

**Establishing Agile**

**High Performing**

**Semi-Government Organisations**

People & Organisation Perspective



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# Introduction

01

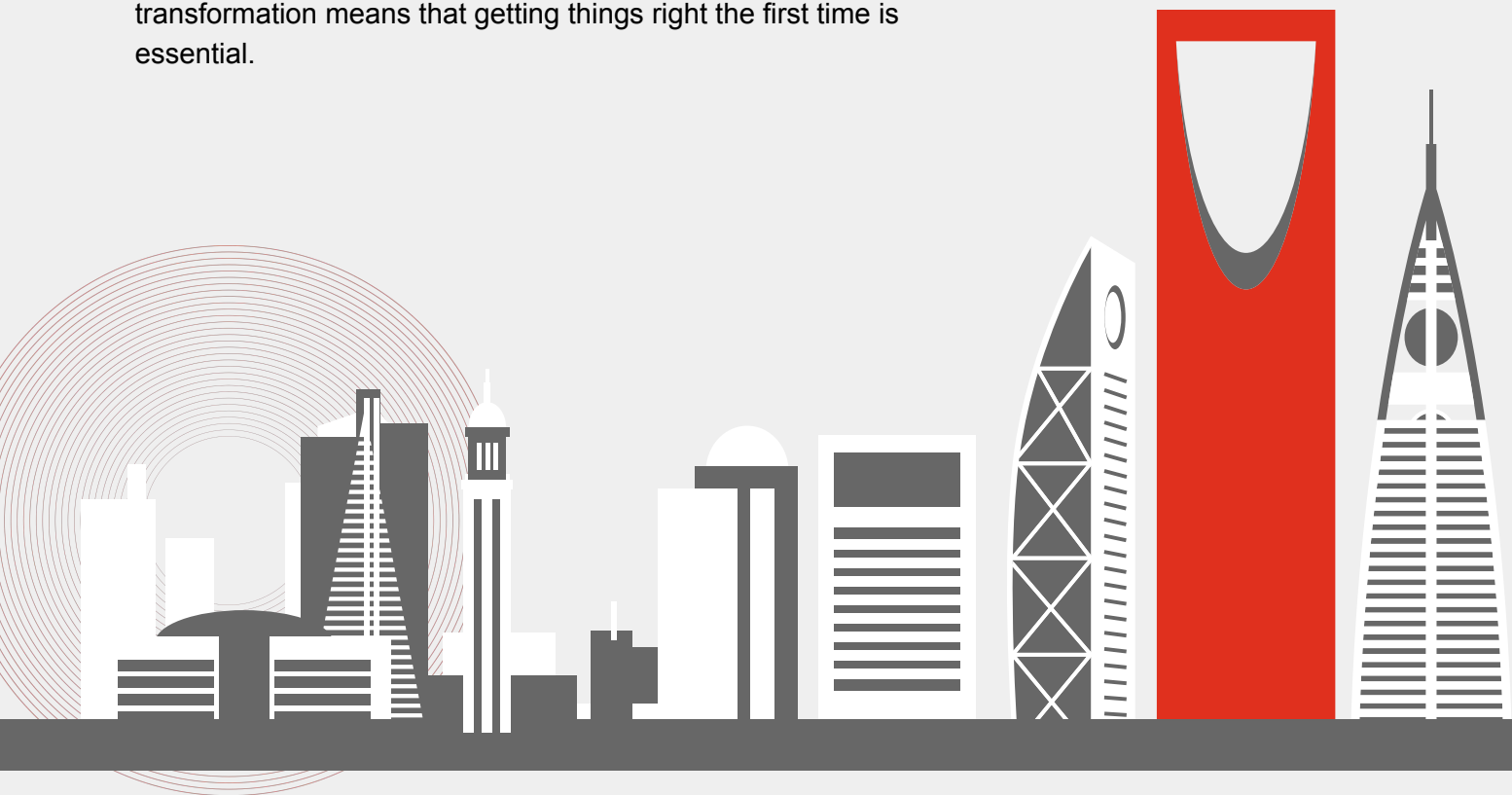
## Vision 2030 and the rise of semi-governmental entities

Saudi Arabia's Vision 2030 blueprint has acted as a powerful springboard for wide-scale national transformation in the kingdom and generated new impetus to strengthen institutional capabilities. The country's ambitious vision is more than a simple 'catch-up strategy – its goal is to leapfrog other nations in many sectors and become an international standard setter. A leader not a follower.

