

## **THE GLOBAL ECONOMIC CRISIS & ORGANISATIONAL CHANGE: CASE STUDIES IN THE UNITED ARAB EMIRATES**



**By**

**Khalid Al Hashemi**

**A thesis submitted in partial fulfilment of the  
requirements for the degree of**

**MSc in Project Management**

**Faculty of business**

**June 2009**

**Abstract**

A gain wave of corporate restructuring has rolled through the global corporate landscape ever since the 1980's, & to date there are still no signs of it lowing down. Much of the restructuring took place under the banner of increasing corporate financial performance, but a significant by-product of the deep-rooted organisational change it involves is additional strain on the organisation's relationship with employees, communities, taxpayers, governments & stakeholders (Heugens, P., Schenk, H. 2004).

This research is a part of the requirements of the Master of Science in Project Management program within the British university in Dubai. The research is introducing the current problem of the economy downturn due to the global financial crises happening all over the world. It is also focusing on the effect of this global crisis in the U.A.E. The literature review of the research is designed so it reflects for the reader some aspects of the international economy. It shows some history then it talks about the era of crisis & how the U.A.E. market is getting affected. Furthermore, the research shifts gradually into highlighting the affect of the economy downturn on the four major companies in the U.A.E. who are specialised in the real estate business. Sequentially to give an example for the reader on the importance of the organisational structure, a full organisational structure system of Dubai Properties Group will be presented to show the evolution of this structure firstly in accordance with the business needs to expand & secondly due to the economy downturn within the market. This shows the importance of the knowledge which has to be used to manoeuvre the restructuring of the organisation in accordance with the surrounding environment.

In addition to the previous, the research presents for the reader the different types of environmental factors & their affect on the organisational structure. All of these elements should tie together in order to assure the existence of the company as a main target & then the expansion of the operation which means an increase in the profit. The out come of the research will show the different reactions of the different organisations towards the economy downturn. It will also discuss some measures to overcome the crisis & have the organisational structure of the company stabilized & functional.

### **Dedication**

I dedicate this work to my wife Mariam, who supported me in the past three years to go through the master program. She kept on encouraging me to have faith & continue working hardly in order to reach the end line of the master program. I have learned a lot during the past three years, while doing my master studies. I would like to pass the experience of how to be patient to the readers of this research, hoping that they will find a value of the effort done in this humble work.

## Acknowledgement

I would like to express my great appreciation to my instructor Dr. Kasim Randeree, whom I have learned many of projects management knowledge through him. He inspired me & draw my attention to the importance of the organisational structure within the organisation. This knowledge helped me practically to understand & improve the organisational structure within my professional work field. It helped me to stand still in one of the worse times faced my company, Dubai Properties Group. Simply because the knowledge I gained made me prepared for the incident of the economy downturn & it was also predictable that the change of the organisational structure will occur at this time.

In addition I would like to thank the British University in Dubai for making the concept of working & studying a reality in the U.A.E. I appreciate this favour along with the fact that the university is adopting a research based system. This helped me personally to do a lot of reading & gave me a confidence of self teaching when I am lacking some knowledge about a certain subject. I would like to thank the University for making the library & the online resources available for me.

## Table of Content

Chapter	Page Number
<b>Chapter 1 Introduction.....</b>	<b>1-6</b>
1.1 Back ground .....	1
1.2 Aims of the research .....	2
1.3 Objectives .....	3
1.4 Research structure .....	3
<b>Chapter 2 Literature review .....</b>	<b>7-75</b>
2.1 Main objectives of the literature review .....	7
2.2 Economy & market review .....	8
2.2.1 Historical perspective .....	9
2.2.2 International economy .....	11
2.3 Economy downturn .....	16
2.4 The real estate bubble bursts & the U.A.E. economy .....	26
2.5 Organisation theory & structure .....	36
2.5.1 Back ground on the importance of the organisational structure.....	36
2.5.2 Concepts of organisational structures .....	39
2.5.3 Organisational structure type .....	41
2.6 Organisation size .....	46
2.6.1 Variation in the size of the corporate .....	46
2.6.2 Factors affecting the size of the corporate .....	47
2.7 Organisational culture & environment .....	50
2.7.1 Definition .....	50
2.7.2 Types of organisational culture .....	53
2.7.3 I.C.E. Model .....	54
2.7.4 External & internal environment .....	54
2.8 Organisational behaviour .....	57
2.8.1 Definition .....	57
2.8.2 Competencies needed to be an affective employee .....	58
2.8.3 Group organisational citizenship behaviour (GOCB) .....	61

2.9 Organisational change .....	62
2.9.1 Definition .....	62
2.9.2 Models of change .....	64
2.9.3 Implementing change .....	65
2.9.4 Resistance to change & the force-field theory .....	65
2.9.5 Organisational change strategies & psychological contract..	68
2.10 Organisational Development, restructuring & downsizing.....	69
2.10.1 Organisational development .....	69
2.10.2 Downsizing & restructuring as a change strategy.....	70
2.11 Corporate reputation .....	74
2.11.1 The importance of the corporate reputation .....	74
2.11.2 Protecting organisation reputation during crises.....	75
<b>Chapter 3 Research Methodology .....</b>	<b>76-88</b>
3.1 Introduction .....	76
3.2 Research approach .....	76
3.3 Research strategy .....	78
3.4 Data collection methods .....	82
3.4.1 Description of the interview questions distributed within Dubai Properties Group, Nakheel, Al Dar & Emmar .....	84
3.5 Advantages & Disadvantages .....	87
<b>Chapter 4 Dubai Properties Group organisational structure.....</b>	<b>89-99</b>
4.1 Introduction .....	89
4.2 What is Dubai Properties Group .....	90
4.3 Organisation objectives .....	90
4.4 Overview of Dubai Properties Group organisation structure before September 2008 (Before the financial crises) .....	90
4.4.1 Department & operations .....	91
4.5 Overview of Dubai Properties Group organisation structure after September 2008 (During the financial crises) .....	93
4.5.1 Department & operations .....	94

<b>Chapter 5 Case studies of major companies' organisation structure got affected in the market in comparison with Dubai Properties Group.....</b>	<b>100-123</b>
5.1 Case study 1: Dubai Properties Group .....	100
5.1.1 Organisation description .....	100
5.1.2 Person interviewed .....	100
5.1.3 Response to the interview questions .....	100
5.2 Case study 2: Al Dar .....	105
5.2.1 Organisation description.....	105
5.2.2 Person interviewed .....	106
5.2.3 Response to the interview questions .....	106
5.3 Case study 3: Nakheel .....	111
5.3.1 Organisation description .....	111
5.3.2 Person interviewed .....	112
5.3.3 Response to the interview questions .....	112
5.4 Case study 4: Emmar .....	117
5.4.1 Organisation description .....	117
5.4.2 Person interviewed .....	117
5.4.3 Response to the interview questions .....	118
<b>Chapter 6 Data analysis &amp; results .....</b>	<b>124-134</b>
6.1 Introduction .....	124
6.2 Data analysis comparison schedule .....	125
<b>Chapter 7 Discussion.....</b>	<b>135-146</b>
7.1 The general effect of the economy downturn on the organisation & the hierarchy of the events.....	135
7.2 The affect of the economy down turn on the organisation in terms of organisational change & size &comparing that to similar incidents within the regions history.....	136
7.3 The external & internal environmental factors affecting the organisation.....	137

7.4 The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future.....	139
7.5 The necessity of the organisational structure in determining the business cycle.....	142
7.6 Main discussion.....	144
<b>Chapter 8 Recommendations.....</b>	<b>147-154</b>
8.1 Recommendations .....	147
8.1.1 General recommendations for the U.A.E.....	147
8.1.2 Recommendations for stakeholders.....	148
8.1.3 Government & policy making .....	150
8.2 Conclusion.....	151
8.3 Limitation of dissertation.....	153
8.4 Suggestion for further research .....	154
References .....	155-162
Bibliography .....	163-163
Appendix1 .....	164-176
Appendix2 .....	177-189



## Chapter 1

### Introduction

#### 1.1 Back ground

This report is being constructed in a critical time of a world economy's history. The global economy is facing now a days a steep downturn. This down turn is affecting most of the world's organizations, which are specialized in different fields of activities. The organisations affected are mostly in the fields of real state development, industrial production travelling & tourisms along with all specialist types of stock markets. Some of the criticizing analysis started to refer to the current economy situation as a global economy crises that didn't accrue since the world war I. Economic specialist always come up with suggestions with regards on how to minimize the effect of this steep downturn. They usually bring down all the complicated economical theories to the basic wealth management of spending less & saving more. The point is to focus on more income & less expenses. Looking at the last point & along with that keeping in mind that the different organisations in the world are affected by this downturn leads you to analyze the business situation more carefully & understand how the business could move forward with respect to the slow motion of the economy. Major organizations are hit by this downturn such as **Lehman Brothers & Bernard L. Madoff Investment**. This led to shrinking or even sometimes closing down a number of organizations around the world. The previous situation proves a great link between the downturn of the economy & the organizations restructuring.

By bringing these crises of economy downturn to a micro level, we will be directed towards how it affected the different markets in the world. Most of the analyses are pointing at U.S. market economy as a generator of this problem, which led the flue of the situation to spread all over the open capitalist world markets. This is now a days the most adopted economic model all around the world. One of the regions affect is the Gulf region & particularly the U.A.E. market & especially in the real state market. Along with the real state market in the country some of the side businesses got affected as well such as the industries related directly to the real state business as the building material manufactures. Some other business in the region also got

affected such as oil manufacturing because it is linked directly to the U.S. Dollar. Along with that the businesses linked to the people's desires not to the needs are affected badly such as the tourism.

Organisations in the region have to keep rolling even slowly in order to keep up the economy cycle in the country, which is by itself one of the major countries that is shaping the economy cycle throughout the region. These organisations are forced to set new plans & objectives to minimize the risk & control the change in order to last. This action is not only looking on how to keep up the survival of the core business it is also involving some painful decisions such as restructuring the organizations & coming up with the redundancy plans. As it is being said commonly sometimes the medicines taste bad, but you have to swallow it to cure.

## **1.2 Aims of the research**

This report is aiming at presenting to the reader the economy situation in the global market & the affect of that on the local market. It will be focusing on the real state development market as an example on how that is affected by the global downturn. It will analyze an organisation & reflect its response to the economy. It will mainly look at the organisation structure of the company & discuss the possibilities of controlling both risk & change. The research is aiming to suggest to the reader a number of solutions within the organisational restructuring. These solutions will discuss the advantages & disadvantages of the proposed organisational structure. It will suggest the best possible solution to the organisation & will also present a general tactics on how to reshape the organisation according to the market need & the economy demands. This report will also reflect on to the ways of minimizing the negative impact on the organisation. At the end the report will provide a link towards further research in this field & I am aiming for it to be used as one of the bases to go forward with investigation in the field of linking the downturn of the economy with the strategy of organisation restructuring.

### 1.3 Objectives

The main aim of the research is driving it to focus on the local economy market effect on the organisation operating in a real state development. In particularly it will focus on **Dubai Properties Group** as case study. It will provide a post project review on the Group's organizational structure before & after the economy's downturn. The major aim of the research will take the reader through a number of the important objectives that will form the research & direct it to benefit the reader from the focused information provided. The main objectives of the research are listed as follows:

- 1 Provide a review on the global economy & its affect on the U.A.E. market.
- 2 Introduce the reader to the history & evolution of the organisational structure along with the main factors involved in shaping the structure.
- 3 Explain the necessity of organisational structure in determining the business cycle & speed towards achieving the objectives of the company.
- 4 Present Dubai properties group as a post project review case, which is reflecting the downturn in the local economy & represent the hierarchy of the events which will capture this moment of the company's history.
- 5 Introduce to the reader how the organisation is responding to the economy by setting different criteria's for selecting the suitable organisation structure for operation.
- 6 Present different interviews showing the effect of the economy on organisations within U.A.E. in comparison with Dubai Properties Group.
- 7 Provide different tactics on how to restructure organisations in order to deal with the down turn in the economy & minimize the negative impact.

### 1.4 Research structure

The research is structured to introduce the reader to the main aim, which is how to adopt the most suitable organizational structure in accordance with the economical situation surrounded & the external factors. The research will start talking about the literature review & that will take the reader through the hierarchy configuration of the organisational structure. It will introduce the

reader to the Global economy system. Then the research is going to expand on explaining the global downturn in the economy. It will touch on the source of this downturn & its effect. Then the research will narrow down the economical effect downturn to focus on the Arabian Gulf region & the U.A.E. it will expand on how the down turn affected the local Market of the U.A.E. by pointing at negative examples on the negative impacts.

The impact on the market had a reflection on the performance of the organisations within the local market. The performance decreased due to the simple economic term of supply & demand as the demand decreased against the planned supply, which was expected from the market forecast. At this stage of the research the focus will be concentrated on the impact of the downturn particularly on the local U.A.E. market. It seems like the common say “hope for the best, but plan for the worse” wasn’t really considered. The highly competition situation in the market, gossips atmosphere of increasing incomes are all external factors that affected organisations in the downturn. Listening to a negative warning sound at that time was a barrier towards moving forward. Accordingly organisations never stepped back to analyze the circumstances & realize what was coming in order to have the realistic contingency plan for it. The report will have a close look at the local market situation & analyze both negative & some positive aspects if any.

At any economy, Organisations act like a lung in the human body. The variety of organization at any economy gives strength to that particular one. The further the organisations grow, the stronger the economy will become. That’s why the research will focus on the importance of the organizations by looking at the organisational structure. In addition to the previous, the literature review will be focusing on the organisational structure theories. It will introduce the reader to the organisational culture, size & design. The research will spotlight a good interest on the organisational development, organisational change. Both aspects will lead to understand organisational behaviour in order to prepare for organisational development. The main purpose of introducing the previous is to assure the readers understanding of the organisational structure. The research will introduce the different factor affecting any organisational structure. The purpose behind that is to enable the reader to classify the environment surrounding the organisation & consequently express ability to define the impact source. This will help the reader

to understand how to prepare for the counter act on the situation & determine the most suitable organisational structures solution along with setting up the correct contingency plans.

