ALGHANIM NURTURES ITS OWN MANAGERS

Most companies are growing at such phenomenal rates in the Middle East that they have given up all hope of generating enough managers internally. They usually depend heavily on experts from the West. Alghanim Industries, Inc., a Kuwait-based firm, is a notable exception

WHEN KUTAYBA ALGHANIM took over the family business from his father, Yusuf, in 1971, management development was just an idea tucked in the back of his mind. He faced more immediate problems, such as dismantling the patriarchal structure of a typical Arab trading company that was acting as agents for twice the number of Western manufacturers it could adequately represent.

"I remember coming into the office the first day and seeing on my desk a pile of papers a metre high," says the young Alghanim. "I was told everything had to be signed by me. Among the papers were petty cash vouchers for office tea."

"The morale of the staff was very low," he recalls. "Barriers had been built up between the more than 35 different nationalities working for us. There was a system of promotion based on favouritism rather than merit."

So, 26-years-old, and full of what some older executives viewed as "Wild West" ideas, Alghanim set about transforming the family business into a modern corporation. "Having been educated in Britain and the US since I was a boy," he says, "I was sold on Western business concepts and techniques and saw no reason why they could not be applied to a Middle Eastern company."

Six years later, the president of Alghanim Industries, Inc. is able to sit back and say: "If performance is a measure, then we are proving that advanced management techniques can work here."

The turnover, when he took over, "was probably equal to the profits Alghanim Industries expects to make this year," he says. He expects sales to reach $375 million by the end of the fiscal year this September and to make a profit of about 10% of that revenue.

Some of that growth has come from diversification and expansion overseas. However, more than three-quarters of corporate revenues are still generated by the trading company. Yet the number of companies it now represents has been halved, to less than 100. It sells such products as US-made cars and trucks, Dutch video cassette recorders, Japanese air-conditioners and British tyres.

Kutayba Alghanim began the process of "westernizing" his company by installing a proper financial control system. He also initiated a company-wide exercise to define and grade every job and establish a pay structure based on these gradings.

Then he began decentralizing, dividing the company into groups and giving the heads of these groups control over their operations. "Obviously," he says, "once we began decentralizing, management became an acute problem. You cannot give people responsibilities and the power to carry out these responsibilities unless they are properly trained."

The easy solution was to hire seasoned managers from the West. That had obvious short-term advantages. However, long-term benefits could accrue only if these Western managers passed on their expertise to the many Far and Middle Eastern nationalities working under them. In turn, these employees could be expected to pass on their know-how to their subordinates.

"The need for this capability was obvious," says Kutayba Alghanim. "The biggest bottleneck in the Middle East is human resources. And our biggest challenge then and even now, if we are to continue expanding successfully, is management development."

To tackle the problem Alghanim brought in Howard Dirks, a retired US personnel executive. Dirks introduced at Alghanim what he calls a management manpower programme (MMP). The main feature of the MMP is that it requires each Alghanim manager to give an annual performance appraisal of his subordinates and suggest training needs. It also makes group heads set up yearly manpower targets, much in the manner that annual operational budgets are done.

"Our MMP has been going on now for two years. It is designed to fulfil our own managerial needs eventually, eliminating the need for hiring outside," says Kutayba Alghanim. "It is a costly and time-consuming programme. But we need to develop our own people. We want our managers, even expatriate employees, to think that they have a career at Alghanim not just a job."

The MMP is an on-going process appraising three levels of management — general managers, divisional managers and departmental managers. It begins each calendar year with the subordinate listing what he thinks should be his major performance objectives and personal development goals. He writes these down on a form and submits it to his supervisor for discussion and approval.

After an agreement is reached on these objectives and goals, both the manager and his supervisor sign

the form, and each retains a copy.

Then the manager and the supervisor hold periodic review sessions throughout the year. Any updating, such as revisions or changes in priorities of goals and objectives, are noted by each of them on their forms and the dates indicated.

Finally, near the end of the year the subordinate sits down and writes down his achievements, comparing them with targets and explaining any variances. He then reviews his form with his supervisor, who checks the conclusions against his own.

Another interesting facet of the forms is that they require the subordinate to review annually his own career objectives. The subordinate is asked to state what position or positions he feels qualified to fill now or would like to aim for over the next five years.

Both this look into the future and review of the past are "coaching sessions for the managers with the aim of helping them do a better job," says Dirks. "It involves the subordinate in setting his own targets, in line with those of the group, and gives us a continuous means of monitoring his performance. It is also designed to help the development of individuals by pinpointing their strengths and weaknesses."

An example of the individual attention managers give subordinates under the MMP comes from William Meade, former head of the marketing group. Meade, who was singled out by Kutayba Alghanim for his "impressive ability to develop people," says: "An important part of our MMP is making individuals sit down and evaluate themselves. However, equally important are the review sessions between managers and subordinates, where we talk about accomplishments and failures and focus on areas where the individual needs further training. On a day-to-day basis, good managers are doing this all the time. But our MMP has formalized the whole training process, as well as making it much easier for me to get individuals to recognize and accept their responsibilities." ▶

The forms prepared by the subordinates then become the basis for the annual summary appraisals of their performance. These appraisals are drafted by the manager's immediate supervisor, in consultation with the supervisor's boss, a member of the personnel department, and when applicable, the related head office functional executive.