Accordingly, we have seen that over the past few years, and particularly with new emerging sectors in the kingdom, many greenfield, semi-governmental entities are being established to champion their respective advancements. These entities have an important role to play in the achievement of Vision 2030, and include PIF subsidiaries, governmental authorities, vision realisation programs, and others.

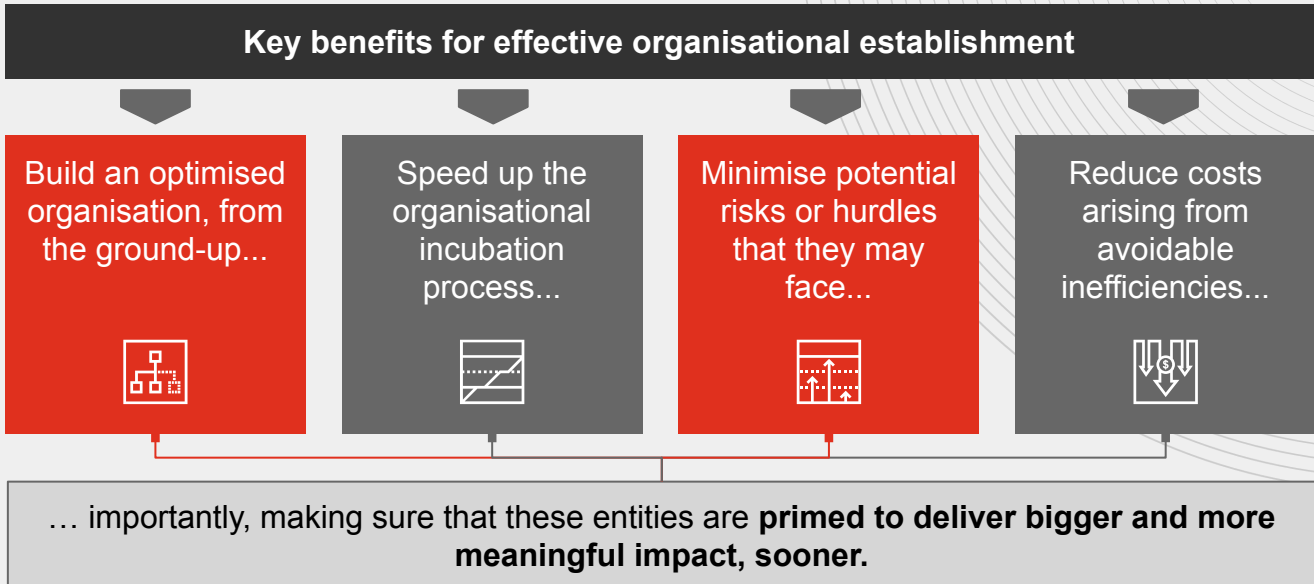
## The challenge and opportunity

Establishing these new entities is a complex, expensive and time consuming endeavour, and not many executives have experience doing it - particularly at the mega scale that is typically being targeted. Furthermore, the scale and urgency of the national transformation means that getting things right the first time is essential.



## The challenge and opportunity (cont'd)

Leveraging a deep understanding of the organisation establishment lifecycle and the lessons learnt from previous endeavours can help semi-governmental entities take advantage of the establishment process. **By doing so, there are key benefits for effective organisational establishment:**



## Our point of view

If nothing else, this paper highlights the extent to which the **people and organisation agenda** will enable the success or failure of any new entity and its mandate. As such, the purpose of this paper is to provide an overview of the organisational establishment lifecycle from a people and organisation perspective.

We build on PwC's extensive experience in supporting flagship semi-governmental entities during their establishment journey, focusing on the Kingdom of Saudi Arabia.



# The Organisational

# Establishment

# Lifecycle

02





## The Organisational Establishment Lifecycle

The journey towards the final state of organisational maturity is an evolving one, comprising several phases that are each characterised by a different set of challenges and priorities. This means that approaches have to be flexible to adapt to the needs of future phases of maturity, and only by having leaders adopt this lifecycle can they better prepare the organisation for its future growth.