The research will introduce the methodology chosen to gather the non available information. It will run into the research approach & strategy. In addition it will thoroughly explain the data collection methods. At this part of the research it is important to explain for the reader the advantages & the disadvantages of the several different common types of organisational structures because this is a preparation to go through the case study which is a post project review on Dubai Properties Group before & after the economy downturn in the U.A.E. market due to the global economy crises.

In line with the previous, the research will focus on Dubai Properties Group as a case study. Understanding this case study is very important because it is the practical example to understand the impact of local market downturn on the organisational structure. At this part of the research the focus will be on the factors which determined the shape of the organisational structure before the downturn & this depends mainly on the vision & the objectives of the company. The direct & the indirect impact on Dubai Properties Group will be shared. The adopted solution of the organisational structure after the downturn will be presented, analyzed & criticized in order to understand & forecast the advantages & the disadvantages of the adopted organisational structure solution. The research will touch on the organisational change impact of the organisational size, organisational culture & organisational behaviour. Risk management is going to be introduced & analyses in order to propose how to minimize the negative impact on the organisation.

For a comparison reasons & to look at the downturn from another perspective, interviews results will be conducted with personals in different organizations within the same field. It is important to conduct such a comparison in order to explain for the reader the impact of the downturn. Then the picture will become clearer on how bad was the impact. In addition, analyzing the different point of views will introduce briefly the variety of the approaches towards organisational structure solution adopted by the organisations around.

The outcome data of the previous mentioned exercises will be analyzed to come to solid results. These particular results will derive our recommendations mainly in selecting the most suitable organisational restructuring solution. The results will also reflect the areas of improvement, the lacks & the limitations of the dissertation. The research & recommendations will be driven towards forming a bridge for the reader towards further research for identifying new solutions that this research didn't come across or even introduce new topic.

## Chapter 2

### Literature review

#### 2.1 Main objectives of the literature review

The main objective of the literature review chapter is to introduce to the reader several aspects related to two major points. These two points are going to be the base to understand the main field-work of the research. The literature review will mainly introduce to the reader major topics in economy in which the research progress will rely on. The literature review is going to explain the main topics of the first point, which are listed as follows:

- Economy & market review.
- Historical perspective.
- International economy.
- Economy downturn.
- The real estate bubble bursts & the U.A.E. economy.

Furthermore, the literature review will explain for the reader the second main topic related to organisational structure & behaviour. It will introduce to the reader the different organisational theories related to both structure & behaviour. It will also focus on the organisational change, restructuring & downsizing. The literature review is going to discuss the following main topics:

- Organisational theory & structure.
- Organisational size.
- Organisational culture & environment.
- Organisational behaviour.
- Organisational change
- Organisational development, restructuring & downsizing.

By understanding the aforementioned topics, the reader will be able to grasp the main field-work & establish the link between the economy & the organisational structure & behaviour. The reader will be able to understand how the two elements extract & affect each other.

## 2.2 Economy & market review

Economics is a social science where facts are weighed along with questions about how people will act on those facts (Schiff 2009). It is also important to understand Peter Schiff's expressions on the market movement as it will be explained in the following paragraphs. Schiff has expressed an interesting method on how to test the fluctuation of the market. He described that one of the direct ways to check out the economy situation in the market is by looking at the stock market performance, keeping in mind not all the markets around the world are having the stock market system. In some emerging economies the concept of the stock market does not exist. By understanding the previous we could go on reviewing the market further.

Except in hindsight, nobody knows when bull, bear or sideways markets begin & end & there is no universal agreement on the magnitude or duration of the market moves that define them. But precise definitions are not terribly important as long as you know **bull** means up, **bear** means down, & **sideways** means flat, & you have the relative knowledge to distinguish market trends from reverse market movements & fluctuations that are merely short-term in nature (Schiff 2009).

Additionally there is a comparison between the classical economy & the development economies. The transition from one to another is diverted by a number of forces. By analysing the two types one could understand the advantages & the disadvantages of each type. Then one can determine if the situation is better off or not.

The new advocacy demanded an understanding of the forces of development, and argued for the design of appropriate strategies and policies to support these forces. The viewpoint also showed similarities with the old growth viewpoint of classical economists as it was concerned with the



variables of capital. Population and the objective of what Adam Smith termed the ‘progress of opulence’ in the progressive state. Capital formations, viewed as the engine of development, become the focus of policy attention. However, the new ideology differed from the classical approach in that it emphasized an activist role for the state, arguing that in developing countries the free market would generate less investment than was socially desirable and allocate it in less than socially desirable ways. Development economics thus restored to prominence capital formation, which accordingly to Wade (1990); having been at the heart of economic theory from the eighteenth century to the First World War had then been displaced by issues of efficient resource allocation. Development economics thus combined a focus on capital formation with an activist view of the state that was absent from classical economics (HUQ & Tribe 2004).

### **2.2.1 Historical Perspective**

Schiff (2009) stated that it is important to understand some of the historical facts & point of views about the market in order to be able to compare what had happened to what is happening. Schiff have combined a sequence of historical events in the U.S. market in general. These events are presented in the following paragraphs & explain thoroughly the market situation at that stage.

The worse bear market in history began with crash of 1929, which kicked off the Great Depression & ended when World War II began in the early 1940’s, but wartime really was actually the primary trend within a secular bear market that lasted until 1949.

It is instructive to focus on the market movements in the 1930’s as tracked by the Dow plunged by 90 percent to 42 late in 1932. But then it rallied to 187 in 1937, dropped to around 100 a year later, had a couple of miner rallies, & then bottomed at 95 in 1942. Extending the secular bear market, another bear market rally took it to 206 by 1946, after which it pulled back to 167 & went sideways until 1949, when it pushed into a secular bull market lasting from 1950 to 1965.

That two major rallies occurred during the worse bear market on record illustrates the importance on the difficulty of recognizing trends for what, with the benefit of hindsight, they turn out to be.

Another secular bear market extended 1966, when the Vietnam War was getting hot, to 1982, after the Reagan-Volcker assault on double-digit inflation. Those who think the cure was worse than the disease might take another look at the disease. In nominal terms the Dow lost around 22 percent during the 16-year period. But a CPI, a somewhat more reliable indicator of inflation then than now, rose during the same period from 95.4 to 308.6, a gain of 223.5 percent or 7.3 percent annualized, which seems staggering & is, but is less than the real inflation rate prevailing today.

Four bear market rallies (which at the time fit the definitions of bull markets) occurred during the period, in 1967, 1968, 1970- 1973, 1974- 1976, and, on a smaller scale, in 1980. In inflation-adjusted terms, however, the highs were lower than previous bull market peaks & the subsequent lows, including the infamous 1973- 1974 bear market, were lower in real terms than previous bottoms.

Including a secular bear market from 1906 1921, there were three secular bear markets in the 100 years prior to the present one, & to be invested through any of them, especially when inflation is factored in, was very costly. To put this in perspective, & to show the dangers of overpaying for stocks at bull market peaks, the Dow was worth 20 ounce of gold in both 1929 & 1980, but bottomed at near one ounce of gold in 1932 & 1980. The recent bear market began with the Dow priced near 43 ounce of gold, & is worth less than 12 ounce today, on its way to retest the 1932 & 1980 lows. In other words, the Dow, despite a nominal rise from 380 in 1929 to about 11,000 today, has actually lost almost half its real value when measured from its peak price of 80 years ago. So much for the idea that buying stocks at any price always works provided your time horizon is long enough.

Conversely, we were in a secular bull markets between 1982 & 2000, in which stocks followed a rancher pattern steeply upward. That period included the infamous **Black Monday of October 19, 1987**, when the Dow plunged 508 points or 22.6 percent, beginning at three-month correction reflecting worry about inflated stock prices, federal budget & trade deficits, & foreign market activity. The point drop set a record that was broken in bloody Monday in 1999, when economic

& currency upheaval in Southeast Asia triggered a 554- point drop. On a percentage basis, however, the 1987 drop was greater.

In 1990, after years of land speculation & other over investment had resulted in a bubble economy & subsequent liquidity crises, The Tokyo stock Market fell 36 percent, wiping out the yen equivalent of \$2.07 trillion in value & marking the beginning of a severe recession & secular bear market lasting until 2000, when sign of recovery began to appear. Japan tried a number of stimulative measures, including lower interest rates, public works projects, structural reform policies, & other ideas, all of which contributed to huge government deficits, but its economy was very slow to respond, possibly because of a high saving rate, one respect in which Japan's experience & America's are dissimilar. Those Japanese investors who ignored the secular trend remained invested & suffered over a decade of losses. However, those who read the economic tea leaves sold their shares & used the proceeds to invest in bull markets elsewhere (Schiff 2009).

### **2.2.2 International economy**

There was a very healthy 1950s period as Schiff described. To understand the what & how of what happened to the American economy, take a look back at a time when it was rosy with good health, the post-war 1950's.

With pent-up demand from wartime shortages & with everybody having babies, consumer spending was strong, manufacturing was thriving, & economic growth was at an all-time high. The saving rate was positive, providing investment capital for new industries like aviation & electronics. Unemployment was well in check. Blue collar wages & white collar incomes were rising, & the housing industry was booming. Inflation was low (an obsession of President Eisenhower) & fiscal discipline kept interest rates moderate. The stock market gained. The national debt was negligible. The federal budget was tightly controlled & generally in balance. Much more was exported than imported, & the balance of trade had large surpluses. (A note to economic purists: The current account, which term is frequently used synonymously with the trade account, was running deficits. That was because the current account comprises, in addition to the trade account, the financial account. In 1950's, the financial account reflected the Marshall

Plan & other recovery- related foreign aid, foreign direct investments, & military investment abroad. The current account deficit was not deleterious to the country's economic health.

The dollar, the world's reserve currency following the Bretton Woods agreement in 1944, was backed by gold and is strong demand, and the United States Treasury held better than 60 percent of the world's foreign currency reserves.

So the 1950s economy was robust, but still there were harbingers of challenges to come. The first credit card, for example, was issued in 1950 and by the end of the decade; consumer credit had become an important part of the economy. Although manufacturing production was the dominant factor in economic growth, the services sector, which paid lower wages and produced little that was exportable, was gaining importance as the number of service employees surpassed the number producing goods by mid-decade. Massive government spending for highways, airports, and social welfare programs was causing huge tax increase (Schiff 2009).

Schiff went on talking about inflation linking that to the wrong system of currencies adopted by the U.S. & that certainly affects the whole world. This affect happens because in general the free trade is linked to the Dollar which does not have any back up really other than the powerful U.S. being behind it. The previous statement is very critical especially knowing the fact that America represents nearly 30 percent of the world's gross domestic product (Schiff 2009).

American inflation is being exported as foreign governments adjust their currencies to prevent them from gaining too much value against the dollar. Such adjustments are also made where foreign currencies are pegged to the dollar, as is the case in the Middle East & China, where inflation is rampant, & in other emerging economies. (Note: China now is so- called soft peg where the rise of its renminbi, or RMB, which is also called the yuan, is managed.) The removal of these dollar pegs would greatly increase the standard of living in countries where pegs exist, while simultaneously reducing the dollar's value & standard of living here in America.

Ironically, the financial media once again have it completely backwards, as the rising price of imported goods is referred to as "our importing inflation from abroad." This, of course, misses

the point entirely, as those prices are in fact only rising as a direct result of all the money being printed abroad to buy up all the dollars were used to pay for our imports. It is not America importing inflation, but the inflation chickens we exported coming home to roost (Schiff 2009).

Further, the fact that government has the nerve to blame inflation on rising commodity prices is the ultimate chutzpah. It's analogous to someone stuffing his face with junk food, never exercising & then blaming the scale for his obesity. The key point to remember is that as more dollars are created, thus diminishing the value of each one, more are required to buy a given quantity of goods (Schiff 2009).

American Auditing standards of disclosure & transparency are widely applied in the developed economies. Of course, watching former executives of companies like Enron, WorldCom & Tyco International trade their Brioni striped suits for government- issued striped pyjamas reminds us that the integrity of corporate financial statement should never be taken for granted- domestically or abroad (Schiff 2009).

Using my top- down investment strategy, more than half the battle is knowing where geographically to put money as the dollar collapses & wealth transfers. Individual stock selection is thus reduced to the simplest & most conservative basics (Schiff 2009).

Diverting the view to look into another perspective is very important. This will enable the reader to understand the International economy & the link between the different geographical located economies. HUQ & Tribe have brought up their point of view on the below facts.

Some of the most successful developing countries – including Taiwan, South Korea, Hong Kong and Singapore – had achieved extraordinary industrial growth by using an outward-oriented model driven by market incentives and a strong private sector (HUQ & Tribe 2004).

Once institutional arrangement is in place to generate an efficient allocation of resources investment can be left to take care of itself" (Wade, 1990, p.10). The government should, therefore, limit its activities to (a) improving the functioning of markets and (b) providing only

those goods and services where the government has a clear comparative advantage relative to the private sector. Assuming that prices reflect social opportunity costs, the underlying argument runs, profits incentives based on market prices would drive the economy to its maximum production potential (HUQ & Tribe 2004).

It was during the 1990s that the neo-liberal approach was particularly sharpened with serious attempts to push 'globalization'. Although there is some confusion over the precise meaning of the term, it can be observed that globalization refers to '..... The closer integration of the countries and peoples of the world.... brought down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders' (Stiglitz, 2002, p.9). In other words, it is a process of increasing integration of national economies into an inter-dependent global economy (HUQ & Tribe 2004).

Over the last 20 years developing countries has significantly increased their exports of manufactures and services. The study claims that this 'integration' of developing countries into the global economy has had a positive effect on poverty reduction. The international dimension of this change has been supported by significant 'domestic reforms covering governance, the investment climate, and social service provision'. Experience from, for example, China, India, Bangladesh and Vietnam is cited in support of this finding (HUQ & Tribe 2004).

It has to be recognized that globalization creates both winners and losers, so domestic policies need to recognize this in terms of enabling the type of flexible economy, and socially supportive measures, providing the means of transition for 'losers' to a more secure economic future (HUQ & Tribe 2004).