For example, the summary appraisal of A.H. Khalil, controller of the service and parts group, has to be approved by his supervisor, K.I. Abudi, who is general manager of the group. Abudi's supervisor, Michael Hemery, who is executive vice-president in charge of operations, and Dirks, vice-president of personnel, also has to approve the appraisal.

"Writing these appraisals is a very time-consuming process," says Meade. He reckons it took him about a month to draft the 15 appraisals required of individuals in the marketing group this year. "I take great pains to be objective," he adds, "because these appraisals are having a significant impact on the future career of these people."

With his approved appraisals, the group head then begins to develop his management manpower programme for the next year. He establishes his manpower requirements, basing them on growth projections tied to the group's current operational plan, and in many cases, its three-year plan.

The programme reaches a climax in January. Then, during an intensive two-week period, each of Alghanim's 15 group heads goes before a top corporate review body and gives a presentation on his manpower status.

Kutayba Alghanim takes an active part in the programme. He sits as chairman of the review body. Hemery and Bassam Alghanim, Kutayba's younger brother who is executive vice-president of central staff and services, sit on the review body along with Dirks and his assistant.

During his presentation, the group head makes use of two aids. One is a display board, which depicts the group's organizational chart. On it is a plaque for each manager. The plaque shows a picture of the manager and gives vital biographical data and other pertinent information, such as the number of years he has occupied his present position and his years of service with Alghanim.

Also on the plaque is a colour stripe indicating the performance rating given to the manager. Blue is used for an above-standard rating; green for standard; yellow for below standard and red means critically below standard.

Two identical manuals serve as the other aid. They contain copies of all the appraisals of the managers in the group depicted on the board. They also give a detailed employment history of each manager, before and since joining Alghanim. At the front of each manual is a picture of the group's organizational chart for the previous year and the minutes of last year's review session.

"There can be anywhere from five to 30 sets of forms in these manuals," says Dirks. "One of the manuals is placed at the disposal of the review body to refer to during the presentation, and the other is retained by the group manager."

The group head begins his presentation by reviewing the minutes of last year's meeting. "In effect," says Dirks, "This leads to an appraisal of his own performance, because he is reporting on the progress that has been made on the manpower goals and objectives he committed his group to at the previous year's review session."

A typical presentation was that made in January by Meade, the former marketing manager, who has since been promoted to a more vital line management position in the electronics and engineering group. The promotion marks a change in company policy which decreed that only managers who speak Arabic should hold line positions.

Meade says his three-hour presentation began "with a summary of where the marketing department stood a year ago, where we were today and where we hope to be six months and a year from now. I then recommended organizational changes that would be necessary for us to meet our growth needs."

Next, says Meade, "I reviewed the performances of each of my managers. I identified those people I thought were ready for promotion, those who needed more experience in their present posts and those who needed to be shifted to different posts to broaden their experience."

"As the group manager discusses these people, the review body is constantly referring to the individual appraisal forms and asking questions about them," says Dirks. "This leads to some lively exchanges and also assures the objectivity of the appraisals."

"For some people who are being considered for promotion to key positions," adds Dirks, "the group manager will read out every section of the appraisal, line by line."

The appraisal forms cover nine areas: results, methods, personal qualifications, greatest strength, greatest weakness, performance rating, plans for improvement, potential and replacement candidates.

Special emphasis, says Dirks, is given to the greatest strength and weakness sections. "Remember the appraisal is not a report card. It is a management development tool, designed to help meet the long-term growth needs of the company as well as the individual. One of the reasons for identifying weaknesses is to enable us to work on them by putting the manager in a job where they can become strengths."

For instance, says Meade, "marketing had several people this year who were occupying staff positions and lacked any outside experience. The review body went along with my recommendation that we move them into posts where they could get experience dealing with our customers."

While the group manager is discussing his subordinates and proposed organizational changes,

