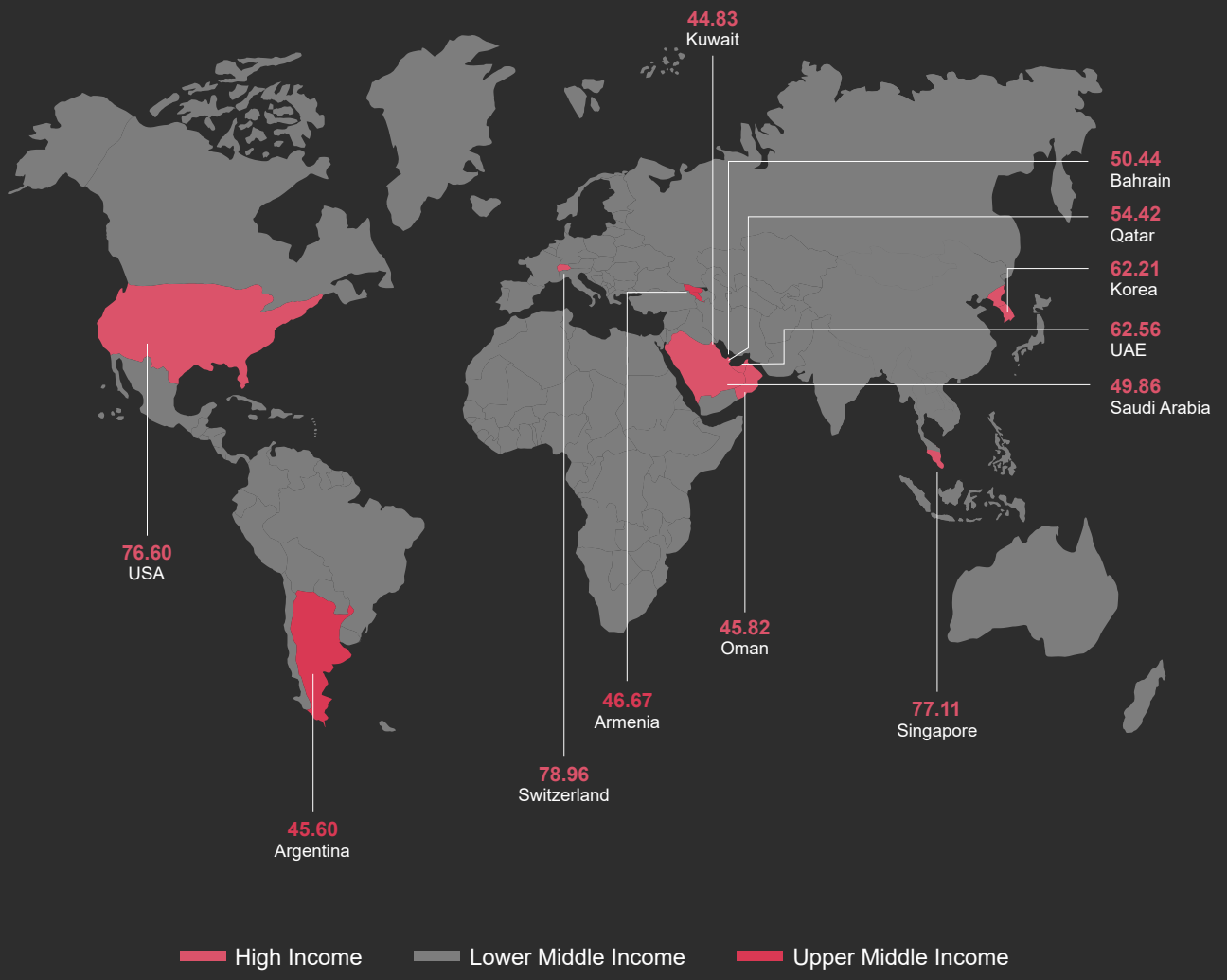


Figure 2 Global Talent Competitiveness Index (GTCI)[3]