For globalization to the pro-poor, it needs to be combined with policies which create a more equal distribution of, or access to, productive assets and resources and which build the capacity of vulnerable groups to face successfully increased competition which comes with globalization. Creating a more equal distribution of human capital through education, training and labour market policies is particularly important. The speed and sequencing of external and domestic liberalization must be tailored to the particular circumstances of individual countries, based on

their institutional capacity to transform the economy. Where institutions and governance are weak, they must be reinforced so that the benefits of globalization can benefit even the vulnerable parts of population and the least developed countries (Kohl 2003.p.8)

Primarily within a single- country context & implicitly assumes that either national institutional contexts do not influence performance persistence or that effect on performance persistence are homogeneous across countries. However, institutional economists have shown that the institutional context of an economy- the combination of formal rules, informal constraints, & their enforcement characteristics- varies significantly across countries & has an important influence (Chacar & Vissa 2005).

However, revisionist arguments stemming from theoretical models of industry evolution suggest that in the presence of turnover, concentration need not to be conducive to collusive behaviour. The econometric literature on plant & job turnover also shows strong competitive pressures in emerging economies. Pressure that have been significantly increasing with growing market globalisation (Chacar & Vissa 2005).

For instance, the OECD (1998) report on cross- national antitrust activity is replete with examples where the French government openly states the industrial or employment policy rationales behind merger decisions (Clougherty 2005).

A number of national antitrust authorities take more subtle approach to factoring international competitive effects: Spain, France, Netherlands, Sweden, Belgium, & the European Union all focus merger reviews on the trade- off between producer & consumer surplus, yet specifically note that producer gains from exports are part of their trade- offs. Canada & the United Kingdom exhibit further examples of how international competitive effects can be institutionalised as both authorities are charged with expanding National participation in world markets. Even the United States- the paragon of the antitrust policy- allows cartelisation for export purposes (Clougherty 2005).

Budgetary autonomy refers to the financial autonomy of antitrust agency. As noted, budgets make up a critical element of institutional capability; yet budgets also convey important information on institutional autonomy. Governments can be quite sensitive to budgetary fluctuations; hence the more dependant an antitrust agency is on a specific administration's or legislature's favour for necessary funding, the greater the incentive to take political calculations into account when making policy decisions (Clougherty 2005).

By looking at the past international economies review & understand the link within the global economy, one could understand that the world economy acts like a chain of events. If a fire catches the neighbouring house it surely might catch your house & go on to the next neighbourhood. It is also important for the reader to differentiate between the well established economies & the emerging economies. The geographical positioning of these economies is very important for shaping the flow of the wealth. In addition, it is important to understand importing & exporting balance, which will determine whether you are a consuming economy or producing one. Does a particular economy rely on another one? This is a question to understand the fact that until when one economy is going to be linked to the other & when is time to unlink.

### 2.3 Economy downturn

Since the United States was the leading economic power until recently, the fear was that any problems here would spread world wide. **If the United States sneezes, the conventional wisdom holds that the rest of the world catches a cold** (Schiff 2009).

In general, the American economy was on a course toward either stagflation- a combination of recession & inflation reminiscent of the 1970's- or, worse, hyper-inflation, similar to what happened Argentina early in this decade, when a middle class literally went to bed well-fed & happy & woke up threatened with poverty (Schiff, 2009).

Schiff (2009) also have spoken thoroughly about the Coming Economic Collapse as he mentioned that fast-forward now to early 2007 when my book *Crash Proof: The Coming Economic Collapse* was published. By then, the nation had undergone a radical transformation in



terms of its economic infrastructure and its economic behaviour. A service-based economy had largely supplanted one based on manufacturing that was not at a competitive disadvantage to producers in Asia and elsewhere. Who were less burdened regulation high taxes, and mandated worker benefits. America had become a nation of consumers, and producers were disappearing.

To Say the United States government was operating on borrowed money and dangerously dependent on foreign suppliers and lenders was to make the understatement of the new millennium. Reflecting that reality the balance of trade was running huge deficits, with imports exceeding exports by \$800 billion annually. Federal budget deficits ranged between \$300 billion and \$400 billion yearly, caused by trillions of dollars of government spending for the Iraq and Afghanistan wars, entitlement programs, debt, owned in large part to China and other trading partners, exceeded \$9 trillion, a staggering and unrepeatable figure yet only a small part of the overall debt picture. Unfunded liabilities, such a Social Security, veteran benefits, and loan guarantees, raised total government obligation to over \$50 trillion. Foreign currency reserves held by the United States Treasury declined to a mere 1 percent of world reserves, ranking the United States behind Libya, Poland and Turkey (Schiff 2009).

It is worth mentioning what Schiff his book crash proof talked about the real estate bubble, the section we are going to discuss it next, & how the Bush administration dealt with the matter. He said that the real estate bubble, easily the worse speculative episode in the American history, has been artificially propping up the entire national economy. The unwinding will cause havoc reaching well beyond the stakeholders directly involved (Schiff 2007). Following the bursting of dot-com bubble in 2000 & the World Trade Centre tragedy in September of 2001, the newly inaugurated Bush administration & Republican controlled Congress made a bad choice. Instead of using the bully pulpit to appeal for national sacrifice to see us through a corrective recession, they swept everything under the rug & bought some costly time (Schiff 2007).

The stock market, following the longest bull market in history, was still overvalued, even though a bubble in the (mainly) NASDAQ-listed dot-com issues had finally burst in 2000. This caused a short-lived technical recession, which the Federal Reserve quickly replaced with an even larger bubble; this one is residential real estate. So to say the United States government was operating

on borrowed money and dangerously dependent on foreign suppliers and lenders was to make the understatement of the new millennium. On a personal level, the American population was up to its eyeballs in debt and the national savings rate had just turned negative for the first time ever. The real estate bubble, the biggest speculative mania in United States history, had just burst, though few seemed to notice. The dollar was in a steep decline and on a path to collapse, but the economy was too vulnerable to risk raising rates. Still, the government economic leaders said not to worry. Consumer spending was strong, and increases in the gross domestic product (GDP) reflected healthy economic growth, they said. Moreover, we were told, house hold net worth was at an all-time high, reflecting the strength of the real estate market and steady growth of home equity (Schiff 2009).

To peel of the old horse laugh, I argued until I was blue in the face that all happy talk was an ominous misreading of the realities. As fellow panelists cited GDP growth as evidence of strong economy, I counted that 70% of GDP was consumer spending on imported goods using borrowed money. That I argued was not a wealth creation as the term economic growth implied, but wealth destruction. Speaking of a minority of one, I predicted then that the subprime market would soon collapse & spread to the general mortgage market & then become an economy-wide credit crisis. In any event, I don't think it is brain surgery to predict that a playboy who is without a job & living the high life on credit card dept is going to run into trouble (Schiff 2009).

There is, of course, one huge difference: A nation can create money & the individual can not. But the more money it prints, the less purchasing power the money will have. The end result for offending nation will be destruction of its economy by massive inflation. The only sane course is to allow real state prices to adjust downward & for Americans to face reality & endure a lower standard of living (Schiff 2009).

America is no longer the engine of world economic growth but rather the caboose. When the caboose is decoupled from the train, the engine- now the producing economics primarily of Asia- will pick up speed & represent even greater investment opportunity for Americans smart enough to size it. The other is that our relationship with the world is analogous to the one I had with my former wife. I had a job & earned money, which she promptly spent. My job was not a function

of my wife's willingness to spend money; her ability to spend was a function of my ability to earn. Once we decoupled, I could spend my earning on myself, even though my ex got a property settlement. When China divorces us, the Chinese will keep 100 percent of their property & their factories, use their products themselves, & enjoy a dramatically improved lifestyle. America like my ex, will have to scale back her lifestyle in line with her production (Schiff 2009).

There are also significant objections to the idea that trade liberalization is in itself an effective route to growth (Baldwin 2003: Yanikkaya 2003). Liberalizing a nation's trade regime only leads to higher growth if the country is in a position to take advantage of the new opportunities open to it. In order to benefit from opening its markets, a country must possess an adequate infrastructure and technological capability, its workers must be sufficiently trained and have skills relevant to the modern economy and it must have proper logistical systems in place. If this is not the case, trade liberalization may destroy more jobs than it creates when inefficient national firms are forced to compete with their better prepared international counterparts. The Washington Consensus's preference for liberalized capital and financial markets has been the subject of sustained criticism, especially in the aftermath of the East Asian crisis of 1997 (see Klein 2003). The reforms that have been advocated increase the vulnerability of countries to rapid inflows of short run investments (**so- called 'hot money'**).

This increased the host economy's vulnerability to sudden capital movements, which can seriously undermine its long run growth prospects. In addition to this, the increase in FDI (Foreign direct investment) made possible by liberalized capital markets, has tended to flow to those economies further down path to economic development. As Henley and Kirkpatrick (2001, p.74) put it, 'Higher risk, underdeveloped financial markets, limited effective market demand and differences in production relations combine to limit the flow of new capital to low income countries'. They provide starting figures relating to the increased concentration of FDI in larger developing economies, which attracted 75 percent of the total FDI flow during 1993-95, up from 69 percent during 1990-92. Furthermore, as Stiglitz points out, FDI has not been shown to be the unambiguous factor leading to higher levels of investment and to faster growth in recipient economies (Stiglitz 2002, p.66).

Stiglitz (1999) have directed the focus towards the East Asian economic & talked about responding to it. He explained that while economic crises are becoming more frequent and severe, our experience in East Asia has demonstrated how the international response to these crises remains inadequate. Appropriate policy responses to economic crises entail three essential dimensions: first, the maintenance policy; second, complementary structural policy aimed at restoring confidence; and finally, a robust social safety net to mitigate the adverse and potentially long-term effects of economic downturns. A suitable crisis response requires that policy-makers recognize the critical role of financial markets and the existence of time lags. Suitable policy responses should consider not only an individual economy's ability to absorb shock, but also the asymmetries and nonlinearities of alternative policies. As we thus seek to improve our macroeconomic and structural policies for the future prevention and mitigation of crises, it is critical that we bear in mind the protection of the most vulnerable segments of society from the crises that will inevitably occur.

Stiglitz (1999) also added that economic crises can produce large and rapid increases in inequity. Indonesia's poverty rate had drifted down from over 60 percent in 1975 to 7 percent just prior to the crisis. It is now expected to rise to around 20 percent by the year 2000. In Korea more than 1 million people have lost their jobs, and many others face lower real wages and less job security. Thailand has also seen increasing poverty, unemployment, and falling real wages. Altogether, prior to the crisis there were 30 million people living on less than \$1 a day in Indonesia, Malaysia, Philippines and Thailand. By 2000 that number could easily double to 60 million. The most important policy for socially equitable development is full employment. The unemployed are not just a statistic or an under-utilized resource that could have increased GDP. They are people, and no numbers can convey the degree of disruption that unemployment brings to their lives, their livelihoods, and the well-being of their families. Although safety nets and targeted assistance may mitigate some of the consequences of unemployment, from an economic, political or psychological perspective, nothing is better than a job. Jobs are the means by which people participate in the productive economy and feel productive themselves. It is one of the most important sources of inclusion in the national economy.

In the context of developing countries, minimizing underemployment is just as important as minimizing unemployment. If an Indonesian loses his or her well-paying factory job, they can always return to their village and help out on the family farm. The extra output from their effort, however, may be minimal, making their “job” virtually equivalent to unemployment (Stiglitz 1999).

Stiglitz (1999) has described the importance of the economic policies shaping out the economic road map. He explained that in designing macroeconomic policies, policy-makers face a peculiar constraint; although the wrong policies can result in virtually unbounded harm, the right policies can only keep the economy operating normally. It is relatively easy to use monetary and fiscal policy to engineer a 25 percent contraction—some argue that this is what the USA did, albeit inadvertently, in the Great Depression. It is virtually impossible, however, to use monetary and fiscal policy to expand the economy by 25 percent. This idea is often expressed, particularly in the context of monetary policy, by analogy to a balloon on a string. Tightening the string can pull the economy down, but pushing on the string cannot push the economy back up. The consequences of policy are asymmetric for several other reasons as well. First, a relatively small shock to the economy may be self-correcting, but a larger shock may plunge the economy into a recession. In economists’ technical jargon, we say the nonlinearities are very important.

Bankruptcy provides an illustration of both the push-pull and nonlinear phenomena. With a big enough push, you can bring many of the economy’s firms into bankruptcy, but reversing that process is far more difficult. As the economy deteriorates, a large number of firms go bankrupt, and their mutual obligations raise uncertainty and increase bankruptcy even more. The result is a large decrease in production, investment and credit flows, with the attendant consequences for output and unemployment. The huge costs associated with resolving bankruptcies make it very difficult to repair the damage. Also, the organisational capital that is the firm’s core asset is dissipated quickly after it is shut down and rebuilding that organisational capital is a lengthy process. This is reflected in the well-known observation that the value of a firm as an ongoing enterprise is far greater than the value of the assets which constitute it.

A second, and related, reason for lopsided policy results is the abundant evidence that a period of bad economic performance can be translated into a prolonged period of higher unemployment and slower growth. In addition to the reasons just discussed, this can occur because firms respond to bad times by reducing their investment in research and development. Furthermore, long-term unemployed workers lose their job-searching skills and become stigmatized by employers-an affect economists have called hysteresis. Many economists place at least a share of the blame for high European unemployment in the last 15 years on hysteresis.

Finally, the social consequences of economic performance are highly uneven. Even if everyone shared the losses, the effects on the poor, who have just enough to survive, are enormous compared with the effects on those who are better off. But typically the burden of adjustment is not shared equally. A disproportionate share of the increase in unemployment or underemployment is concentrated among the least well off. As a result, these “innocent bystanders”, who played no part in the causes leading up to the crisis, are the ones who bear the greatest burden (Stiglitz 1999).

Stiglitz (1999) had an interesting point about the technique of responding to the crises. He explained that the asymmetries in burden sharing are not only inequitable; they also may attenuate the incentives to avoid future crises. Although I am discussing the response to crises, we must be mindful that the way in which we respond to crises, or are expected to respond to crises, helps shape the incentives that make crises more or less likely. If, for instance, crises are typically precipitated by a build-up of short-term debt, and if short-term debtors do not share in the losses, or even if they do not bear the full costs of their actions, then they will be encouraged to continue making risky loans. Improving the burden sharing is not solely a matter of social justice.