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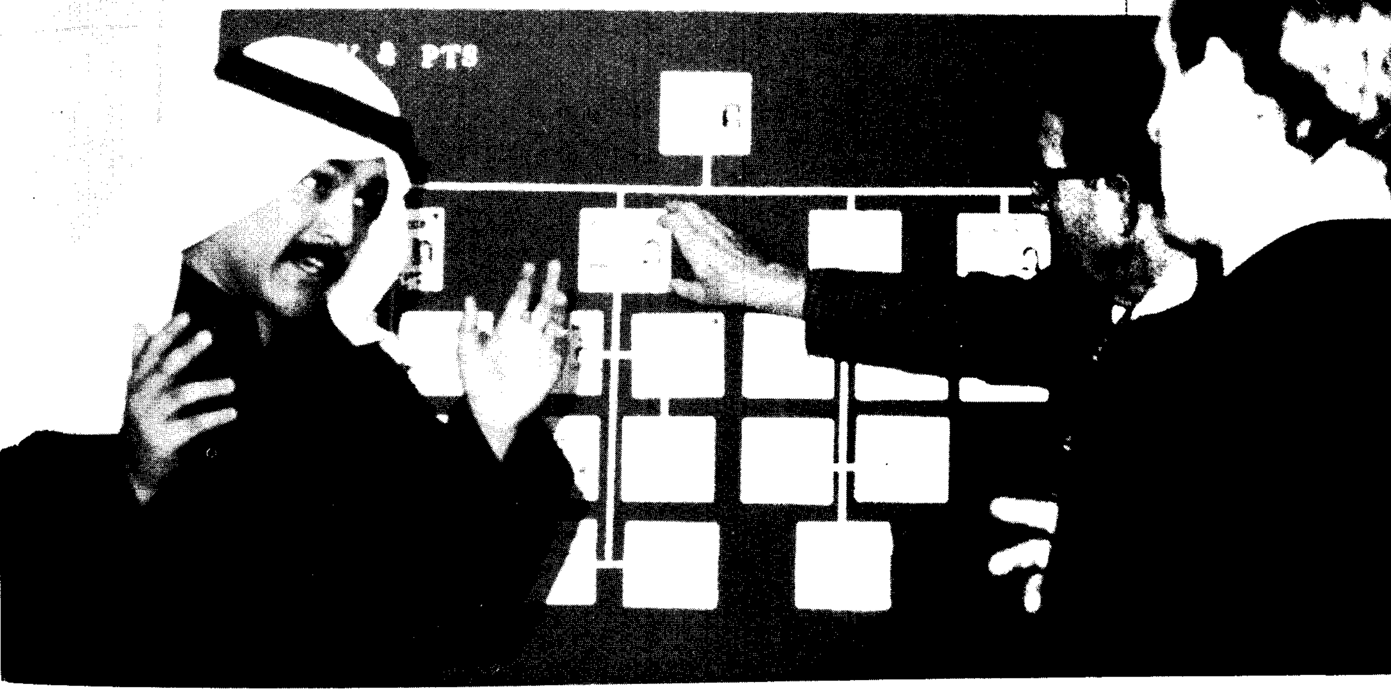

Kutayba Alghanim (left) discusses changes in the organization chart of the service and parts group with two other members of the top corporate management manpower programme review body. They are Howard Dirks, vice-president of personnel (centre) and Michael Hemery, executive vice-president in charge of operations (right).

he is illustrating them by moving the plaques around on the display board. "Some of the boards really become totally changed," says Dirks, "As the review body either approves or disapproves of the changes. But any final decision represents a consensus."

At the end of the day, the group head can only be sure of one thing. He will leave the meeting with an approved manpower development plan and revised organizational chart for the next year.

He may also have a lot of new faces on his chart and have lost a lot of old ones. For one of the main purposes of the review body is to serve as a sort of manpower clearing bank. "We are constantly transferring people from groups that have strong managements to fill gaps in others with weak managements," says Dirks.

There are 2,300 employees at Alghanim, and 194 of them are managers who were represented on plaques at this year's review session. Of those given performance ratings, 23% were marked above-average, 70% received standard ratings and 7% below standard ratings.

There were no critical ratings. "Managers normally take steps to terminate or transfer critical people before the MMP review," says Dirks. "Also managers probably tend to give the benefit of doubt in ratings in all categories."

"Any measurement of the success of the programme must be qualitative," says Dirks. "It is directly linked to the company's growth and profit record. This is a reflection of the management we have."

He says one of the general criticisms made by the corporate review body was that the groups were not bringing in enough college graduates to meet their future management manpower needs. "We have tried to remedy that this year," adds Dirks, "by making each group commit itself to hiring a specific number of graduates over the next 12 months."

"There is no reason why we shouldn't be hiring more college graduates," says Kutayba Alghanim, pointing out that his company annually finances the higher education of some 35 students, ten of them at universities in the US.

"This specific commitment to hire more college graduates is as important to me as any other performance commitment you make," Kutayba Alghanim told a gathering of all the group chief executives at his home following the final review session. "I also want each group general manager to make it a specific responsibility of his to develop the people under him and to see that this responsibility is passed on down to the lowest level."

So important is this, that under a new bonus formula currently being devised Kutayba Alghanim says: "I believe some weight should be given to a manager's performance in developing those under him."

Another person in no doubt about the benefits of the management manpower programme is Kutayba Alghanim's father Yusuf, who is in his seventies.

Following one of this year's group review sessions, through which he sat looking somewhat perplexed, he took his son aside and drew an analogy.

"I understand what you are doing," he said. "You are growing seedlings in your own greenhouse, rather than risk buying diseased plants from a nursery."

By JULES ARBOSE
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