[3] https://www.insead.edu/global-talent-competitiveness-index

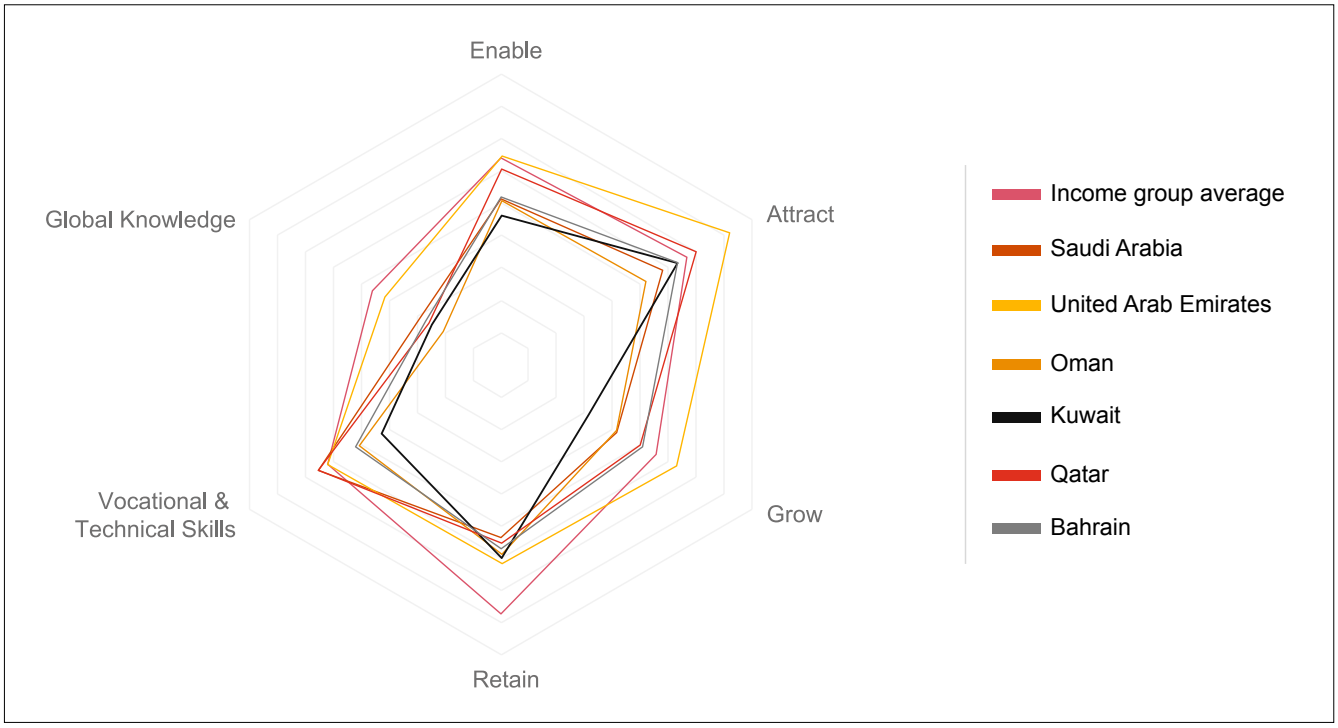


Figure 3 GTCI Comparison between the GCC and similar income group

When compared to leading countries such as Switzerland, Singapore, and the US, GCC countries have several potential development areas, including lifelong learning opportunities and high-level skills development. These leading countries benefit from well-established education systems, strong innovation ecosystems, and policies that support continuous skill enhancement and workforce agility.

The UAE has shown strong results among GCC countries, consistently ranking high due to its robust investment in education and training, and favourable business environment. The UAE's emphasis on innovation and technology adoption also contributes to its strong performance in the GTCI.

Saudi Arabia has also made notable progress, driven by Vision 2030 initiatives that focus on economic diversification and enhancing human capital. While there have been significant advancements, areas such as regulatory frameworks and labour market reforms continue to present opportunities for further development.

The UAE and Saudi Arabia stand out as leaders in advanced digital skills, reflecting their proactive approach to staying ahead of digital advancements and their strong commitment to continuous development and innovation.

For instance, the UAE launched the NAFIS programme in 2021 to increase the competitiveness of Emirati human resources and empower them with the necessary skills to occupy jobs in the private sector. By 2025, the country will have invested up to Dh24 billion to help 75,000 Emiratis find employment[4].

Saudi Arabia has also expanded the Future Skills Initiative, focusing on advanced technical training in partnership with international educational institutions, and invested an additional SAR1.5 billion to increase its reach and impact[5].

4. https://nafis.gov.ae/faq

5. https://www.thenationalnews.com/business/economy/2024/02/29/saudi-arabia-targets-human-skills-as-key-to-expanding-economy-at-riyadh-event/

Looking forward, the future of work is rapidly changing due to technological advancements, climate change, demographic shifts, and economic transformations. Findings from the **PwC Middle East Workforce Hopes & Fears Survey** 2024 revealed that 63% of regional respondents believe that technological change, especially the rise of AI, GenAI and robotics, will impact their jobs in the next three years, with a quarter (25%) also using GenAI regularly at work. Additionally, 54% of respondents felt that climate change would impact their jobs.

The skills required in the future are different; cognitive skills are reported to be growing in importance most quickly, reflecting the increasing importance of complex problem-solving in the workplace. There is also a significant demand for green skills in the region, as we have seen in the PwC Middle East Workforce Hopes & Fears Survey 2023, where 62% of respondents indicated a significant demand for green skills in the future[6].