Stiglitz (1999) have raised an important point which is facing the crisis & balancing the risks. As a result, policy-makers must make important decision in less than ideal circumstances. If they make the wrong decision, the country can collapse. If they make the right decision, hardly anyone notices. These decisions are made in a highly uncertain environment. They must recognize this uncertainty, recognize the asymmetries, and recognize the long-lasting effects of

possible mistakes. In an economy facing a crisis, the balance of risks should be a central focus of discussion. Again, the situation of the economy, including its historical context, is central. Consider the East Asian countries, with a long history of stable macroeconomic policies, fiscal surpluses and low inflation. For instance, in the year before the crisis, Korea had brought its inflation rate down from 51/2 percent to 4 percent. The entire region was roughly in macroeconomic balance at the time the crises struck. As consumption and investment were likely to plummet, standard macroeconomic models suggested the likelihood of a serious deep in GDP. Given that the countries were starting from rough macroeconomic balance, this contraction in the key components of demand would lead to a large increase in unemployment or underemployment. Finally, Joseph Stiglitz suggested that if we do not fully understand the response to this crisis, we risk repeating the same mistakes in responding the future crises.

It was clear that the crises in East Asia were financial crises, and this raised a warning flag about the risks being faced, and therefore should have affected the policy stance. A familiarity with the financial structure in East Asia suggested that the risks they would face, in this regard, were far more severe than those that had been encountered in earlier crises (Stiglitz 1999).

Stiglitz (1999) have talked about, the Economic Strength versus Investor Confidence: Is there a Trade-off? It has become an article of faith that countries in crisis must have done something wrong, and that they can only recover if they punish themselves with austerity measures. The more severe the crises, according to this view, the greater the sins and thus the greater the required penance. This runs completely contrary to the logic I just outlined that implied that macroeconomic policy should attempt to pre-empt severe economic contractions. Advocated of painful reforms often justify them by noting that they are necessary to restore confidence and that, at least in the short run, confidence is more important than maintaining aggregate output and employment.

One year ago I questioned this dichotomy in a New York Times oped. I argued that ‘maintaining a strong economy ..... is essential to restoring confidence.’ The unfortunate experience of the year that has elapsed since I wrote that sentence has strongly confirmed this perspective. High interest rates were supposed to restore confidence in East Asia. Instead they weakened the

economies, causing even more depreciated exchange rates and thus undermining confidence still further. Elsewhere in a Brookings paper, I have analyzed the economics of the relationship between interest rates the exchange rates in crisis situations. Briefly, the logic is that the interest rate is only the promised rate of return on domestic assets. If a higher interest rate leads to a greater probability of bankruptcy, then the expected rate of return on domestic assets may go down, leading to a weaker exchange rate. In most economics, high interest rates tend to restrict borrowing and investment by small and medium-sized enterprises much more than by large firms. Also, substantial evidence from several countries documented that higher interest rates can have a large adverse effect on farmers' access to credit (Stiglitz 1999).

Finally, Stiglitz (1999) have concluded that selecting the right structural policies in a particular economy could help in preventing the economy to shifts from **downturn** to **recession** to **depression**.

In line with the previous, Rajan R., Siregar S. & Sugema I. (2003), have argued that the boom was fuelled primarily by large scale bank deposits. Raw data presented in this paper reveals by large scale bank deposits. Raw data presented in this region during the pre-1997 financial crisis which stimulated large-scale bank lending. Standard macroeconomic theory has by and large either completely ignored the role of banks in the intermediation process (Bird and Rajan, 2001b; Calvo, 1996), or implicitly assumed it to be smoothly functioning. Neither alternative is satisfactory, particularly when the focus is on emerging economics. Motivated by Spiegel (1995), we proceeded to develop a simple open economy extension of the Bernake and Blinder (1987), model. While this bank-centric Mundell-Fleming model is short term and static in nature, we have shown that it is able to account for the so-called interest rate premium puzzle in SEA precrisis, i.e. the sustained (non-constant) interest rate different offered despite evidence of fairly creditable ex-ante fixed exchange rates (Thailand and Indonesia in particularly).

It is important to point out that Honig (2006) concluded his research, is there a link between Dollarization & banking crises?, by saying that since the 1980's emerging markets have been subject to severe banking sector problems and thus the need to forecast future problems is great. I focus on dollarization of domestic banking systems. I find only limited evidence that unofficial

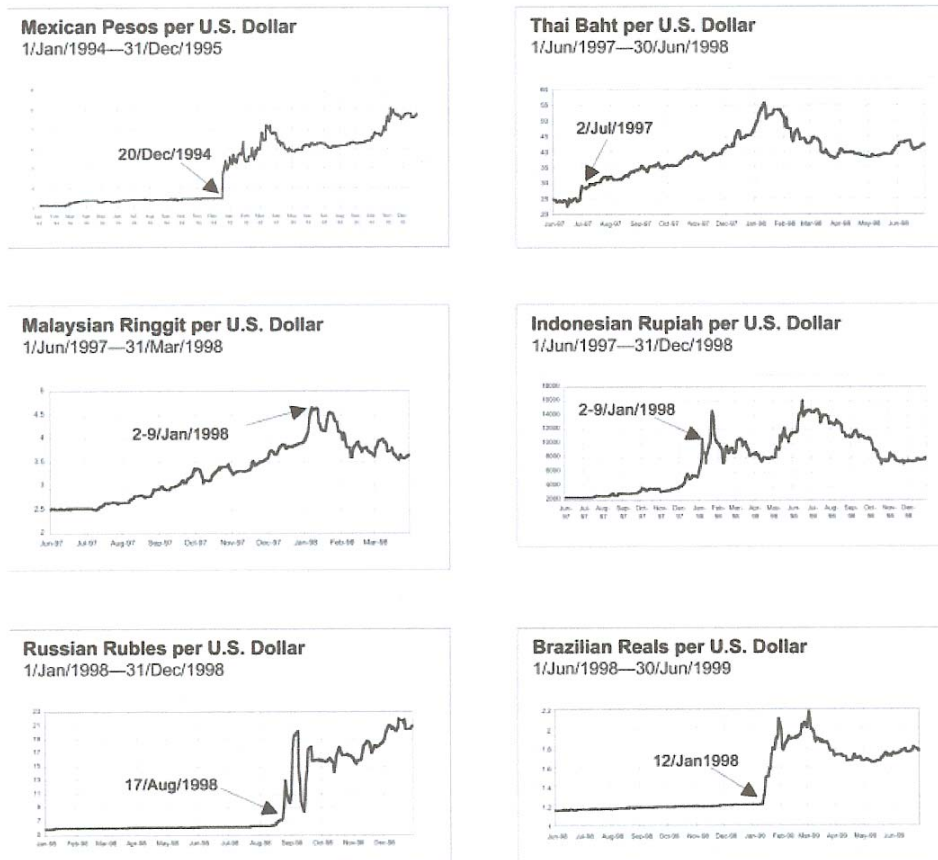


dollarization is predictive of banking crisis. This finding casts doubt on the widely held liability dollarization is a source of risk for emerging markets and developing nations, although there is still reason to believe that liability dollarization is a risk factor for certain countries.

Mudd S., Grosse R. & Mathis J. (2002) said that two major varieties of financial crisis have been identified in recent history (Kaminsky & Reinhart, 1999), First, there is a balance of payments or exchange rate crisis, in which overall funds inflows to a country are more than offset by overall outflows, leaving the country with the need to somehow cope with this situation by borrowing more from abroad and/or by devaluing the currency. The typical measure of this kind of crisis is a major exchange rate devaluation or a huge outflow of foreign exchange reserves from the central bank, which eventually also results in a major currency devaluation. An exchange rate crisis may occur even when an economy is growing positively and without other problems such as a stock market crash or the bursting of a real estate bubble. Such an exchange rate crisis is primarily focused on the international sector of the economy and problems in generating (or maintaining) foreign exchange. The second main variety of financial crisis that has affected many emerging markets over the past 20 years is a banking or financial system crisis. This kind of problem often occurs due to internal difficulties in a country, such as when real estate prices drop dramatically in a “correction” that is typical of most market economies time to time. This loss in real estate value may cause massive losses to commercial bank lenders, whose clients no longer have the valuable assets that they formally possessed, and who may not be able to meet their debt servicing requirements. A banking crisis may also result from an exchange rate crisis, if a major devaluation causes bank clients to be unable to repay dollar-denominated debts, then the banking system may suffer a collapse due to the bad credits. Changes in domestic demand in response to a crisis can be substantial. Basic microeconomics indicates that demand changes in response to changes in a product’s own price, the price of related goods, income and taste. All four of these may change during a financial crisis. The extent of the total change in demand for the firm’s product depends both on changes in the firm’s customer base, and on the reaction of the firm’s competitors.

The next diagrams show the exchange rate experiences in the six financial crises in the United States which reflect the downturn in the economy & links to the financial crises.

### Exchange Rate Experiences in Six Financial Crises.



Source: Prof. Werner Antweiler, University of British Columbia, Vancouver, BC, Canada.  
Figure (1) section 2.2 Exchange rate experience in six financial crises

## 2.4 The real estate bubble bursts & U.A.E. economy

The first signs I detected that the real estate bubble was finally leaking air were early in 2007 as homebuilders & mortgage lenders reported disappointing first quarter results & lowered their income projections for the year. However, I first started warning about the bubble itself, & direct consequences for our economy once it burst, several years before that. The results reflected I believe, buyer skittishness prompted by the rise to 5.25 percent in mid-2006 of the federal funds rate, the reference point of the mortgages & the other interest rates. That was the highest federal fund rate since the real state boom began, & the reaction gives an indication of just how little it took for an overextended public to go from exuberance to caution. Imagine the reaction,

especially when home equity dries up, to rise in rates sufficient to bring down inflation & put a floor beneath the dollar (Schiff 2009).

The greater problem, of course, is that few in power actually understand how we got into this mess, & those few may lack the courage to speak up. As a result, the next several years will be increasingly difficult as the various proposed government cures will only worsen the underlying disease & delay any meaningful recovery. Therefore, do not expect that American economy will stumble upon a reservoir of unnoticed credit, & that we will once again spend away the pain. Do not follow the typical Wall Street buy- and- hold mantra & the advice to simply ride out the economic storm. This is a category five monster, & it will destroy all who foolishly remain in its path. This is not the time to hunker down, but to **simply get out of the way & let the storm pass you by** (Schiff 2009).

By early spring 2006 the real estate slowdown began to be felt in other areas of the economy, such as capital goods orders, & options & futures prices began anticipating additional simulative cuts in the federal funds rates. The most ominous signs, however, were rising default rates in the subprime sector of the mortgage market, which accounted for \$ 600 billion or 20 percent of mortgages in 2006. These mortgages, nonqualifying for Freddie Mac or Fannie Mae & often made with no down payment, no income documentation, & at teaser rates adjustable at significantly higher reset rates in the future, were arranged by mortgage brokers & then sold off to packagers that pooled & securitized them. The mortgage back securities were then packaged as derivative securities called collateralized debt obligations (CDOs) that were structured in ways to get them investment- grade bond ratings they were then sold directly to banks, hedge funds, & other institutions that were attracted by their high yields, which were trade- off for their lack liquidity. The institutions carried them at values based on sophisticated mathematical modelling rather than real supply & demand. Initially the government & Wall Street dismissed the developing sphere crises as being contained. However in a commentary posted on my europac.net web site In March of 2007 entitled “Do Not Uncork the Champagne Just Yet,” I wrote with apparent blessing of the Fed, Wall Street can now borrow a page from the Las Vegas promotional book & claim that ‘what happens in subprime stays in subprime.’ Unfortunately, like an out- of- work showgirl with a folder full of embarrassing photos, the problem with subprime will soon show up

on everyone's door step. Later that year Jim Grant of Grant's Interest Rate Observer humorously observed that those who proclaimed that the subprime problems were contained to the planet Earth (Schiff 2009).

It was this kind of default- prone paper that later caused massive write- offs at institutions like Citigroup, which got a **\$7 billion cash infusion from Abu Dhabi, & Bear Stearns, which was purchased in May 2008** by JPMorgan Chase with the help of Federal Reserve. Rather than being contained, subprime problems were just the tip of a huge iceberg, the totality of which has yet to surface even now. Contrary to Wall Street & government assurance & consistent with my forecast, subprime foreclosures spread into the prim mortgage market, affecting lenders of all types & allied business such as bond insurers, government- sponsored entities Like Freddie & Fannie, bond- rating agencies, & , not lease of all, consumers who have been deprived of the home equity they naively regarded as wealth. As consumers are faced with soaring oil & food costs & how limited to funds available on their credit cards (**the next crisis**), business like Shaper Image & linens 'n Things have filed to bankruptcy; airlines are in deep trouble, as are automakers & countless other business dependent on consumer credit & travel (Schiff 2009).

The concept of demand destruction domestically & demand creation elsewhere, while causing domestic consumer prices to rise to levels that will force malls & big box retailers to shut down, will actually bring prices down in other cases. College tuitions kept artificially high as a direct result of the wide availability of student loans, for example, will collapse as the market for such loans evaporates & fewer people attend college. The economy will have return to its traditional roots of saving & producing rather than borrowing & consuming (Schiff 2009).

When Yogi Berra, asked what he thought about economy, said "A nickel ain't worth a dime anymore," he seemed at least to intuit that sound money should be a top national priority, a point a lot of people in pinstripes still don't seem to get (Schiff 2009).

Boyle (2002) have pointed out the Tiger economies as he said that which collection of countries is being referred to when the label 'Tiger' is invoked? A common connection is that it is in the South East Asian economics of Japan, South Korea, Singapore, Taiwan and Hong Kong, and

more recently Thailand, Malaysia, Indonesia and the Philippines that the characteristics of Tigerhood most reveal themselves. Although failing to live up to their full-blown counterparts, a number of 'intermediate' states such as Brazil and India have also traditionally been viewed as possessing Tiger qualities (Evans 1995). With the spread of the Asian economics since 1997 (Mallet 2000). According to Evans (1995), key to the developmental state is the 'embedded autonomy of state technocrats in networks of domestic industrial capital. The capacity of state technocrats to prod and poke indigenous companies in certain directions is dependent fundamentally upon the close social ties that bind state officials and leaders of domestic industry. The remarkable feature of these social ties is their reciprocity: not only does the state soak up the values of leading capitals, but it itself is involved integrally in inculcating into domestic industry such capitalist values as risk taking, innovation and competition. Most visibly embodied in the colossal South Korean chaebols, the state and capital in a very real sense are woven together in the pursuit of rapid growth.

