
CASE STUDY ON STRATEGIC IMPACT OF PEOPLE MANAGEMENT AT MAJID AL FUTTAIM, DUBAI, UAE, IN RESPONSE TO COVID-19

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ABSTRACT

The cause study attempts to analyze the strategic impact of people management in response to the COVID-19 pandemic upon Majid Al Futtaim (MAF), a Dubai-based holding company that operates shopping malls, residential properties, supermarkets, movie theaters, and other ventures in 16 markets, primarily in the Middle East, Africa, and Central Asia. The study is structured such that it first briefly examines the literature around the concepts of People Management and Human Resource Management (HRM) followed by a look at the current pandemic. After a brief introduction into the company under examination, the study goes on to look at the challenges faced by the company due to the pandemic, the strategies adopted in response to the pandemic and an evaluation of their merits and demerits. While this company – MAF has adopted certain non- conventional strategies to face the pandemic, the conclusion is that most of the successes come from structural changes and disciplines adopted by the company during the good times which have stood the company in good stead during the times of crisis. It also highlights the importance of sincerity of action and strong leadership which can reap rich rewards in terms of longer-term sustainability rather than merely paying lip service to concepts such as customer and employee satisfaction.

KEYWORDS: covid-19 pandemic, strategic impact, people management and human resource management.

1. INTRODUCTION

Knies, Leisink, & Schoot, (2020) define People Management as a combination of the leadership behaviors of line managers and their implementation of HR practices. Delery & Doty, (1996) define HR practices as activities that an organization implements to attract, motivate, develop and retain employees such that they contribute to achieving organizational goals. Appelbaum, Bailey, Berg, & Kalleber, (2000) claim that HR practices provide employees with the necessary skills and competencies to perform. Yukl (2012) refers to relations-oriented leadership behaviours of managers consisting of supporting, developing, recognizing, and empowering employees. Purcell and Hutchinson (2007) in introducing the concept of People Management acknowledge that line managers play a critical role in shaping the perceptions of employees towards Human Resource Management (HRM) through their implementation of HR practices and their leadership activities.

HRM itself is seen by some writers as a replacement of the old personnel management or as old wine in new bottles. (Armstrong, 1987). However, others such as Guest (1987) argue that it is not a

replacement but something different. Storey (1995) defines HRM as an approach to management of employees which aims to achieve competitive advantage through the strategic deployment of a committed and competent workforce, using a range of cultural, structural and personnel techniques. Opatha (2019) refers to a range of HRM functions such as job analysis, recruitment, selection, hiring, induction, performance evaluation, training, pay management, incentives management, welfare management, management of employee promotions, discipline management and grievance management.

The case study below attempts to analyze the strategic impact of people management in response to the COVID-19 pandemic upon Majid Al Futtaim, a Dubai-based holding company that operates shopping malls, residential properties, supermarkets, movie theaters, and other ventures in 16 markets, primarily in the Middle East, Africa, and Central Asia.

COVID-19 which is part of the family of Corona viruses that cause upper-respiratory tract illnesses is a new strain discovered initially in Dec 2019 in Wuhan, China and was declared a global pandemic by the World Health Organisation (WHO) in March 2020. It is considered the most crucial global health calamity of the century and the greatest challenge that humanity has faced since the 2nd World War. As at the end of July, there were 18.4 Million infections globally with 700,000 deaths. (WHO, COVID-19 Dashboard).

With no clinically approved antiviral drugs or vaccines proven effective against the disease, it has spread around the world causing severe economic, health, environmental and social challenges to the global population. Countries around the globe are struggling to slow down the transmission of the disease by testing & treating patients, quarantining suspected persons through contact tracing, restricting large gatherings and maintaining complete or partial lockdowns or shelter in place restrictions which often includes the complete shutdown of establishments and a work from home regime. Global GDP is expected to contract by 5.2% during 2020 due to the pandemic as per the World Bank, Global Economic Outlook.

2. THE SELECTED COMPANY – MAJID AL FUTTAIM, DUBAI, UAE

Majid Al Futtaim founded the retailing and entertainment giant, Majid Al Futtaim Holding, known as MAF, in 1992. MAF owns and operates hotels and malls, including Mall of the Emirates in Dubai and the Mall of Egypt in Cairo. It also has the exclusive license to operate hypermarkets for French company Carrefour across the Middle East, North Africa and Central Asia. With 48,000 employees, the group had US \$9.4 billion in revenue in 2018, and the personal net worth of the founder is estimated at US\$ 3.6 Billion. (Forbes, 2020).

The industries that MAF is represented in includes 27 shopping malls (which are estimated to have

seen a footfall of 1.6 billion since 1995), 4 residential communities hosting 2,500 residents, 13 hotels (including those managed by the some of the world's leading international hotel brands, such as Sheraton, Kempinski, Aloft and Pullman), integrated retail (exclusive franchisee for Carrefour, the world's second largest hypermarket chain, with 300 outlets in 16 countries), fashion, cinemas (franchisee for VOX Cinemas accounting for more than 50 million customers annually), entertainment (including skiing, flying, water sliding, exploring, rides and theme parks including an exclusive partnership

with LEGO ® and American Girl ® to operate certified stores), consumer finance, energy, facilities management and project management.

3. CHALLENGES FACED DUE TO THE PANDEMIC

With lockdowns imposed by governments in the markets in which MAF operates, the company has had to shut its leisure, entertainment, and cinema venues to curb the risk of infection. Shutting down the business for an indefinite period of time, with no idea whether people are going to come back to you, when they will return or how much they will consume if they do come back has been one of the most challenging impacts of the pandemic along with the adverse impact of the prolonged closure to cash flow.