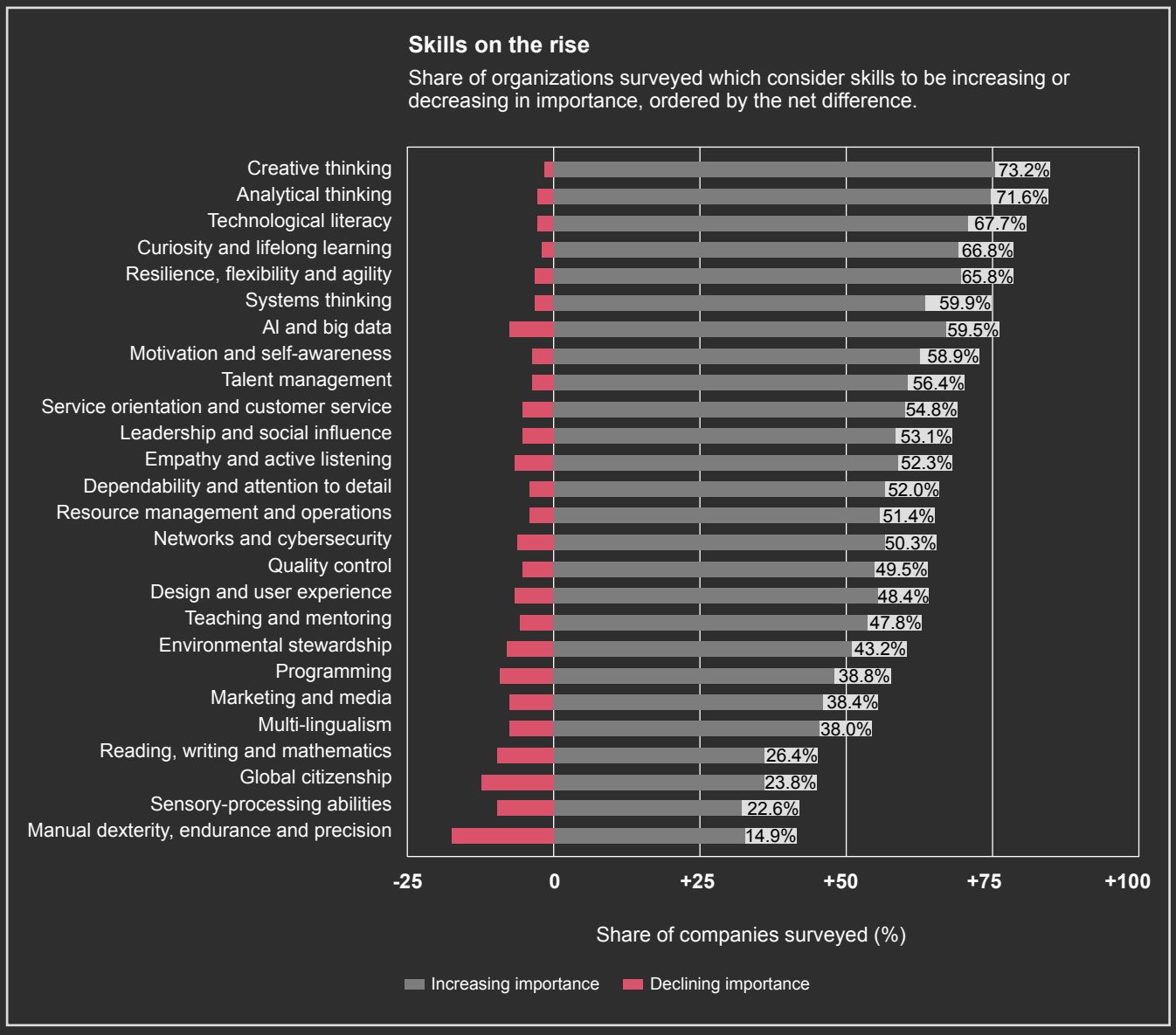


Figure 4 Skills on the Rise

6. https://www.pwc.com/m1/en/media-centre/articles/assessing-saudi-srabias-vision-2030-progress.html

To bridge the identified gaps and enhance GTCI scores, targeted skills development initiatives are critical. These initiatives span various domains, including research and innovation, career advancement, and lifelong learning. Investing in these areas can support the region’s ambition to cultivate a dynamic knowledge economy, helping to strengthen its position as a hub for talent and innovation over time.

Key strategies include:

- Establishing dedicated innovation hubs or technology parks
- Developing partnerships with universities, research institutions, and industry stakeholders to introduce research grants and funding schemes
- Incentivising higher education and skills development
- Offering financial incentives, scholarships, and grants to aspiring learners seeking to advance their education

Implementing local workforce initiatives can significantly enhance a nation's educational and economic landscape. South Korea's investment in tech parks and R&D centres has, for example, led to one of the highest tertiary education attainment rates among adults aged 25-34, at around 70%, according to the OECD[7]. Finland's strong university-industry partnerships and R&D spending of 4% of GDP have resulted in high innovation output and advanced workforce skills[8].

Additionally, offering professional development opportunities, such as tuition reimbursement and study leave, has been shown to reduce employee turnover rates. These initiatives not only boost educational attainment and skills but also drive innovation, job satisfaction, and economic stability.

7. https://www.statista.com/statistics/1227272/share-of-people-with-tertiary-education-in-oecd-countries-by-country/

8. https://economy-finance.ec.europa.eu/system/files/2023-05/FI_SWD_2023_626_en.pdf

Case Study 1

KSA plans for maritime sector growth and talent development

Saudi Arabia is on an ambitious trajectory to become a leading maritime hub, aiming to localise the maritime economy and increase cluster synergies across ports, shipping, marine services, shipyards, tourism, and aquaculture. This transformation is projected to significantly boost the sector's annual GDP contribution to 55-65 billion SAR – more than four times the current value – and create a total of 200,000 jobs, up from the current 77,000. So far, investments in the Kingdom's maritime sector are reported to have exceeded US$6.7 billion[9].