Gowealthy.com website (2009) have talked about the economy downturn & focused on the U.A.E. as they have explained that major nations in the world are desperately trying to fight against the credit crunch and striving to rise uninjured from the recession, we spot UAE with rather stable economy and position. Let's analyze the reasons and factors that helped the country to upbeat the global pressures.

Many experts in Dubai predict that the health of the emirate's economy will only be mildly affected by the ongoing international financial crisis, though a further draining of liquidity is a matter of concern.

The liquidity crunch that is playing out in the global markets is a result of crisis of confidence among banks. The collapse of large banks and financial institutions such as Bear Stearns, Lehman Brothers and AIG has shaken the confidence of banks to freely lend to each other, as everyone is guessing who is next. As a result, many banks which relied on short-term wholesale funds from other banks, are finding it difficult to raise such funds any longer, leading to a liquidity crunch. Local banks in Dubai have experienced low levels of exposure to failing US banks while the tightening of the international credit market has made it harder for banks to obtain short-term funding to cover their obligations. As a precaution measure Central bank of the United Arab Emirates (U.A.E.) announced on September 22 that it was making \$13.6bn

available to local banks to bridge any liquidity shortfalls. Anticipated tighter liquidity is already speeding up mergers. Tamweel and fellow Dubai-based mortgage lender Amlak Finance entered into \$2.4 billion merger, a proactive measure to spur international growth.

It is worth mentioning that there was recent announcement His Highness Shaikh Mohammad Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, has ordered a Dh70 billion transfer to the Ministry of Finance to pump liquidity into the banking sector. The new transfer brings the total emergency funds for the UAE banking sector to Dh120 billion (Gowealthy.com 2009).

Gowealthy.com (2009) have added also that U.A.E. Property sector is facing a Credit crunch. It explained that the global economic downturn will not be having a major effect on Dubai's property market. High demand and shortages have driven up prices at huge rate and the question is whether it will sustain for long? With an expanding economic base, ample reserves, high domestic demand and a strong programme of infrastructure and development projects drawing investment, Dubai may find itself better equipped than others to handle a crisis. The Gulf's oil-fuelled boom has so far protected the region from the major upheavals that have shaken the financial and property sectors in the United States and Europe. A worsening global credit crunch will not have a major impact on Gulf oil producers as they soak in mammoth crude exports liquidity that allows their governments to more than offset funding for development projects. Despite a slide of nearly 50 per cent in oil prices over the past few weeks, the six Gulf Co-operation Council (GCC) countries are expected to net their highest ever budget surplus in 2008 while they continue to supplement funds on development, tempted by rapidly accumulating overseas funds. Four GCC members in Opec - the UAE, Kuwait, Saudi Arabia and Qatar - netted a staggering \$423 billion (Dh1, 554bn) in the first nine months of 2008; more than double what they projected in their budgets for the whole of the year.

Focusing on the region again, USA2UAE.com (2009) have explained that as the economy downturn crimps demand for new apartments, goods and services in the UAE and other GCC countries, the workers who either create or sell them are losing their jobs by the hundreds. Layoffs have come to the oil-rich Gulf. In recent weeks, companies in the UAE alone, such as

Nakheel, DAMAC, Omniyat and Al Shafar General Contracting, announced more than 1,000 job losses. While those who are still on the payroll are lucky, prospects of a rise in pay next year now look bleak. Many companies in the GCC are now rationalizing workers' salaries as a cost-cutting solution. Recruitment plans have been revised, while salaries for newly hired and redundant staff are reportedly being slashed in lieu of layoffs. Those mostly affected are workers in the investment, banking and real estate sectors. Advantage Consulting, a management consulting firm, recently surveyed 500 organizations in the UAE, Bahrain, Kuwait, Oman, Qatar and Saudi Arabia, to assess the prevailing economic scenario in the GCC countries.

It is interesting to know that Masud, Andrews & Wright (2009) have pointed out at U.A.E. as a unique economy. They have argued that it is an expat-driven economy. So now a days the housing slowdown is deriving down population growth. In their argument they have explained the link between the population demand & the property market. They went on expressing this point of view by saying that We believe UAE and more specifically Dubai is a unique economy driven largely by non-residents or expatriate inflow, which in turn is critical to assess the impact on property dynamics. A slowdown in housing market in addition to challenging macro conditions may lead to fewer foreign workers moving to the region for job opportunities and fewer investors engaging in local investments including real estate assets. This would likely lower net demand growth for property and may actually create incremental headwinds should there be net population outflows (Masud, Andrews & Wright 2009)

Masud, Andrews & Wright (2009) have added that the Implications was greater for Union Properties and Emaar referring to their analysis. They explained that based on our proprietary analysis, we assume that the excess supply created by the exiting migrant property workforce is between 5% - 10% of current market in Dubai. Assuming a similar impact i.e. 5% - 10% to top line for Dubai developers, accompanied by an estimated 300 bps decline in gross margins, we estimate Emaar's 2009 pro forma earnings would be negatively impacted by 10% - 15% respectively. For Union Properties, given its lower margin profile, we estimate the 2009 pro forma earnings impact would be in the 15% - 25% range in light of the above mentioned assumptions. Finally for Aldar Properties, we have already assumed a flattish outlook for Abu



Dhabi population growth. Hence if population analysis is in line with our expectation, we do not see material downside to our pro forma earnings estimate for 2009.

Masud, Andrews & Wright (2009) have also explained that the proprietary demand-supply model indicates oversupply risk. They highlighted that in our UAE property initiation report, “Testing the vision” dated December 4th 2008 the potential oversupply risk in Dubai’s residential market. We view the population analysis in this report as complimentary to our initiation assessment, where we mentioned that Dubai’s oversupply risk would be manageable should population grow 5% y/y in the coming years, i.e. oversupply at only 2% of market by end of 2010 or 7k units out of total of 310k in existing supply (analysis factoring in 50% on-time deliveries, i.e. only 70k of the expected 140k residential units would be delivered). We also pointed out that should Dubai’s population growth be flattish instead of mid single digits we estimate a residential oversupply of roughly 16% of market (or 48k units), i.e. significantly more meaningful. As we point out later in the report assuming Dubai’s population declines 8% y/y and 2% y/y in 2009 and 2010, net

oversupply would be roughly 27% of market by end of 2010 (or 87k units). Clearly should this scenario play out there would be sustained and possibly incremental pressure on house prices. Hence we are comfortable in our view that at the very least Dubai would see 30% price declines from its current average of AED 1,850 per square feet. It is possible that incremental oversupply exacerbates pricing pressure and far more severe price declines are actually witnessed than the 30% - 40% range – hence our cautious view of Dubai. We would not be surprised if peak-to-trough price declines in certain segments of Dubai property market (especially ultra high end) are in the 50% plus range. Comparatively we don’t believe Abu Dhabi will likely witness residential oversupply in the coming two years given acute shortages with an estimated 30k units coming online compared to existing supply of 180k units (Colliers).

Masud, Andrews & Wright (2009) have also put in plain words that Dubai relatively more vulnerable than other Emirates. They expressed this further & said that while as mentioned above we expect Dubai’s population growth to trend down 8% y/y and 2% y/y in 2009 and 2010, whereas for UAE as a whole we estimate population growth would be largely flattish in 2009 with modest increase of 2% in 2010. With reference once again to our initiation report, we



estimate Dubai and Abu Dhabi combined account for 90% of the UAE property market, i.e. AED 1.7 trillion of the AED 1.9 trillion. Of the AED 1.7 trillion, we estimate Dubai property market value is roughly 60% (i.e. residential and commercial combined). Based on 2006 GDP estimates provided by Dubai Chamber of Commerce, Dubai's construction and real estate sectors combined were roughly 24% of Emirate's GDP while for the UAE as a whole these sectors combined were much lower at 14% of the UAE's GDP. Furthermore as we detail later in the report we estimate Dubai's mix of construction and real estate workforce at more than 50% of Dubai's employed workforce in 2008 compared to about 30% for Abu Dhabi and around 26% for the entire of UAE. Hence we argue here that Dubai is more exposed to the real estate and property sector compared to other Emirates and therefore a slowdown in this sector would make Dubai relatively more levered to a downturn as well .

The next tables shows the population levels by Emirate & the population growth of residents & expats:

Emirate	2006			2007			2008E			2009E		
	Residents	Expats	Total	Residents	Expats	Total	Residents	Expats	Total	Residents	Expats	Total
Abu Dhabi	358	1,072	1,430	372	1,121	1,493	387	1,172	1,559	403	1,225	1,628
Resident-Expat mix	25%	75%		25%	75%		25%	75%		25%	75%	
Dubai	139	1,233	1,372	141	1,337	1,478	145	1,451	1,596	147	1,575	1,722
Resident-Expat mix	10%	90%		10%	90%		9%	91%		9%	91%	
Sharjah	140	681	821	143	739	882	147	799	946	152	865	1,017
Resident-Expat mix	17%	83%		16%	84%		16%	84%		15%	85%	
Ajman	39	173	212	41	183	224	43	194	237	43	207	250
Resident-Expat mix	18%	82%		18%	82%		18%	82%		17%	83%	
UAQ	16	34	50	16	36	52	16	37	53	17	39	56
Resident-Expat mix	32%	68%		31%	69%		30%	70%		30%	70%	
RAK	89	125	214	91	131	222	93	138	231	97	144	241
Resident-Expat mix	42%	58%		41%	59%		40%	60%		40%	60%	
Fujairah	58	72	130	60	77	137	61	82	143	64	88	152
Resident-Expat mix	45%	55%		44%	56%		43%	57%		42%	58%	
Total	839	3,390	4,229	864	3,624	4,488	892	3,873	4,765	923	4,143	5,066
Resident-Expat mix	20%	80%		19%	81%		19%	81%		18%	82%	

Source: Ministry of Economy UAE, UBS

Figure (1) section 2.3 Absolute population level by Emirate

% growth	Residents 07	Expats 07	Residents 08E	Expats 08E	Residents 09E	Expats 09E
Abu Dhabi	4%	5%	4%	5%	4%	5%
Dubai	1%	8%	3%	9%	1%	9%
Sharjah	2%	9%	3%	8%	3%	8%
Ajman	5%	6%	5%	6%	0%	7%
UAQ	0%	6%	0%	3%	6%	5%
RAK	2%	5%	2%	5%	4%	4%
Fujairah	3%	7%	2%	6%	5%	7%
Total	3%	7%	3%	7%	3%	7%

Source: Ministry of Economy UAE, UBS

Figure (2) section 2.3 Population growth y/y resident & expats

In addition to the previous, the below graphs shows the stock price targets of the major properties development companies in the U.A.E. Since 2005 up to date as an indication of the economy downturn.

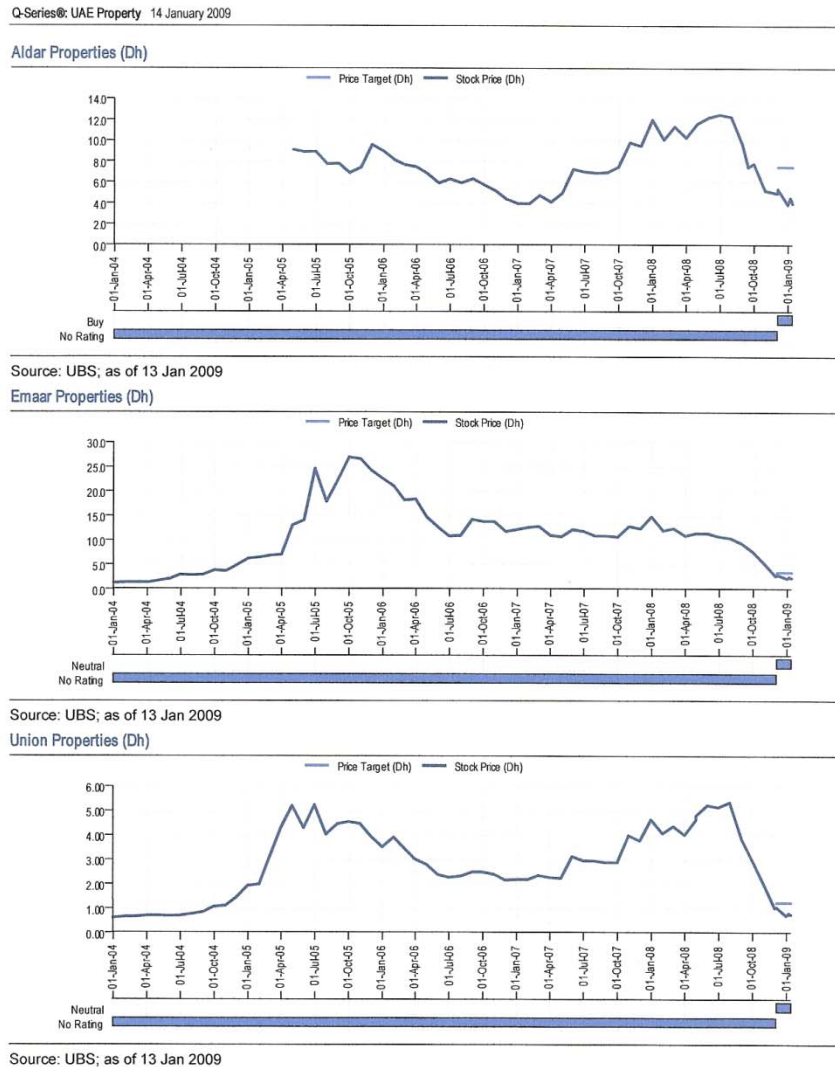


Figure (3) section 2.4 Stock price targets of the major properties development companies in the U.A.E.