**We've defined the four phases of the organisational establishment lifecycle, which has been segregated across the six critical foundational elements of the operating model of the new entity.**

	Phase 1	Phase 2	Phase 3	Phase 4
	Incept	Launch	Grow	Mature
<b>1 Strategy</b>	In this stage, the entity is not established yet. The key outcome of this phase is the business case for establishing an independent entity.	In this stage, the entity is officially established. The objective of this phase is to establish the foundations for the entity to enable it to effectively grow and achieve its mandate.	In this stage, the entity is ramping up. The objective is to ensure that the right operating model is defined in a way that supports the organisation.	In this stage, the entity is mature. The objective is to start optimizing the operating model, while maintaining the organisational culture.
<b>2 Governance</b>				
<b>3 Organisation</b>				
<b>4 People</b>				
<b>5 Technology &amp; Information</b>				
<b>6 Operations and Processes</b>				

Focus of this Paper

We have found that across the various semi-governmental organisations that are successful, flexibility and adaptability are two core themes that are prevalent between them. Those that effectively incorporate these in their operating model are likely to establish themselves successfully and are better prepared to address the evolving priorities of future phases.

**While we refer to the various dimensions, this paper focuses in detail on our lessons learnt relating to the people and organisation agenda.**





# The People &

# Organisation

03

# Perspective



Organisation Structure



HR Function and Frameworks



Employee Value Proposition and Rewards



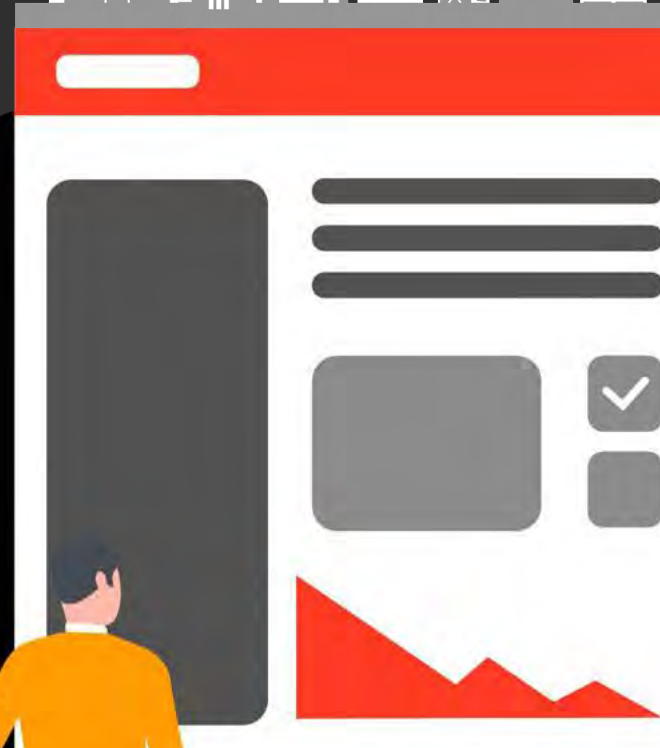
Culture and Environment

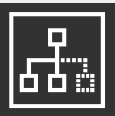


Talent Acquisition



Talent Management





## Organisation Structure

The organisation structure plays an important role in enabling the strategy and clarifying the roles and responsibilities across the organisation. This is particularly true during the early stages of the life cycle, where it is common to see uncertainty and duplication of roles between individuals.

In our experience, it is recommended to start by defining a top-level structure and adopting more flexible positions at the lower levels in the form of generalist positions instead of specialists. As the senior leadership gets onboarded in the organisation, then it becomes opportune to evolve the structure and define it in response to the desired strategy and operating model requirements.

**That being said, we recommend that the following principles are considered throughout:**

1

### Maintain a flexible structure that evolves as you grow

The development of the organisation structure and workforce requirements should be an evolving component that is regularly reviewed, ensuring that it is fit for the needs of the entity at a given stage. Therefore, it is critical that newly established entities adopt a structure that is flexible enough to effectively adapt to future changes in mandate, strategy and others.

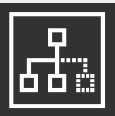
2

### Consider the 'target state' structure

During the overall establishment lifecycle, it's easy to fall into the trap of developing a structure based on more immediate and current needs - and as such, it's important to take a step back during later stages of the lifecycle and develop a structure that is forward looking and considers 'the big picture'. Where appropriate, consider incorporating various elements of agile principles in a manner that promotes a dynamic, flexible and collaborative work environment.