To support industry-wide growth, there is a need to cultivate interest and attract and develop talents with both specialised and broad-based skills to ensure the preparedness of students and professionals for the maritime sector requirements. As such, ensuring adequate and best-practice local educational offerings is pivotal in achieving the underlying objectives. Given the limited availability of dedicated maritime offerings in the Kingdom, a multifaceted solution remains critical to bridge the market gap. The approach will entail leveraging locally available and reputable higher education and vocational training institutes with maritime and synergistic disciplines such as engineering.

9. https://www.arabnews.com/node/2568277/business-economy

Case Study 2

Singapore's SkillsFuture initiative: Empowering a future-ready workforce

Launched in 2015, SkillsFuture Singapore (SSG) aims to equip Singaporeans with the skills needed for a rapidly changing global economy. Key programmes include the SkillsFuture Credit, offering $SG500 for lifelong learning, and Earn and Learn programmes, which provide structured work-study opportunities for recent graduates.

Collaborations with industry leaders have ensured that training aligns with market demands, enhancing workforce skills in sectors like digital and sustainable technologies[10].

The impact has been significant, with over 60% of participants reporting improved job prospects, and more than 90% gaining new or upgraded skills. Employers also benefit, with over 90% expressing satisfaction with SkillsFuture-trained employees, leading to increased productivity[11]. The initiative fosters a culture of continuous learning, empowering individuals to take control of their careers and contributing to Singapore's efforts to build a resilient, future-ready workforce.

10. Xuan, Yong Li. "560,000 Tapped SkillsFuture Schemes in 2022, Down From 660,000 in 2021." The Straits Times, 23 Mar. 2023, www.straitstimes.com/singapore/560000-tapped-skillsfuture-schemesin-2022-down-from-660000-in-2021

11. "www.skillsfuture.gov.sg/newsroom/strong-participation-in-skillsfuture-programmemesssg-seeks-to-do-more-with-enterprises

4. Local supplier development

The GCC has been transitioning from its oil-dependent economy towards a more diversified and robust model, driven by significant government spending of US$520 billion annually on goods and services, much of which is internationally sourced[12]. With local capabilities often rooted in foundational trade and manufacturing activities, GCC countries face risks from global economic shifts. The reliance on international suppliers and limited local capacity leave these countries vulnerable to global economic fluctuations and disruptions.

Recognising this, governments and leading industry entities are spearheading Supplier Development Programmes (SDPs) to stimulate growth in key sectors. These programmes are pivotal for economic diversity, job creation, self-reliance, and global competitiveness. To support the rising trend of SDPs in the region, we have established a proprietary framework comprising seven key elements that will provide leading entities with a structured approach to establish and activate their supplier development programmes.