## **2.5 Organisational theory & structure**

### **2.5.1 Back ground on the importance of the organisational structure**

It is important to understand organizational structures because only by understanding that one could define responsibilities, authorities, reporting hierarchy and managing overheads within an organisation. This understanding leads to clear arrangement for the culture within the organisation and defines its stakeholders.

Implementing an appropriate organisational structure has been highlighted as a prerequisite for accomplishing any of the various tasks of entrepreneurship, including recognising new opportunities and turning business ideas into realities (Covin and Slevin, 1990; Hostager et al, 1998). Covin and Slevin (1990) define organisational structure as the arrangement of workflow, communication, and authority, relationships within an organisation and argue that, all these can have a major impact on an organisation's entrepreneurial activity. These two authors indicate that in order to be capable of adequately responding to the changes in the dynamic environment, entrepreneurial firms often adopt particular structural attributes that permit flexibility to react to changes quickly. Positive associations have been identified between decentralised structure and entrepreneurial orientation and these associations have been explained in terms of increased autonomy and control over resources, which enables organisational members to initiate and test more innovative ventures (Miles and Arnold, 1991; Russell, 1999). These authors claim that a decentralised and informal structure would assist in empowering lower level managers, initiating increased participation from team members and thus promising innovation. (Altinay, L. & Altinay, M. 2004).

Altinay, L. & Altinay, M (2004) stated that reviewing the various antecedents and consequences of entrepreneurship, Covin and Slevin (1990) highlight organisational structure as a critical antecedent to entrepreneurship. These authors indicate that in order to be capable of adequately responding to changes in dynamic environments, organisations often decentralise decision-making authority, have minimal hierarchical levels or structural layers and adopt free-flow communication channels. These attributes permit flexibility and rapid decision making and thus

make a positive impact on an organisation's opportunity seeking performance. Russell (1999) also claims that reacting to changes in the environment requires moving the decision making authority away from centralised structure towards a decentralised authority. In an organisation where the management structure is centralised, decision-making power is concentrated at the top levels of the organisation and the virtues of centralization are discipline, standardisation, single mindedness and effective control (Mintzberg, 1979; Hall, 1991). Formal checks, controls and rigid structures, however, tend to inhibit entrepreneurial behaviour in organisations thereby limiting individual performance (Sinetar, 1985; Morris and Trotter, 1990; Morris et al., 1993). Such a management approach tend to prevent imaginative solutions to problems since centralised decision-making often translates into processes that run counter to the requirements of a creative environment (Ghoshal and Bartlett, 1998; Rule and Irwin, 1988).

In addition Altinay, L. & Altinay, M. (2004) have expresses agreement with these views and argues that a decentralised organisational structure would facilitate horizontal and vertical flow of abundant communication thereby increasing the interaction between the higher ranks of management and their employees. Such a management structure would promote the entrepreneurial process, as employees would be able to vouch for their ideas without being hindered by unnecessary hierarchical levels. In addition, this structure would consequently mean a more informal relation between the top management and employees and enable a faster recognition of feasible ideas.

Furthermore, other researchers had another view of describing the theory of an organisation. In line with the previous it has been stated that an organisation could be described as a collection of individuals who are organised into groups and subgroups and “interact” with each other in an “interdependent” relationship. The individuals work towards “**common goals**”, which are not always clear, and the way they relate is determined by the structure of the organisation (Duncan, 1981). Because organisations are complex; this simple definition fails to capture the true reality of this social phenomenon. However, as the chapter unfolds, the nature of organisational complexity will become clearer (McKenna 2006).

In the above definition some common characteristics of organisation were mentioned. There was reference to subdivision by groups, interaction and interdependency, and the pursuit of common goals. Other characteristics are that people with different abilities, skills, duties, and responsibilities perform specialist tasks (e.g., the job of financial accountant), and this is made possible by the division of labour. As a consequence of the compartmentalisation generated by the division of labour, it is necessary to put in place structures and processes so that is possible to coordinate a wide range of disparate activities aimed at the achievement of common goals. It should be emphasized that coordination of effort within a function and between functions within an organisation is by no means an easy task. Later in this chapter there is a description of approaches to the coordination of organisational tasks (McKenna 2006).

DuBrin (2005) had an interesting question as he stated that NOW ASK YOURSELF: What is the point of Intel story? It illustrates how organisation structure influences organisation behaviour. A company's success sometimes depends on the organisation structure it creates to meet the demands of the future. Intel has moved away from essentially a one – product company to a multidivision firm organised according to products and services. As a consequence, work is now organised differently at Intel.

We describe organisation structure because understanding structure is part of organisational behaviour. Structure and behaviour influence each other. For example, a loose organisation structure, such as a collection of teams, requires employees to work productively without the benefit of close supervision. In contrast, some employees need careful guidelines for conducting their work, and therefore need a tighter structure, such as a bureaucracy (DuBrin 2005).

Gilmore (1996) added further on organisational theories & said organisational theorists are far from agreeing on what the term 'organisation structure' fully entails (Ford et al., 1988). Structure may comprise horizontal and vertical differentiation, division of labour, span of control and spatial dispersion. In addition, the major variables that characterize organisational structural differentiation (Hall, 1977; John and Martin, 1984) which some argue are more philosophically oriented processes than structures (Ford et al., 1988). In the widest definition the term organisational structure will include all of these issues.

The majority of organisations begin their lives with non-elaborated, organic structures. Mintzberg (1979) writes that most life-cycle models of organisations include the same stages: craft, entrepreneurial, bureaucratic, divisionalized and matrix. As organisations in the entrepreneurial stage age and grow they begin to formalise their structure and eventually make the transition to a stage of bureaucratic structure. Continued growth often drives bureaucracies to superimpose market-based grouping on their functional structure, thus bringing them into the new stage: divisionalized structure. Mintzberg (1979) contends that there is a 'final stage', that of a matrix structure, which transcends divisionalization and causes a reversion to organic structure. Some of the more recent literature suggests that some companies are moving 'beyond matrix management' in using temporary project management teams to deal with complex tasks facing organisations in fast changing and competitive environments (Bel-bin , 1981: Goffee and Scase, 1984: Obeng, 1990: Sahlman and Stevenson, 1991: Buchanon and Boddy, 1992). Not all organisations will pass through all these stages, but many seem to pass through a number of them in this life-cycle sequence (Gilmore 1996).

James and Jones (1976) argue that organisational structure may be defined as 'the enduring characteristics of an organisation reflected by the distribution of units and positions within an organisation and their systematic relationships to each other'.

### **2.5.2 Concepts of organisational structures**

Different authors & journals publishers have generated deferent concepts for organisational structure. They compared between mechanistic vs. Organic structure. They have also described the centralised & the decentralised management structure.

DuBrin (2005) said that organisations are so complex that many different variables are required to describe them, similar to describing people or machines. To get started understanding how organisations are structured, we look at mechanistic versus organic. You will observe that several concepts about organisation structure overlap.



A major variable for understanding organisation structure is whether it is mechanistic or organic. A mechanistic organisation is primarily hierarchical with an emphasis on specialisation and control and vertical communication; with heavy reliance on rules, policies, and procedures. An old-fashioned manufacturing organisation such as the general motors of yesteryear is an example of a mechanistic organisation. The term has become synonymous with the term bureaucracy (DuBrin 2005).

An organic structure is laid out like a network and emphasizes horizontal specialisation, extensive use of personal coordination, and extensive communication among members: with loose rules, Policies, and procedures. Knowledge resides wherever it is most useful to the organisation. Organic structures are known for their responsiveness to a changing environment. A small high – tech start-up would be an example of an organic structure. Also, a shop that makes custom racing cars would have an organic form (DuBrin 2005).

On a general level, management structures can vary between the extremes of being either centralised and formalised or decentralised with a more informal structure. Traditionally, centralised organisations have hierarchical structures with many lines of command and consequently have many middle managers controlling operations. In contrast, an organisation that is more decentralised, with responsibility for decision making pushed further down the structure to the managers closest to the functional activity, traditionally encourage and favour flatter organisational structures (Gilmore 1996).

Audrey Gilmore (1996) went further on describing concepts of organisational structures & mentioned organisations that can be described as predominantly decentralised but which become more centralised in particular situations are described as ‘quazi-organisations’ in some management literature. For example, Goffee and Scase (1984) describe the phenomenon of ‘quazi-organic’ structure which can be manipulated to promote a ‘democratic’ atmosphere while at the same time, strengthening central control. The effectiveness and efficiency of such an organisation depend on a looser structure where managers are ‘trusted’ to do the job.



Organisational structure can evolve around the major decision makers in the organisation. In some cases quazi-organisational structures have evolved around the key decision makers in an organisation, in particular those managers who have proved to be competent in a specific functional area or role (Gilmore 1996).

Moreover, Gilmore (1996) added that although the traditional view of organisations emphasizes such variables as centralisation, formalisation and size, Weick (1966) argues that organisations consist of patterned, repeated interactions among social actors. Consequently, the skill, ability and knowledge of the individual will play a central part in the interactions and interrelations within an organisation structure (Brass 1984). Eventually, the building, development and refinement of these interactions will lead to further organisational restructuring which may occur either incrementally or in a 'quantum leap' (Millar and Friesen 1984).

Furthermore, although originally researchers considered organisational structure at the level of the overall organisation (for example, Pugh et al. 1968), more recent work suggests that instead of a monolithic structure, different organisational structures are present within individual organisations at any given time (Duncan, 1976; Buchanan and Boddy 1992). For example, Duncan (1976) has shown that different structures are present at different stages of the innovation process within an organisation. In times of either internal or external change organisational structures can be described as being in a state of flux, with issues such as the nature of the decision-making roles of manager and levels of responsibility constantly changing, thus having implications for the competence requirements of individual managers. These issues are discussed further in the context of internal and external influences upon organisational development and change (Gilmore 1996).

### **2.5.3 Organisational structure types**

It is important to explain for the reader the three basic traditional forms of the project organisation structure and their main advantages and disadvantages. This will enable the reader to understand the basic concepts of the organisation structure then adopt the most suitable structure in accordance with the circumstances surrounding the organisation.

There are three basic traditional forms of organisation structures which have been developed over time. Each type could be analysed and adopted since there is not any best organisation structure, whereas the organisation structure should be adopted according to the situation and the atmosphere within and around the organisation. These three types of organisation structure are:

- Functional organisation.
- Pure project organisation.
- Matrix organisation.

The functional organisation is an organisation which its departments are divided based on the function. So in this type of organisation one could observe department only specialist in their business such as having pure human resources department, pure financial department, pure engineering department and so forth. The concept organisation structure for the functional organisation could be illustrated in the diagram at figure (1) section 2.5.3.

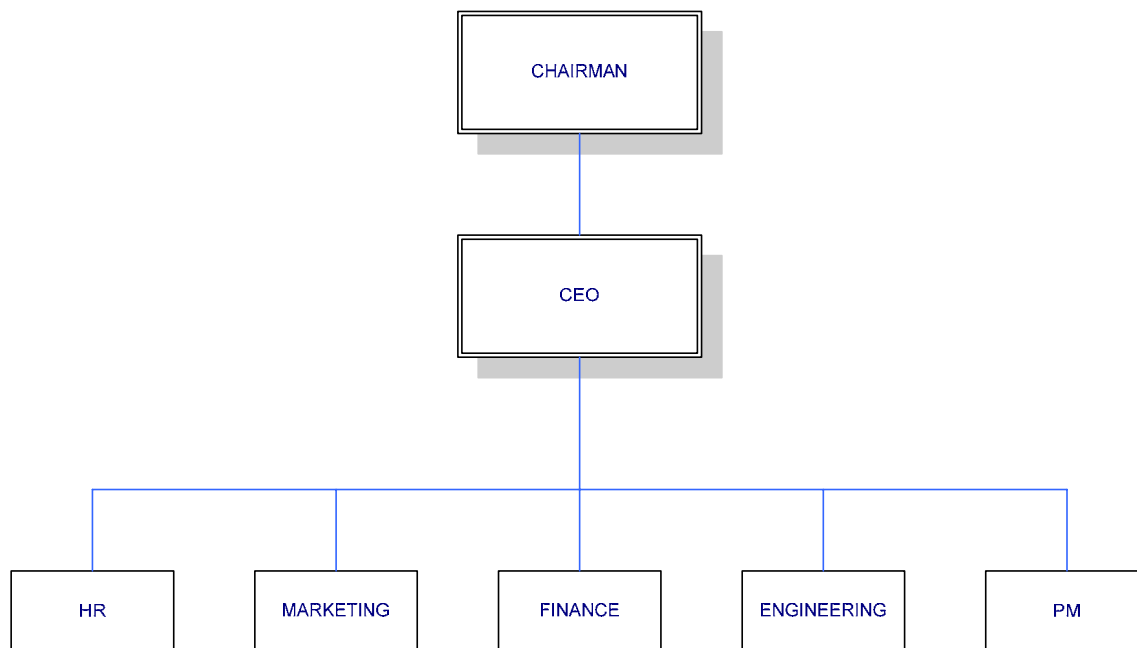


Figure (1) section 2.4.3 functional organisation

The advantages of this type of organisation are the flexibility of the staff usage within each functional cell. In this type of organisation structure there is a technological continuity of the

knowledge since the individual is dealing with all types of projects/ transactions within his/her field of the company. In addition the promotional path in this type of organisations is easily defined because the hierarchy within each functional department is defined as well. On the other hand the functional organisation type contains some major disadvantages. For example because the department within this type of structure is functional focused, the clients will not be getting the attention needed. These departments are not problem oriented and that will cause for slow responses to the client's needs. In addition this type of organisational structure could cause slow development because it lacks to any sense of competition and challenges.

The other type of organisational structure is the pure project organisation. In this type of organisational structure the departments are divided based on the projects distribution. So in this type the projects become the main focus and it will have the priority of getting attention. The organisational structure for the pure projects organisation could be clearly shown in the diagram of figure (2) section 2.5.3.