## Organisation Structure

3

### Don't forget about the organisational enablers

There are three key enablers to the successful implementation of the organisation structure

**Decision rights and authorities (RACI)** are as important as the structure itself. These should be defined during the design of the structure, and include responsibilities and accountabilities while ensuring that positions are effectively empowered to deliver the mandate and strategy.

**Job descriptions (JDs)** are good to have at any stage, but should be defined broadly at the beginning to reflect the more encompassing nature of roles while being detailed further as the organisation structure becomes more established and matures.

Typical elements of JDs include job title, department / function details, reporting relationships, job responsibilities, job requirements (qualifications and experience) and may include key performance indicators and competency requirements.

Defining the **long-term workforce needs** is particularly challenging during the early phases of establishment, so it is recommended that organisations place emphasis on having a short-term workforce needs in place, in a manner that supports building a recruitment plan to clarify the positional needs and expected hiring dates.





## HR Function and Frameworks

We've seen that with new entities, it's critical that the HR function is positioned as a strategic partner right from the start as it becomes more challenging to shift perspectives on the role of the department during later maturity stages. This is made more true given the large burden on the HR function to drive growth and maturity of the organisation - particularly given the high expectations and aggressive timelines that are common of entities being established in KSA.

Given our experience, we've outlined four key recommendations for an effective HR function:

### Position the head of HR as a key player in the executive team

The head of HR is one of the most important member of the executive management team and should play a key role in driving the people and organisation agenda as the organisation matures. The head should be empowered to act as a strategic partner and support the business accordingly.



### Don't target maturity too early

HR policies, processes and practices need to be developed in stages and mirror the maturity of the organisation. Recruitment and rewards policies remain the most essential to be formalized early, but other policies and processes, particularly those related to talent management, would benefit from being flexible and agile in the early stages.

### Build an HR operating model that fits your needs, but remember the essentials

There are many HR operating models that can be adopted, but the early focus should be on building strong recruitment and operations functions to support the fast ramp-up of the organisation. Moving forward the remaining functions should be established to reflect the needs of the organisation in line with its achieved maturity.



### Implement digital and analytics early

With new entities, the HR function has the opportunity to build digital capabilities early and effectively, avoiding the legacy challenges faced by established entities. This does not mean that they should adopt a fully established ERP from day one, but it does mean that digitising the function should be a priority and that data collection and analytics should be always considered to create a smooth and seamless transition.



## Employee Value Proposition and Rewards

Talent attraction and retention is a key challenge for newly established entities in Saudi, especially when it comes to attracting Saudi talent. We've seen that a significant number of semi-governmental entities seek to address this through highly competitive financial rewards and expedited career advancement opportunities, but this strategy may result in longer-term challenges for them.

Instead, such entities should seek to create a balanced employee value proposition that considers the broader set of employee preferences, helping address challenges in attracting candidates. We've seen that newly established entities understood their employee needs, and tailored an overarching employee value propositions based on their needs.

**We have captured the five core dimensions of a successful employee value proposition:**

### 01 | Vision and purpose

We have seen a lot of excitement among the younger generation of Saudi's about contributing to the development of the nation and Vision 2030 projects. Entities can support their own attractiveness by clarifying the employee's contribution towards the purpose of the entity and the broader nationwide goals.

### 02 | Culture and environment

Defining the values and culture of the organisations are key components. We have recently seen many Saudi organisations define their culture, values and behaviours, while focusing on creating a healthy and engaging work environment. *Refer to the respective section for more insights.*





## Employee Value Proposition and Rewards

### 03 | Pay and rewards

Pay and rewards remain one of the key factors when employees choose to move to a new organisation, but this should be handled with care. There is a growing tendency for semi-governmental organisations to enter a 'bidding war' for talented individuals, both locals and expatriates. We are seeing that many of these employers are mitigating such risks by introducing personalised or tailored compensation schemes - which allow them to remain competitive by catering to the unique needs and preferences of their employees.

### 04 | Growth and development

One of the key differentiators that prospective candidates, and particularly Saudi nationals, look at is growth and development opportunities. This makes it essential to highlight this offering and establish programs that can help employees develop new skills to grow within the organisation.

