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Oliver Wyman / Zogby International survey of CEOs in the Middle East suggests economic confidence; transparency is key

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As debate continues on the immediate- and medium-term economic future of Dubai and, indeed, the broader Middle East, a poll recently conducted by Oliver Wyman and Zogby International of 126 Chief Executive Officers and top managers at companies in the UAE, Saudi Arabia, and Qatar holds some surprising insights—and differences in their views of current versus future growth.

The poll was conducted to assess the region's reaction to the current economic crisis and its long-term competitiveness. It revealed both a candid assessment of the challenges the UAE and other member countries of the Gulf Cooperation Council (GCC) continue to face, as well as continued confidence by senior executives in the region's ability to surmount these challenges.

Most interesting were the differences between countries—while executives in the Middle East in general were most confident about Saudi Arabia's ability to manage through the economic crisis, and its executives, not surprisingly, emerged as the most confident about their economic future, managers in the UAE were somewhat more divided in their assessment of its present and future prospects.

Overall, however, our poll indicated that senior executives were realistic about immediate conditions, optimistic about the future, and confident that the UAE represents a standard for reform policies in the region, which, they believe, will go a long way to help it surmount its current economic difficulties.

Business confidence—current vs. future

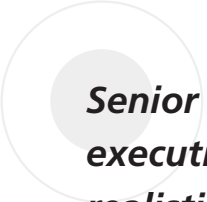
When we asked senior executives their view of current conditions in their country, a majority of those surveyed in the UAE (57%) rated current business conditions as in “decline” (this in contrast to senior executives in Saudi Arabia, where 71% saw conditions as “unchanged” or “flourishing”). But when asked about the future, these same executives in the UAE were much more positive, with only 2% seeing a decline in the next two years, and nearly half (45%) rating conditions as flourishing. This confidence in the future by the UAE may suggest that executives believe that immediate challenges are merely temporary setbacks and that their economies are poised for a recovery and eventual growth. Saudi Arabia is, if anything, more confident—with 66% of respondents indicating confidence in the future.

Response to the financial crisis

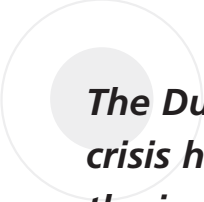
When we asked about their governments’ handling of the crisis, responses showed a direct correlation with immediate confidence levels (with the UAE most negatively impacted). Executives in the UAE were least satisfied with the government’s intervention during the crisis, with half (51%) responding “dissatisfied,” and 45% indicating that business confidence in the government had been “slightly damaged” by the crisis. Saudi executives, by contrast, were much more satisfied with their government’s response (66% answering “satisfied”). But when asked about the impact of the crisis, more than a third of the Saudi executives (39%) saw business confidence in Saudi Arabia as “slightly damaged” by the crisis.

Leadership in meeting challenges

Interestingly, when we probed respondents on which country was best meeting the most urgent challenges to the region (economic, political, and social), the UAE emerged as a clear leader. When asked, “Which of the GCC governments is setting a standard for business friendliness, educational reform, and legal reform?” the UAE emerged as a consistent leader. And when we went in and excluded the expected “self” votes (by UAE nationals), the UAE continued to maintain its leading position, with no other country emerging as a clear second: 68% of those surveyed saw the UAE as setting a standard for business friendliness, 36% saw it as setting a standard for legal reform, and 32% saw it as setting a standard for education reform. Bahrain ran a distant second for business friendliness (12%) and legal reform (17%), and Qatar received second place responses (15%) for education reform.



Senior UAE executives were realistic about immediate conditions and optimistic about the future.



The Dubai World crisis has pushed the issue of transparency to the fore.

Immediate threats

We were surprised at the response we received when we asked questions about immediate and long-term threats to the region's competitiveness.

The collective responses across the GCC were not surprising:

Respondents indicated labor reform as strategic for the short-term and reform in the education system as strategic for the long-term. Within the UAE, however, transparency—not education or labor—was seen as the top issue requiring immediate attention (36%), well above labor reform (21%), company ownership laws (17%), education reform (11%), and reducing bureaucracy (11%).

The recent crisis surrounding Dubai World has pushed this issue of transparency to the fore. Critics have raised questions about investors' inability to accurately assess Dubai World's debt and risk levels, about the closed nature of governmental decision making around the crisis, and about the often confusing and incomplete communications that followed the company's announcement that it was seeking a standstill agreement on its debt repayments.

Surfacing the views of those most immediately engaged in the day-to-day management of business affairs in the region provides an interesting and valuable counterpoint to the attempts to parse high-level communiqués or read financial markets' tea leaves. These on-the-ground perspectives are valuable not only for managers in the region as they develop and implement their strategic, organizational, and operational plans, but also for every executive around the world whose business has an interest in the region. ❖

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Oliver Wyman is an international management consulting firm.

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