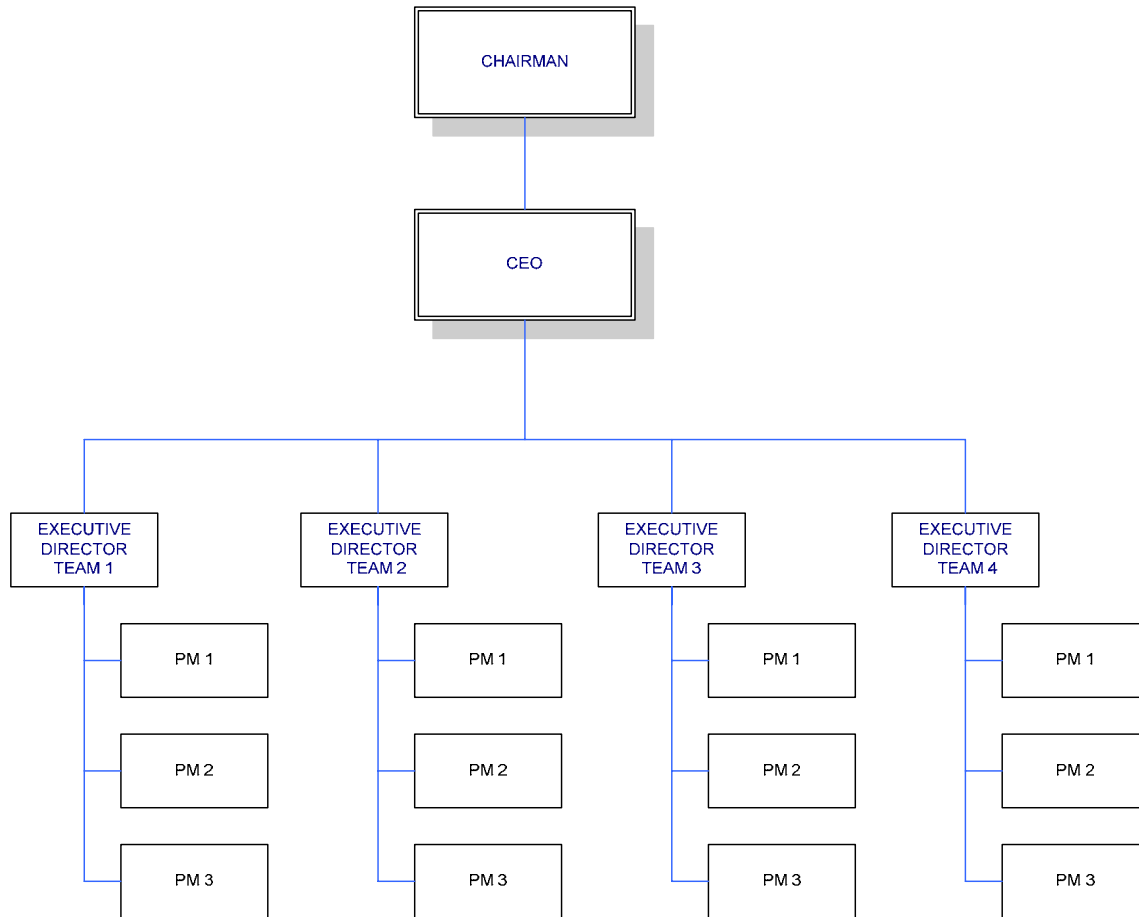


Figure (2) section 2.5.3 pure project organisation

Figure (2) section 2.5.3 is clearly showing the organisational structure of pure project organisation. It is illustrating that each department is divided based on the distributed projects to create a main team lead by executive director. Each team has within it a number of project manager dealing with the different types of projects.

The advantages of the pure project organisation is the project manager has the full line authority and all other project staff are reporting to him, which expedites the decision making process. In addition in this type of organisation there are a short line of communication and dedicated team members having both the project & the client as a main focus. The pure project organisation has also its disadvantages. Where there is a duplication of effort and resources stockpiling. This could be the main problem of this type of organisation. Because towards the end of the project the team members are not sure about their future after executing the project which some time

lead the team members to create mirage projects only to extend their duration of stay in the project. Another disadvantage of the pure project organisation is the lack of the varieties of the projects which lead the technical experts to lose their experience because they are spending all their time taking care of the one project they have. It is important to mention that this type of organisational structure is good while operating large numbers of similar projects such as the properties developing companies.

The last type of the traditional forms of organisation structure is the matrix organisation. This type of organisational structures is a combination between the functional and pure project organisation in which the departments within the organisation are divided functional and project wise. In this type of organisational structure the project department outsource their needs from the functional department based on the requirements of the projects needed. Figure (3) section 2.5.3 clearly shows the orientation of the matrix organisation.

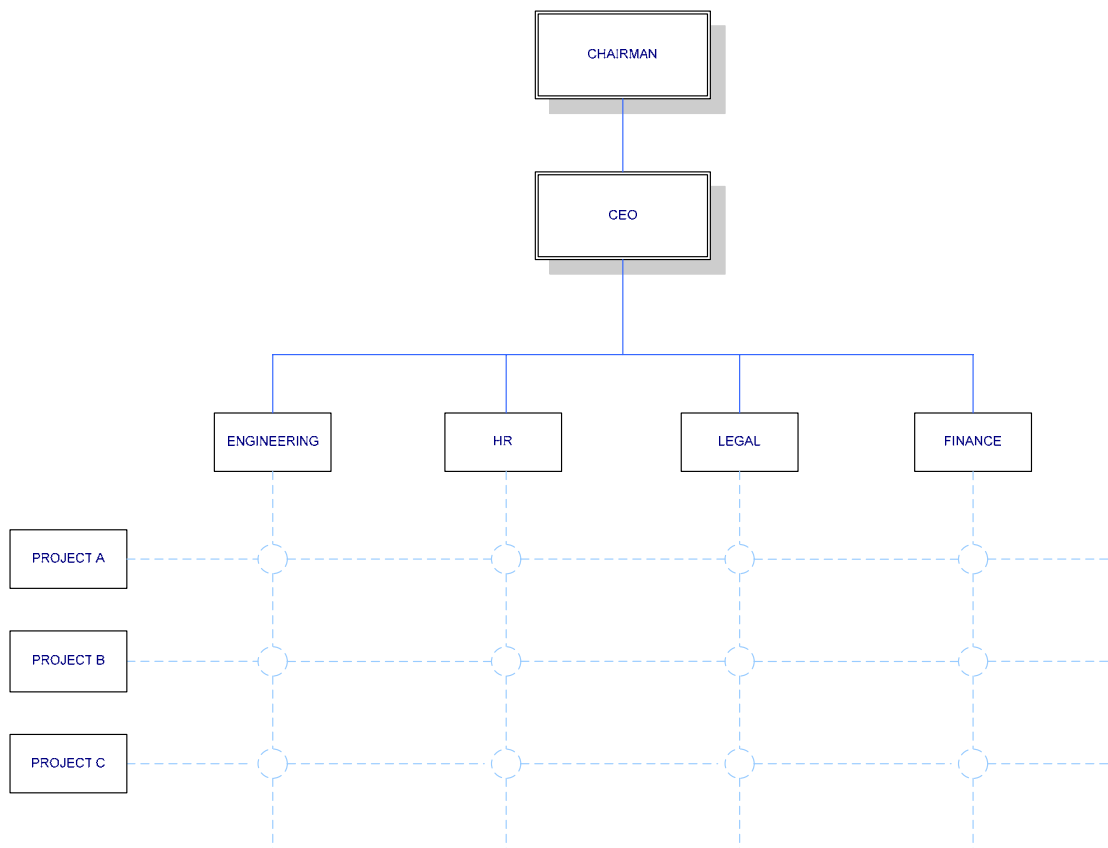


Figure (3) section 2.5.3 Matrix organisation

The advantages of this type organisation are the fact that the project becomes a focus of the attention along with the client's needs. The project can access all type of functional divisions to outsource its needs and that reduces the duplication of works and stockpiling of all resources. On the other hand the employees should be trained on the matrix type organisational structure and how to utilize it efficiently. Another disadvantage of the matrix type organisation is the fact that it is costly to be implemented and it has a problem with both change and communication. There is a chance that when the project team is sat as long as any change takes place this set up changes which might discourage the team. The problem of slow communication rapidly happens in the matrix organisation because the individual is seeking the groups decision and that consumes time tell it is agreed on.

## **2.6 Organisational size**

### **2.6.1 Variation in the size of the corporate**

Collis, D., Young, D. & Goold, M. (2007) explained that the absence of research is surprising given the astounding variation in the size of corporate headquarters. Some companies, such as the leveraged buyout firm KKR, have been able to control over \$40 billion in revenues with fewer than 80 people at headquarters (Baker and Smith 1998). Others, such as Coca-Cola before its recent restructuring, had nearly 5,000 corporate employees for less than \$20 billion in revenues (Foust et al., 2000). Even within a single industry in one country, the variance can be enormous. In Germany in the late 1990s, the chemical and pharmaceutical manufacturer Hoechst had only 180 people in the head quarters function, while its competitor, Bayer, had close to 7,000 (Buhner 2000b).

Collis, D. , Young, D. & Goold, M. (2007) have also added that there is also a widely held belief that there are systematic differences between countries on this dimension (Economist 2000). U.S. companies, after two decades pursuing shareholder value creation under the threat of capital market discipline are believed to have restructured both portfolios and headquarters in order to become 'lean and mean.' European firms, in contrast, are seen as bureaucratic and insulated from the threat of a change in corporate control, able to afford the 'slack' of a large headquarters

(Skapinker 2000) the headquarters of Japanese firms, particularly since the bursting of the 'bubble economy' in the early 1990s, are viewed as ripe for restructuring, burdened by a legacy of consensus decision-making and protected by the keiretsu structure from capital market sanctions (Helou 1991).

### **2.6.2 Factors affecting the size of the corporate**

Economics argues that it is ownership of a firm specific asset that generates scope economies that justifies diversification (Teece 1980, 1982). The resource –based view of the firm (Wernerfelt 1984; Barney, 1991; Peteraf 1993) similarly argues that leveraging distinctive resources across businesses underlies a corporation's value creation (Markides & Williamson 1996; Collis and Montgomery 1997, 1998). It further suggests that the activities that must be performed at headquarters to deploy valuable corporate resources businesses will vary according to the underlying resource (Porte,1987; Collis and Montgomery 1998; mark ides and Williamson 1996). How the corporate headquarters must be structured to ensure the sharing of activities, such as a corporate R&D centre, among business units, or the transfer of skills, such as cellular manufacturing capability, between those units will depend on which are the valuable corporate resources (Collis, Young & Goold 2007).

Transaction cost economics (Coase, 1937; Williamson, 1975) provides a complementary theoretical lens with which to examine the value creating role for corporate headquarters it is the existence of factor market failures that determines when a corporate hierarchy efficiently replaces the market governance of the resource transactions required to transfer skills or share activities among business units. The presence of such market failures therefore determines the activities performed at a corporate headquarters (Collis, Young & Goold 2007).

Collis, D. , Young, D. & Goold, M. (2007) have suggest that there are three are three principal determinants of the size and roles of headquarters in multi business corporations: the overall size, governance system, and most importantly, the corporate strategy of a company. Larger companies, as a result of scale economies in information processing, have proportionately fewer staff in headquarters. A 75 percent scale slope describes the relationship. The ownership

structure of the firm and the institutional structures in its home country also lead to systematic differences in headquarters size. Government-run companies have larger headquarters, while Japanese headquarters are larger than their U.S. and particularly their European counterparts. But the factor determining the size and structure of corporate headquarters that is most relevant from a managerial perspective is corporate strategy. Corporate strategy—the ways in which the firm seeks to create value through its multi market activity—determines not only the appropriate business scope of the firm, but also the appropriate policies the firm, should adopt for managing its business (Collis and Montgomery 1998). It is these policies, such as the extent of linkages among business unit and the involvement of headquarters in functional decisions that result in variations both in the functions performed at headquarters and in their size. It appears to be policy choices that are the proximate determinants of the size and role of headquarters. Those measures of corporate strategy concerning the relatedness of the portfolio become less significant when policy variables are included in the analysis.

Given the wide range of sizes and structures of headquarters we documented, the continuing level of interest amongst senior managers in the topic of corporate headquarters design is not surprising. Clearly, managers can make very different choices concerning the nature and the cost of their headquarters, and face considerable uncertainty as to the optimal design. Indeed, our research shows a wide range of satisfaction with headquarters performance, with many managers expressing significant dissatisfaction. The frequency of corporate projects to review the design of headquarters, therefore, is to be expected. In practice, however, headquarters reviews are often no more than cost-cutting exercises. Our research shows that such an approach is dangerous since simply reducing the size of the headquarters is no guarantee of improved performance. Indeed, companies with larger headquarters typically outperform those with smaller headquarters. Hence a more considered approach is needed, in which the headquarters is designed to fit with the company's corporate strategy (Collis, Young & Goold 2007).

Finally, Collis, D. , Young, D. & Goold, M. (2007) have suggested that performing shared services at headquarters is to some extent a discretionary choice. Those companies that see important opportunities for economies of scale and specialisation through in-shared services can build large headquarters staffs in areas such as IT. Other companies decide to decentralise those



same services to a business unit or to outsource them. As a result, there are large variations in the size and nature of shared services at headquarters that reflect choices, which are not necessarily strategic, but merely driven by organisational preference. Only in certain industry sectors, like telecommunication and financial services, at corporate headquarters.

An important point is what James Lyneis, Kenneth Cooper & Sharon Els (2001) have stated as they said that bringing on additional staff also creates changes in the size of the organisation, which in turn reduces productivity and quality while communication and reporting channels are re-established and while additional space and equipment are arranged. The previous argument suggests that increasing the size of a corporate will not necessarily increase the production as there is a big chance of creating a distribution effect within the company & this could have overall negative impact on an organisation rather than improving it.

Uniform and thus go some way to supporting Mol (1995) in his challenge to pay more attention to the heterogeneity of industry behaviour and its absorption of environmental imperatives. This heterogeneity is the result of complex relationships between such factors as industrial sector, size structure and level of regulation. It is therefore clear that it is necessary for policy makers, practitioners and academics to understand that these relationships exist and that companies react in different ways to the same stimuli. Thus, there will be exceptions to the conclusions that follow. Size is a very important factor in explaining why companies make environmental improvements. For instance, large companies identified 48% more stimuli to make improvements than small and medium sized enterprises (SMEs). Indeed, our survey shows that large companies are much more aware of environmental obligations and that environmental pressures on them are, in general, greater than on small and medium sized enterprises (SMEs). This in turn, helps to explain the greater level of environmental activity which large companies have undertaken and reported (Baylis, Connell & Flynn 1998).