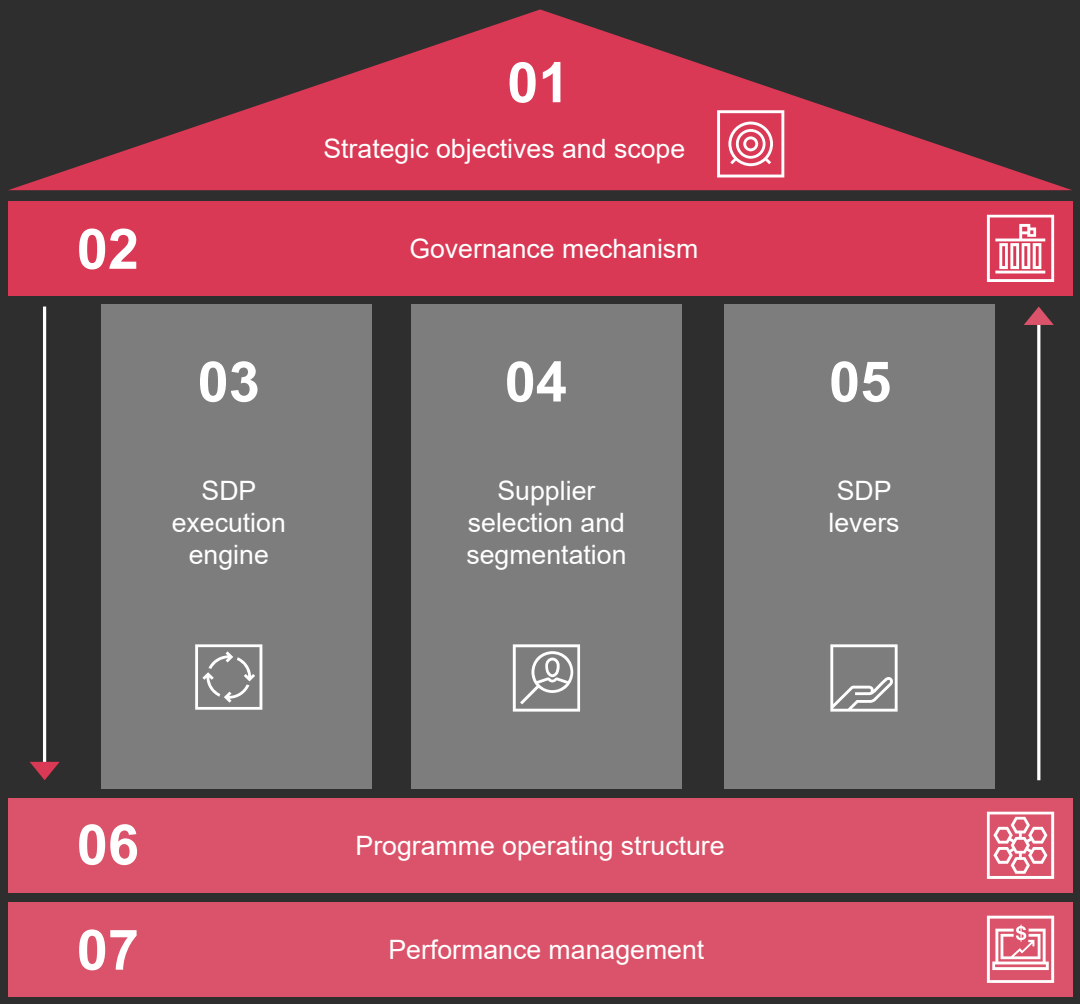


Figure 5 SDP Framework

12. https://gccstat.org/en/statistic/statistics/government-finance

4.1 Strategic objectives and scope:

Initiating a supplier development programme begins by clearly defining the entity's ambitions and ensuring strategic objectives align with overarching business goals. This process includes setting precise, measurable objectives that resonate with the broader corporate strategy and determining focus areas for the programme. This can be:

- **Supply base development:** Strategic approach aimed at building and strengthening the network of local suppliers that manufacture a specific product or provide a specific service, with the aim of enhancing the entities' supply chain resilience or nurturing competition in the market for favourable commercial conditions
- **Local supplier development:** A targeted approach that concentrates on enhancing the capabilities and performance of specific suppliers within the supply base, often geared towards suppliers that are strategically important to the particular industry or entity

Common objectives of supply base development and supplier development

Supply base development

Supplier diversification

- Expand the supplier base to include a broader variety of sources, both locally and globally, to reduce risks associated with supplier dependency and enhance supply chain resilience

Facilitating local business establishments

- Assist international suppliers in establishing local business operations, enabling access to new markets and fostering economic integration

Joint ventures and strategic partnerships

- Establish joint ventures to leverage international expertise and technology, facilitating knowledge transfer and boosting local manufacturing capabilities

Strategic sourcing agreements

- Secure long-term contracts with key suppliers to stabilise supply chains and encourage local investments, ensuring mutual growth and stability

Supplier development

Performance improvement programmes

- Enhance supplier operational capabilities through targeted training and process improvements

Collaborative innovations

- Foster joint development initiatives with suppliers to innovate and enhance product offerings

Technology transfer

- Equip suppliers with advanced technologies and machinery to improve production quality

Capability building

- Support suppliers in acquiring certifications and developing specific operational capabilities

Financial and technical support

- Provide financial aid and technical assistance to facilitate major upgrades in supplier facilities and operations that align with strategic goals

Case Study 3

Toyota's supplier development programme[13]

Toyota recognised that the performance of its supply chain was integral to its own success. It, therefore, initiated a supplier development programme to share its Toyota Production System (TPS) principles with suppliers, aiming to enhance operational efficiency and product quality.

The company offered hands-on, on-site support to suppliers through comprehensive training, workshops, and ongoing mentoring.

Their experts collaborated directly with key suppliers on the factory floor to eliminate waste, streamline processes, and apply lean manufacturing techniques. As a result, they observed the following:

- A significant boost in both efficiency and quality for suppliers, enhancing their overall production capabilities.
- Cost reduction as the improved processes led suppliers to lower production costs through waste reduction, optimised inventory, and enhanced labour productivity, benefiting both the suppliers and Toyota.
- Deeper collaboration and stronger relationships between Toyota and its suppliers, foster a more resilient and adaptable global supply chain.

The programme's approach has encouraged similar initiatives globally, illustrating how strategic supplier development can create mutual gains and support a competitive, sustainable ecosystem.

13. Mari Sako, Supplier development at Honda, Nissan and Toyota: Comparative case studies of organisational capability enhancement, Industrial and Corporate Change, Volume 13, Issue 2, April 2004, Pages 281–308

4.2 Governance mechanism

As with any other programme, an SDP needs a robust governance mechanism to ensure appropriate oversight and control. Effective governance requires a well-defined structure with clear roles and responsibilities to facilitate decision-making and manage risks.

Governance types can vary widely depending on the organisational structure and sector. For instance, a decentralised model might be employed in globally diversified companies where local subsidiaries manage their SDP to better address regional supplier challenges and opportunities. Conversely, a centralised model might be utilised by organisations looking to maintain tight control over their supply chain standards and consolidate supplier development efforts under a single global strategy.