### 05 | Leadership Team

Having a recognised, high-performing leadership team can do wonders in boosting interest in the organisation and push talented individuals to make the jump. It is therefore important to ensure that the leadership team is recognized in its field, and are aligned with the organisation's culture and values effectively.





## Culture and Environment

Organisations that are newly established have a golden opportunity to shape the culture from the onset, without any of the existing challenges that organisations face during transitional shifts. **We have identified a set of practices that support new organisations in getting their culture ‘right’:**

1

### Define the desired culture for your organisation

Getting the culture right is considered a strategic topic by senior executives and board members, and rightfully so, as getting the desired culture heavily influences the achievement of an organisation’s strategy and delivers real business results. Leadership needs to define the values and behaviours that best fit the organisation, taking into consideration its strategy and mandate.

2

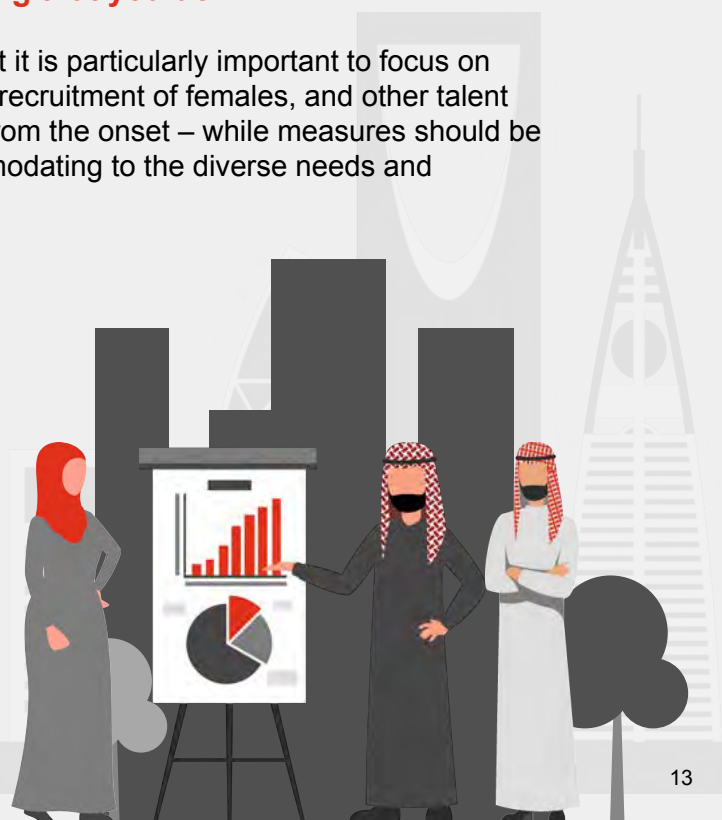
### Build leadership consensus and make sure they model such behaviours

The CEO must take personal ownership of the culture, making sure that the desired behaviours are clear and there is consensus across the senior leaders in the organisation. At the same time, the expanded executive team must also act in alignment with the principles of the culture and its respective values and behaviours.

3

### Encourage inclusion and diversity in everything that you do

There are many metrics of organisational diversity, but it is particularly important to focus on measures that align with the governmental aims. The recruitment of females, and other talent profiles, are typically a priority of such organisations from the onset – while measures should be taken to ensure the workforce environment is accommodating to the diverse needs and perspectives of these employees.







## Culture and Environment



**“At DGDA, we always put our people and our organisation culture first. One of our main promises is to identify the best and brightest talent from around the world, led by our Saudi team”.**

- *Jerry Inzerillo, CEO Diriyah Gate Development Authority*



**4**

### **Embed the values and behaviours across the organisation and its HR frameworks**

It's important not to consider culture as a standalone dimension in the organisation, as the achievement of such desired behaviours can only be done by integrating them into HR frameworks. Among others, some clear linkages can be made into the employee performance management, succession planning and competency frameworks.

**5**

### **Continuously communicate with your employee population**

This is particularly important during early stages as it sets the tone while making sure employees are aware of organisational values and behaviours. We've seen that in Saudi particularly, communicating expectations will go a long way in embedding the right behaviours across the different employee groups in the organisation.