On the other hand, there has been a surge in demand for essential services operated by MAF such a supermarkets and pharmacies. Carrefour saw an uptick in customer demand during the first three weeks of March, with daily online grocery sales jumping 50% month on month.

4. STRATEGIES ADOPTED IN RESPONSE TO THE PANDEMIC

Several preemptive and protective decisions were taken at the outset such as restricting travel, encouraging people to work from home, as well as disinfecting the offices, malls, and facilities on a daily basis for those outlets which had to stay open. Work from home was a fairly smooth transition because MAF already had tech infrastructure in place from before.

Another major change was reassigning of employees from businesses that were closed such as leisure and entertainment centers to others such as supermarkets to work in-store or on fulfilment of online which remained operational. Redeploying staff required teaching them some technical skills such as packing bags and cashiering. In two days, MAF reskilled 1,000 people. They went from doing something that they understood to doing something they didn't know anything about. The redeployment was a voluntary choice for MAF staff. The company committed to keep paying staff their full salaries during the crisis and as such they were presented with this route as an option and not as an obligation. People were found to be welcoming of the idea because it was a good chance for them to grow their skills and exposure to different parts of the business, especially on the e-commerce

and online fulfillment side.

During this period of closure, MAF suspended rent for its tenants. This gave the tenants much-needed operational and financial breathing room. MAF also worked on reducing its operating costs in terms of utilities and other expenses with these savings passed on to tenants through reduced common-area and facility charges.

Cost cutting measures were also resorted to but not on staff costs. MAF committed to staff that there will be no layoffs or cuts to basic salaries because of COVID-19. Non staff costs were however reviewed since in a growth environment companies develop a higher tolerance for cost build up. However, with the pandemic, the hard questions got asked – “Do we really need this activity or scale?”.

The most important buffer was found to be liquidity since when liquidity is impacted, all the financial markers become red. MAF had developed, over time, a buffer of about 36 months of liquidity, which they did not need during good times, but during the pandemic it proved critical to their ability to weather the storm and thrive after it is over.

5. EVALUATION OF SUCCESS OF STRATEGIES ADOPTED

The fact that MAF went into the crisis with a strong balance sheet that was BBB rated, and was investment-grade, gave the company financial breathing room. Also, the buffer in liquidity which had been a discipline that had been put in place well before the pandemic, paid rich dividends.

Similarly, previous investments in innovations at Carrefour such as scan and go, now proved to be very popular during the crisis since people preferred contactless shopping. Previous investments in accelerating digitization and driving a step change in the company’s understanding of its customers through data and analytics, enabled the company to serve its customers in the best possible way during the crisis and continue to be their option of choice despite the difficulties. Technology allowed MAF to know its customers and to understand them better, without necessarily having to interact with them. This enabled the creation of a stronger, more profound, and more intimate bond with its customers. The biggest problem in digital is the cost of acquiring a customer. Yet with the crisis, MAF experienced the situation where brick & mortar customers were lining up to go digital.

The agility evidenced in rewiring the organization was a game changer. MAF now has a high-performing online business and continues to be the number-one grocery retailer for the Middle East, growing at scale. The reassigning and reskilling of employees which was effectively 180 degrees change in a span of ten days speaks volumes for the agility of the business.

Waiving off rent from tenants during the closure ensured that MAF can reopen in a strong and sustainable way in partnership with its retailers. It enabled the building of trust and generated tremendous goodwill with the tenants who saw MAF being there for them during the trying times.

Not cutting salaries nor laying off staff also paid rich dividends with employees willing to go above and beyond for the organization. Frontliners were seen putting themselves in harm's way to serve MAF's community and customers; people working 20 hours a day, doing things that they had never done before.

The work from home regime has also worked well. It's expected that workplace dynamics will change in the future making the workplace more transient. This trend is seen as a fantastic opportunity because it may give MAF the opportunity to tap into global and regional talent without the need for them to relocate.

The reassignment & reskilling process also showed that going forward, resilience and agility will be extremely important. MAF management believes that there is a clear trend to move from a world of specialists toward a world of generalists more so because of the issues that are being raised by technology. AI, and machine learning are complex, and the problems that will need solving are seen to be multidisciplinary in nature. Leaders will need to adapt to all kinds of different circumstances, and generalists can succeed when life is so fast and volatile. It is believed that there will be a need for more generalists to lead in disruptive times, whether they're caused by technological shifts or this unimagined pandemic.

The strong leadership of the CEO of MAF also played a key role in successfully weathering the storm. He publicly emphasized two key elements of his leadership during the crisis. Firstly, the need to be calm, driving optimism and inspiration, and at the same time the ability to vanish into the background. Alain Bejjani, the CEO of MAF shares how managing in the background doesn't mean that people don't see you—but it does mean that they don't need you. He says that there's a difference between people seeing you clearly and people needing you. "If people need you, you're a bottleneck. If people see you, you're an inspiration and you represent their North Star. In this time of crisis", he says, "I'm trying to be very visible but not needed". (D'Auria, 2020).

Previous work done at MAF in terms of defining the purpose of the organization, articulating its vision and values and translating them into behavioral norms that everyone could understand and apply in their day-to-day jobs, also helped keep the team united and working towards a common goal during the crisis. This eased the reassignment & reskilling as well as providing value to customers via approaches such as omni-channel retailing.

6. CONCLUSION

The MAF case study shows that success through a crisis comes mainly from structure and discipline that needs to be in place during the good times such that they stand you in good stead during the tough times. Also, flexibility, agility and sincere support to customers and employees goes a long way to sustainability of the business, rather than mere lip service to these concepts as most organizations unfortunately do.

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