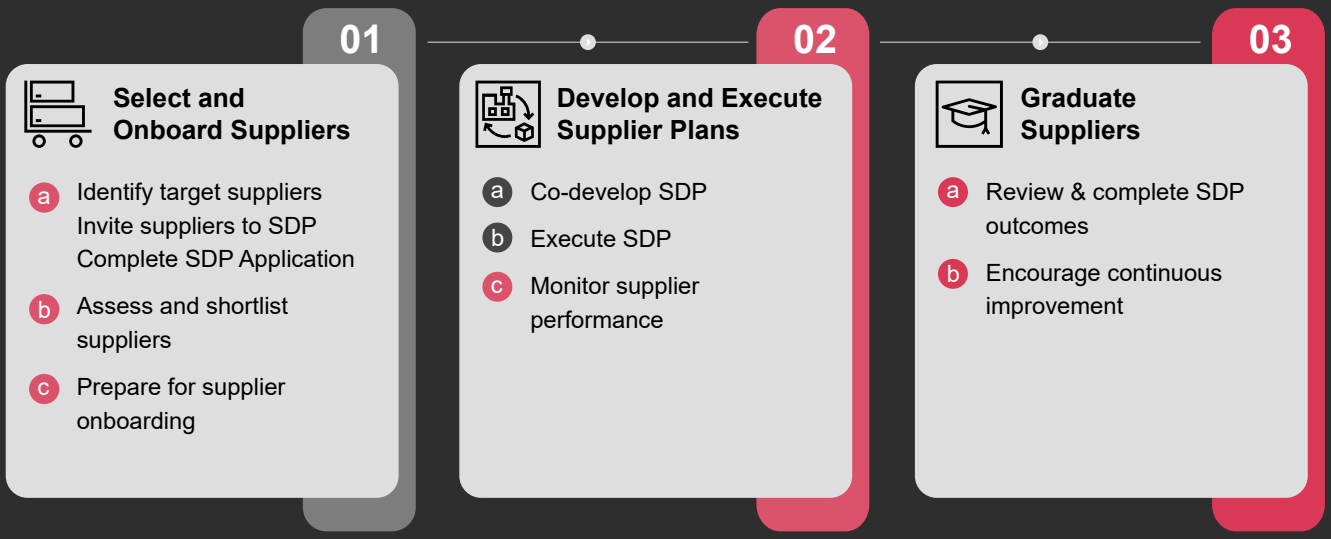
Entity-level centralised governance allows the organisation to maintain strict quality control and streamline innovations across its supply chain, ensuring that new technologies are seamlessly integrated into products.

Under sector-level governance, members collaborate, pooling resources and expertise to tackle common industry challenges, such as technology advancements or gaps in a robust supply base for manufacturing specific components. Initiatives include setting industry-wide sustainability standards, shared R&D projects on new materials, and regular workshops on best practices.

By collaborating, sector members leverage collective strengths to drive sector-wide improvements and achieve goals unattainable by individual companies alone.

4.3 SDP Execution Engine

The SDP Execution Engine is the operational core of a supplier development programme, where strategic objectives are transformed into concrete actions and measurable outcomes through several processes. Key components typically include defining the supplier development journey, standardised operational processes – such as supplier assessments, identification, and implementation plans – and an internal and external communication protocol that, together, streamline the interaction between the entity and its suppliers for coordinated developmental efforts.



4.4 Supplier selection

Supplier selection is pivotal for SDPs as it ensures resources are directed towards suppliers that can both benefit from and contribute to the programme's goals. It's vital to choose an appropriate number of suppliers that align with the entity's strategic ambitions for the programme to ensure focused and effective development.

The selection process should target direct suppliers integral to the entity's operations, such as component manufacturers or key service providers. Criteria should include multiple factors, such as business criticality, risk profile, relationships, and technological capability – ensuring the selected suppliers can both gain from and support development initiatives. This approach allows for systematic enhancement of SDPs, drawing on best practices from established models such as Toyota's.

4.5 Supplier development programme levers

SDP levers are the primary component of a supplier development programme, comprising the specific initiatives and tools that an entity uses to enhance supplier capabilities and performance. These levers are carefully chosen to address targeted areas of improvement and align these with the strategic goals of the entity and the specific needs of suppliers.