## Talent Acquisition

During the earlier phases of establishment, there is significant pressure to effectively recruit high-performing talent - given its importance to getting the organisation up and running. This means organisations need to effectively source, screen and recruit talent in an efficient and effective manner. **We have outlined our five core recommendations for doing so:**

### 01 Identify and fill no-regret positions

The organisation needs to define the no-regret positions (e.g. HR, IT) that are required to run daily operations, and identify capable senior professionals to take up the roles until leadership team is onboarded.

### 02 Hire top-down, starting with the CEO

Hiring the CEO first provides a stronger foundation for the entity and supports earlier delegation of decision authorities. Also, adopting a top-down hiring approach allows senior leaders to be empowered to build their teams as they see fit and in alignment with their desired operating models.

### 03 Establish a robust screening & selection process

Establishing strong governance mechanisms around the recruitment process early on allows to mitigate challenges faced during recruitment. These include conducting HR screening prior to business interviews, using psychometric assessments and conducting multi-stage interviews for a more effective selection process.

### 04 Consider cultural and behavioural fit

Selection should go beyond technical fit for the role and consider culture and behavioural fit. We've seen that several of the new entities have significant turnover among the senior positions, which negatively impacts the smooth operation of the organisation and hinders the achievement of its mandate.

### 05 Establish an effective and differentiating onboarding experience

A holistic look should be taken into account when considering the overall journey of onboarding employees, ensuring that relocation arrangements (particularly for expatriates), regular communication and additional support is provided pre, during and post-day of joining.





## Talent Management

Talent management is a core component of the employee value proposition and provides the right foundation for the success of the new entity. That being said, newly established entities should avoid adopting very mature frameworks during early stages, as they are typically not fit for an evolving organisation.

In our experience, defining broad frameworks that evolve in a way that reflects the culture of the organisation is a better approach with stronger rates of success. **There are several considerations across each of the three talent management frameworks:**

### 01 Learning and development (L&D)

The establishment of a comprehensive learning and development framework is both challenging and time-consuming to do during early phases. Instead we recommend to start with learning programs that cover onboarding and core behavioural competencies, while focusing on addressing needs of individual employees on a reactive basis.

As an organisation matures, a more comprehensive L&D strategy and programs can be administered based on an analysis of organisational / departmental learning needs. These include adoption of leading practices (such as the 70:20:10 approach), embedding digital upskilling programs throughout, enhancing learning experience through microlearning, and ofcourse, tailored learning programs based on individualised needs.





### 02 Employee performance management

The administration of the employee performance management framework should be seen as a journey, with the focus at the early stages on key outcomes and expectations with flexibility of administration across hierarchical levels. As the organisation matures, then leadership should explore which model is fit for the culture - ensuring that it is created in a way that is adaptable to the evolving mandates and/or needs that are typical of Vision 2030 projects.



### 03 Succession planning

The resignation of senior executives have an outsized effect for newly established entities as there is rarely a ready successor within the organisation to take over. At the early stages of establishment, we recommend that entities develop succession plans that consider external candidates, to keep its pipeline ready to be activated as required. As the organisation matures, then more focus should be towards identifying and grooming internal successors for the critical positions - considering any diversity targets that entities may have.



# Conclusion

04

**Getting the foundation right is vital for supercharging future performance**

It has become somewhat of a cliché to ascribe the importance of people to the success of any organisation, but for new entities, the human component really is the most critical aspect of its success. The establishment of a new entity is a great opportunity to build a best-in-class and future-focused organisation structure, HR frameworks and HR function, without any of the restrictive legacy frameworks, challenges or considerations.

In order to do this, the most important takeaways are

Agility and flexibility are key. One-size-does-not-fit-all and needs will differ as the organisation matures. Therefore, the company structure and its HR practices need to be flexible and adaptable to support its evolving future.

Position the HR head as a key player in the executive team and empower the department to effectively drive the growth of the entity.

Define fit-for-purpose values and culture and ensure leadership as well as the HR frameworks are aligned with it, including ensuring that people recruited are aligned to them.

Define a cohesive employee value proposition that goes beyond reward, and instead also addresses culture, purpose, development and leadership, to attract and retain the best talent.

We have a network of experts around organisational establishment, and build on our extensive experience to provide client-tailored services to support semi-governmental entities through their journey.

If you would like to find out more about how we can help, visit us at [PwC Middle East](#) or get in touch with the contacts detailed in the following page.