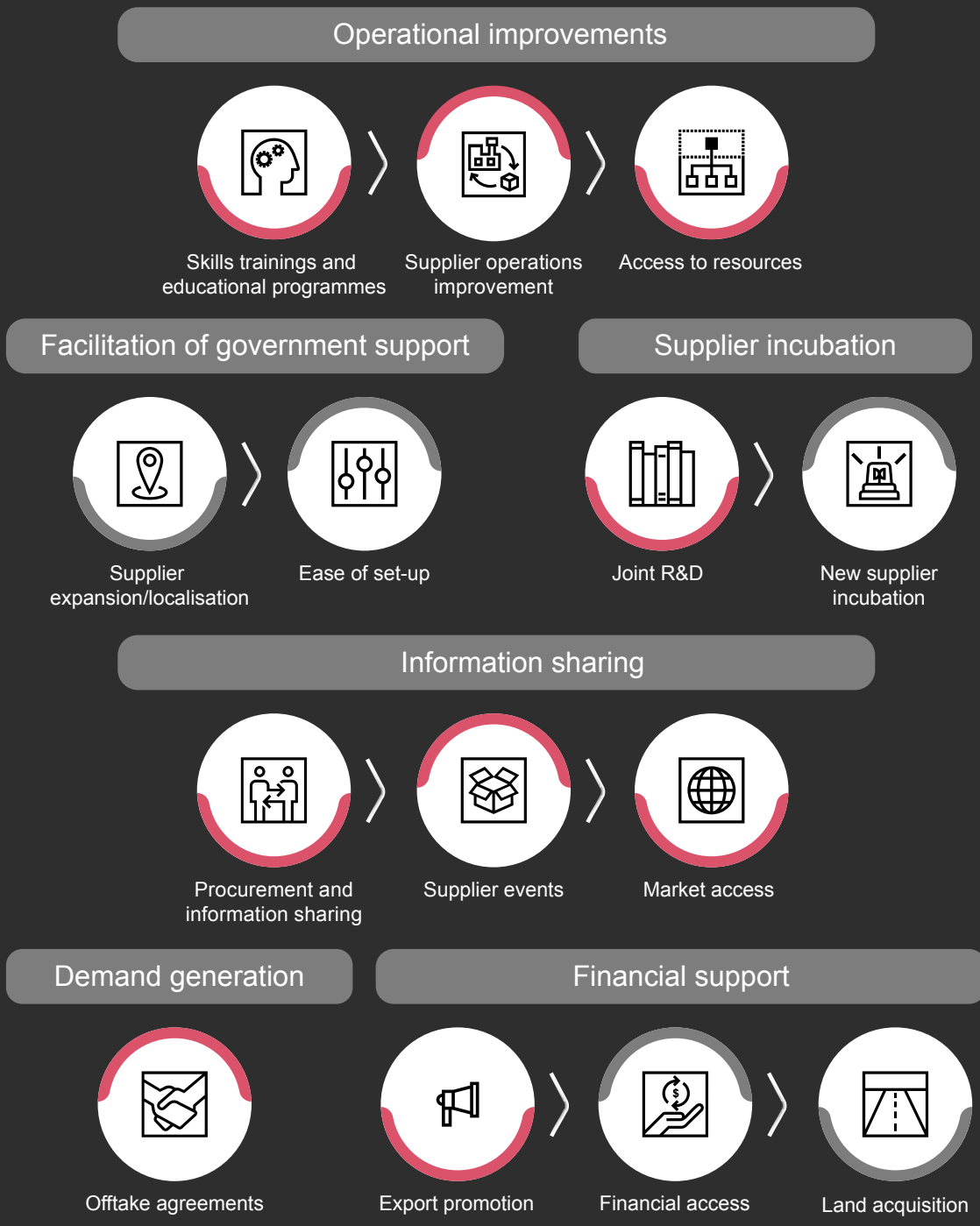


Figure 8 Common SDP levers

4.6 Programme operating structure

The programme operating structure is essential for the success of the SDP, clearly defining roles, responsibilities, and reporting lines to align with the entity's strategic ambitions. This includes defining key roles such as a programme manager, who ensures the initiative's alignment with strategic objectives; supplier relationship managers, who handle daily operations and supplier communication; and analysts, who monitor programme effectiveness. Specialised roles, such as technology transfer specialists or compliance officers, may also be necessary, depending on the programme's specific needs.

4.7 Performance management

Performance monitoring is a critical element to evaluate both the effectiveness of the programme and the progress of supplier development. Key Performance Indicators (KPIs) should be selected to reflect the strategic objectives of the SDP and provide actionable insights into both programme and supplier performance.

Typical KPIs tracked in a supplier development programme include monitoring:

Manufacturing critical-path time:
The time it takes from when a customer places an order until the first piece of that order is delivered to the customer

Quality:
Tracks the improvement in product or service quality from suppliers that can be directly attributed to the programme, often measured through defect rates or compliance with quality standards

On-time delivery rate:
Measures the percentage of time suppliers deliver products or services on or before the due date

Cost:
Quantifies the reduction in cost achieved through the SDP or the financial return generated by the programme relative to its costs

Supplier capabilities:
Measures the advancements in supplier skills and capabilities, such as increased technological proficiency or manufacturing efficiency

Dashboards and real-time reporting systems should be employed to effectively track KPIs. These tools not only facilitate continuous monitoring of supplier metrics and programme milestones – allowing for quick adjustments and data-driven decision-making – but can also enable a transparent review process where feedback from suppliers can be integrated, fostering a collaborative environment for ongoing improvement.

5. Future focus

Local workforce and supplier development are essential for sustainable growth and resilience in the region. Setting clear, measurable objectives aligned with local industry needs ensures that initiatives are relevant to the unique challenges and opportunities within the local context. Building strong partnerships with industry associations, educational institutions, and government agencies helps create an ecosystem that provides market insights, upskilling programmes, and regulatory support.

A robust system for tracking and monitoring the progress and impact of these initiatives is key to ensuring accountability and continuous improvement. Equally important is fostering a culture of ongoing learning and development.

PwC Middle East's Local Value Creation series offers a comprehensive framework for leaders and organisations in the GCC to effectively design and implement national localisation agendas. By addressing the entire value chain, from conceptual design to execution, this series serves as a critical resource for both the public and private sectors. This edition, the third in the series, focuses on capacity development, a key factor in the success of localisation programmes.

Looking ahead, it is essential to continue building on these foundations, leveraging the insights and strategies outlined in this series to drive meaningful, lasting impact. Together, we can create a stronger, more self-sufficient future for the GCC.

This series lays the groundwork for the co-branded paper titled "Localising Supply Chains and Its Impact on Performance", a collaboration between PwC Middle East and the Massachusetts Institute of Technology (MIT) Data Science Lab. The paper underscores the critical role of local workforce and supplier development as key drivers for effective localisation and the optimisation of supply chain performance.

Reference List

1. Assessing Saudi Arabia's Vision 2030 progress. (2023). PwC Middle East https://www.pwc.com/m1/en/media-centre/articles/assessing-saudi-srabias-vision-2030-progress.html

2. The Future of Jobs Report. (2023). World Economic Forum https://www.weforum.org/publications/the-future-of-jobs-report-2023/digest/

3. Global Talent Competitiveness Index (GTCI). (2023). Insead Faculty and Research https://www.insead.edu/global-talent-competitiveness-index

4. NAFIS Platform. UAE Government https://nafis.gov.ae/

5. 'Saudi Arabia targets human skills as key to expanding economy at Riyadh event'. (2024). The National https://www.thenationalnews.com/business/economy/2024/02/29/saudi-arabia-targets-human-skills-as-key-to-expanding-economy-at-riyadh-event/

6. Middle East Workforce Hopes and Fears survey. (2024). PwC Middle East https://www.pwc.com/m1/en/media-centre/articles/assessing-saudi-srabias-vision-2030-progress.html

7. 'Share of people with tertiary education in OECD countries'. (2022). Statista https://www.statista.com/statistics/1227272/share-of-people-with-tertiary-education-in-oecd-countries-by-country/

8. '2023 Country Report - Finland'. (2023). European Commission https://economy-finance.ec.europa.eu/system/files/2023-05/FI_SWD_2023_626_en.pdf

9. 'Investments in the Saudi maritime sector exceed $6.7bn, says top official'. (2024). Arab News https://www.arabnews.com/node/2568277/business-economy

10. Xuan, Yong Li. "560,000 Tapped SkillsFuture Schemes in 2022, Down From 660,000 in 2021." The Straits Times, 23 Mar. 2023, www.straitstimes.com/singapore/560000-tapped-skillsfuture-schemesin-2022-down-from-660000-in-2021

11. "Strong participation in skillsfuture programmes; SSG seeks to do more with enterprises." SkillsFuture SG, www.skillsfuture.gov.sg/newsroom/strong-participation-in-skillsfuture-programmemesssg-seeks-to-do-more-with-enterprises

12. GCC Statistical Centre. (2020). GCC Government Expenditure https://gccstat.org/en/statistic/statistics/government-finance

13. Mari Sako, Supplier development at Honda, Nissan and Toyota: Comparative case studies of organisational capability enhancement, Industrial and Corporate Change, Volume 13, Issue 2, April 2004, Pages 281–308.

Authors

Dr. Bashar El Jawhari
Partner, Supply Chain and Efficiency

Dr. El-Jawhari is a Senior Partner with PwC Middle East within the Advisory practice and leads our Localisation Platform. He has 25+ years of experience in both industry and consulting in the areas of supply chain, localisation, procurement, and manufacturing excellence.

Doaa Fayyad
Senior Manager, Supply Chain and Efficiency

Doaa is a Senior Manager with PwC Middle East within the Advisory practice and is part of the Localisation Platform team. She has 7+ years of experience in consulting specialising in localisation strategy, local content programs, supplier development, and procurement excellence.

Sara Kaddoura
Associate, Foundation for the Future (FftF) Graduate programmes

Sara is a Consultant with PwC Middle East within the Advisory practice and is part of the FftF program. She has 2+ years of experience in consulting in the areas of digital, data analytics, and local content programs.

Nicolas Laborie
Partner, Supply Chain and Efficiency

Nicolas is a Partner with PwC Middle East within the Advisory practice and co-leads our Localisation Platform. He has 14+ years of experience in both industry and consulting in the areas of localisation, supplier development, supply chain, supply chain resilience, and category management.

Omar Dannawi
Senior Consultant, Supply Chain and Efficiency

Omar is a Senior Consultant with PwC Middle East within the Advisory practice and is part of the Localisation Platform team. He has 5+ years of experience in the Oil & Gas industry and consulting specialising in localisation strategy, local content programs, and supply chain.

PwC Localisation Service Offerings

Localisation vision and strategy

Category localisation roadmap

Local content programme & framework development

Supplier development

Government incentive schemes

Local content certification

Supplier localisation strategy development

Local force capabilities development

Localisation digital portal

Localisation feasibility studies