# Contacts



**Moutassem Atassi**

**PwC** | Partner, People & Organisation  
moutassem.atassi@pwc.com



**Abdelkarim AlAzab**

**PwC** | Director, People & Organisation  
abdelkarim.alazab@pwc.com



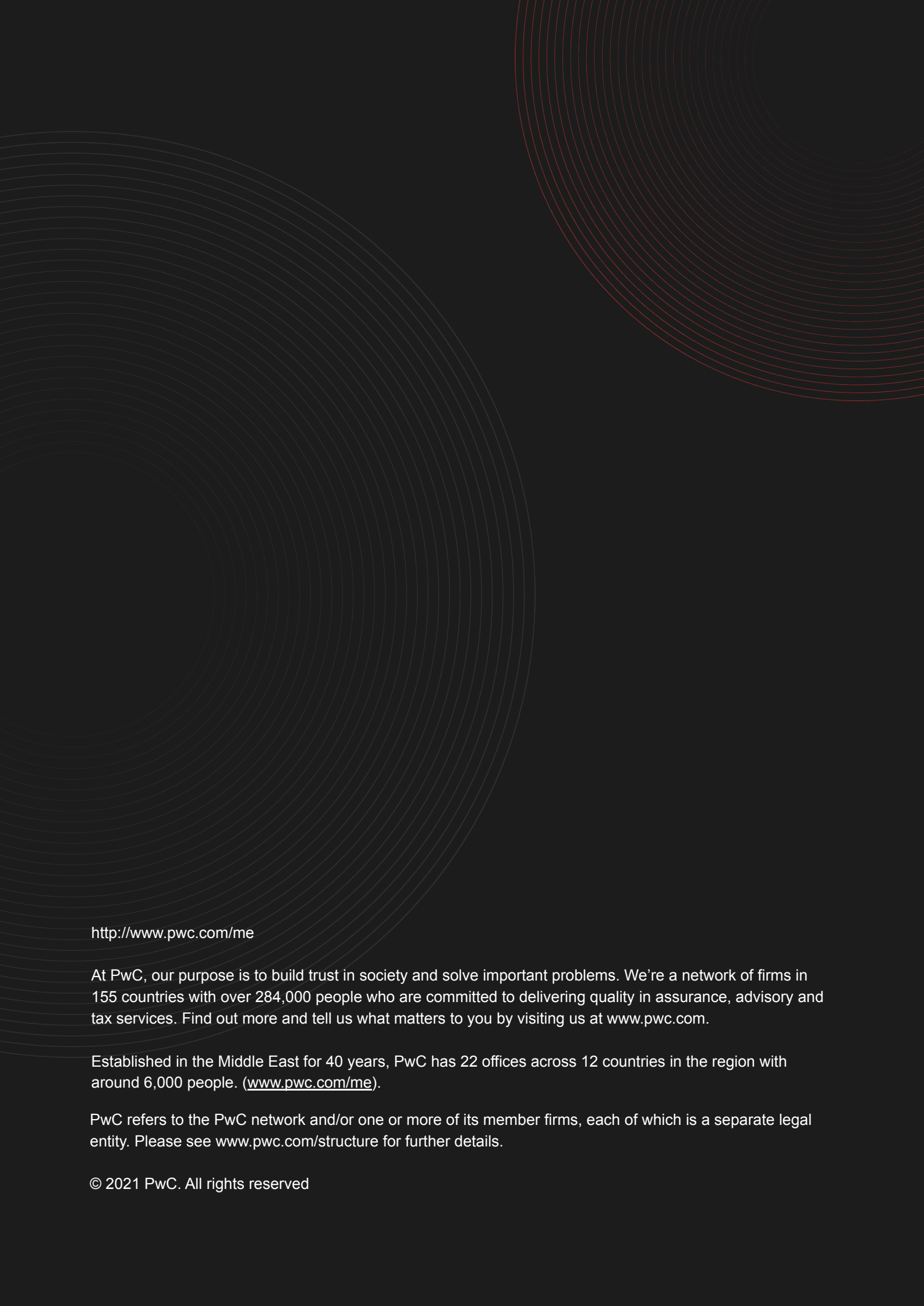
**Walid Hindi Hussein**

**PwC** | Director, People & Organisation  
walid.h.hussein@pwc.com



**Karem Sheik Al Sagha**

**PwC** | Manager, People & Organisation  
karem.alsagha@pwc.com



<http://www.pwc.com/me>

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