Compliance with regulation is the most common source of environmental motivation for all sizes of company. This suggests that it might be more effective to improve industrial environmental performance through the extension of regulation rather than by persuasion. The latter is favoured by some sections of industry, policy makers and a range of commentators and centres around

companies being encouraged to make environmental improvements voluntarily for their own benefit. This voluntary approach can indeed be a source of motivation to improve as in the case of companies having written environmental policies either in isolation or as parts of EMS. However, we have shown that a significant proportion of companies with such policies are not motivated by them (Baylis, Connell & Flynn 1998).

## **2.7 Organisational culture & environment**

### **2.7.1 Definition**

Walter Wehrmyere & Kin Parker (1995) stated that there are probably as many different definitions of the concept of corporate cultures as there are cultures. One of the more popular is that of Schein, who has defined corporate cultures as ‘the basic assumptions and beliefs that are shared by members of an organisation which are learned responses to a group’s problems of survival in its external environment and its internal integration’ (Schein, 1985: 6). Notwithstanding the semantic differences, similar definitions can be found in Hofstede (1980), Ouchi (1981), Pascale and Athos (1981), Deal & Kennedy (1982) or Dyer (1985). The importance of such cultural influences in decision making has long been established (Pugh et al. 1968; Handy 1985).

Wehrmyere, W. & Parker, K. (1995) added that in a general review paper, Sinclair (1993) argues that ethical behaviour in organisations can be better facilitated assuming ‘shifting coalitions of subcultures’ rather than fostering a unitary cohesive culture. Liedtka (1989) analyses the origin of organisational and personal values. She suggests that different value systems as well as value congruence are significant and substantial factors in how individuals and organisations perform. This had been suggested earlier by Beyer (1981) and Deal and Kennedy (1982).

Furthermore, Wehrmyere, W. & Parker, K. (1995) said that using Liedtka’s value congruence model, Posner and Schmidt (1993) argue that ‘manages who felt clear (consonant) about their personal values and organisational values reported positive attitudes about their work and the ethical practices of their colleagues and firms’, thus reinforcing Liedtka’s initial idea, yet having

environmental issues spuriously absent from the original definition of ethical behaviour. The interplay between personal and organisational values provides an interesting psycho analytical (and hence individual) interpretation of organisational (and hence collective) culture (Morgan 1986).

It is important to note that the difference between ‘organising’ and ‘Order-seeking’ is thus direction of influence in the interaction between an organisation and its specific environment. In essence, Simon (1977:25) sums it up: If we want organism or mechanism to behave effectively in a complex and changing environment, we can design into it adaptive mechanisms that allow it to respond flexibly to the demands the environment places on it. Alternatively, we can try to simplify and stabilise the environment. We can adapt organism to environment or environment to organism (Wehrmyere & Parker 1995).

Walter Wehrmyere & Kin Parker (1995) added that most significant relationship between worse environmental performance and traits in corporate cultures was that of ‘centralised damage-limitation. This is arguably due to its inherent ‘fire-fighting’ approach to organisational life, yet notwithstanding the effect of this feature, there are other elements of this cultural trait which indicate that there is more than one factor contributing to this environmental performance, such as its inertia-dominated approach to innovation.

Organisational culture is the consistently reproduced values and beliefs, which are reflected in the actions of its members and in the organisation’s structure and distributions of responsibility (CF. Deal and Kennedy, 1988; Schein, 2004). Culture is linked to the way information is disseminated, how power is distributed and how decisions are made, and it is reified in such symbols as brands, corporate logos, job titles and uniforms (Lugosi & Bray 2008).

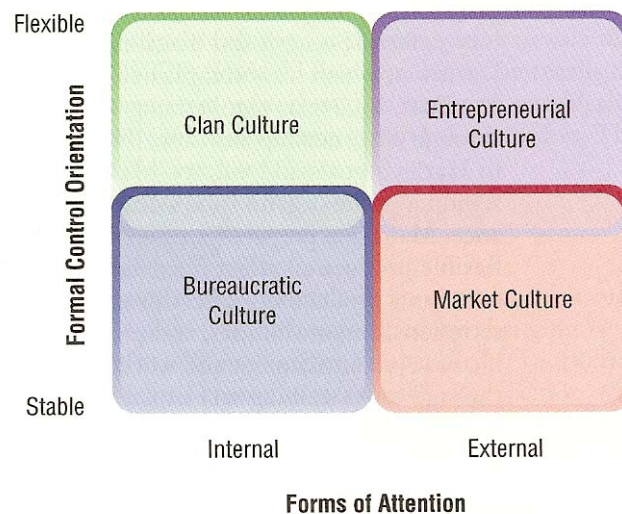
Don Hellriegel & John Slocum (2004) stated that typology of organisational cultures, entrepreneurial organisations are examples of power cultures, which are like spider’s webs with the owner-manager at the centre. However, in a company organising guided tours, this type of managerial influence is a centrifugal forces produced by the guides.

- Don Hellriegel & John Slocum (2004) stated that organisational culture represents complex pattern of beliefs, expectations, ideas, values, attitudes & behaviours shared by the members of an organisation that evolve over time. More specifically organisational cultures includes:
- Routine ways of communicating, such as organisational rituals & ceremonies & the language commonly used.
- The norms shared by individuals & teams throughout the organisation, such as no service parking spaces.
- The dominant values held by the organisation such as product quality or price leadership.
- The philosophy that guides management's policies & decision making.
- The rules of the game for getting along in the organisation, or the ropes that a new comer must learn in order to become an accepted member.
- The feeling or climate conveyed in an organisation by the physical layout & the way in which managers & employees interact with customers, suppliers & other outsiders.

Since its emergence in the 1970s and 1980s (e.g. Deal and Kennedy, 1982; Pettigrew 1979), the concept of organisational culture has become one of the most influential and controversial terms in management research and practice (Denison and Mishra 1995). Definitions of organisational culture range from notions of accepted behavioural rules, norms and rituals (e.g., Trice and Beyer, 1984) to shared values and beliefs (e.g., Baker, 1980; Schwartz and Davis 1981) and shared patterns of understanding or meaning (Louis, 1985; Smircich 1983). One frequently cited definition is Schein's (2004) three-level typology of culture, as it encapsulates the various definitions (Crane 1995). Schein's (2004). Schein's typology identifies three cultural dimensions: the observable culture (the visible organisational structure, processes and behaviours), espoused values (strategies, goals and philosophies) and underlying assumptions (unconscious perceptions, thoughts and feelings, which form the source of values and action) (Linnenluecke, Russell & Griffiths 2007).

### 2.7.2 Types of organisational culture

Cultural elements & their relationships create a pattern that is distinct to an organisation. However, organisational cultures do have some common characteristics. One proposed framework is presented in figure (1) section 2.7.2. The vertical axis reflects the relative control orientation of an organisation, ranging from stable to flexible. The horizontal axis reflects the relative focus of attention of an organisation, ranging from internal functioning to external functioning. The extreme corners of the four quadrants represent four pure types of organisational culture: bureaucratic, clan, entrepreneurial & market. In culturally homogeneous organisation, multiple cultures are likely not only to exist, but also to compete for superiority. As is true of organisational designs, different organisational cultures may be appropriate under different conditions, with no one type of culture being ideal for every situation. However, some employees may prefer one culture to others (Hellriegel & Slocum 2004).



Source: Adapted from Hooijberg, R., & Petrock, F. On cultural change: using the competing values framework to help leaders execute a transformational strategy. *Human resource management* 1993, 32, 29-50; Quinn, R. E., *Beyond rational management: mastering the paradoxes & competing demands of high performance*. San Francisco: Jossey-Bass, 1988.

Figure (1) section 2.7.2 Frameworks of types of cultures

### 2.7.3 I.C.E. model

Most organisations face external contexts that are complex, dynamic and increasingly global. This makes the context increasingly difficult to interpret. To cope with often incomplete and ambiguous contextual data, and to increase their understanding of the general external context, organisations engage in a process called 'external environmental analysis'. All managers, including HR managers, need to be aware of the importance of scanning the external context in a systematic way. (Bratton, J. & Gold, J., HR-related skill development: External environment analysis, 2003).

By looking at the I.C.E. model one could realise that organisation is acting as a conversion environment in which it receives an input from the external environment and then it produces an output through its unique conversion process this is shown in figure (1) section 2.7.3.

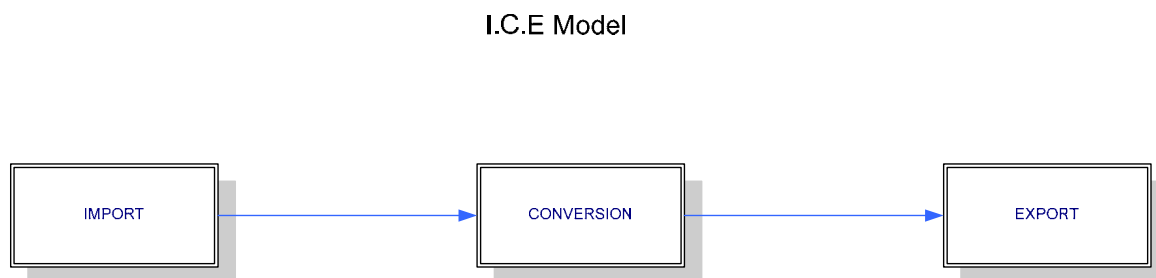


Figure (1) section 2.7.3 I.C.E. Model

### 2.7.4 External & internal environment

Country level environmental uncertainty is also likely to influence the nature of the strategic planning undertaken by companies. Thus, more sophisticated, structured and formal strategic management systems is likely to take place in countries of higher uncertainty. While Ansoff and McDonnell (1990) focused on the sophistication of strategic management systems in higher uncertainty sectoral environments, other authors (Csath 1989; Haines 1988) have demonstrated that uncertainty at sectoral and country environments are linked together. It is unusual to witness

long periods of uncertainty at various sector levels without long periods of uncertainty at country level (Koufopoulos & Chryssochoidis 2000).

In addition, Koufopoulos D. & Chryssochoidis, G (2000) have stated that country-level uncertainty may be described as the combination of perceived dynamism and complexity at any given country, and different countries may be considered as having different uncertainty levels. Antecedent factors rooted in a multitude of political, cultural, social, legal or other areas may influence managers' perceptions of country-level uncertainty. Rotation of political parties in office may increase in this respect such perception (Sawyer 1993). In addition, cultural factors may also influence managerial perceptions of country-level uncertainty.

In order for any organisation to succeed the affect of the external environment on the organisation should be controlled. This leads us to understand the environmental subsystems, which are systems within external environment affecting an organisation. Previously the researchers used to look at the PEST model of the subsystems which is limited to political, economical, social and technological subsystems. Hughes has widened this theory by introducing 7 more subsystems affecting the external environment of an organisation. That have created the 11 forces model in which the forces are listed as follows:

1. Political.
2. Economical.
3. Social.
4. Technological.
5. Cultural.
6. Physical.
7. Aesthetical.
8. Financial.
9. Policy.
10. Legal.
11. Institutional.

It was found that all these subsystems are the main factors creating the external environment for any organization. Figure (1) section 2.7.4 demonstrates the external environment and its 11 forces model.

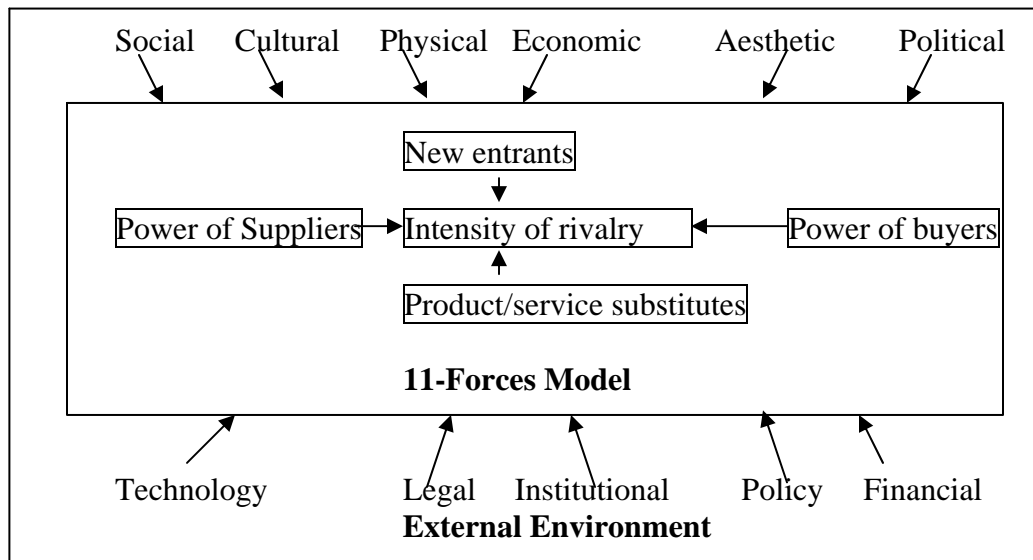


Figure (1) section 2.7.4 external environment and its 11 forces model

In addition to the previous, the internal environment of an organisation mainly depends on the organisational culture. There are seven main factors affecting the organisational culture of a company & these are listed as follows:

1. Leadership.
2. Motivation.
3. Organisational structure
4. Rules & procedures.
5. People.
6. Empowerment.
7. Communication.

The previous listed factors are critical in determining the direction & how is that going to respond to the external environmental factors, discussed ahead.



## 2.8 Organisational behaviour

### 2.8.1 Definition

Organisational behaviour (OB) is the study of human behaviour in the work-place, the interaction between people and the organisation, and the organisation itself. The major goals of organisational behaviour are to explain, predict, and control behaviour (DuBrin 2005).

Explanation refers to describing the underlying reasons or process by which phenomena occur. For example, an understanding of leadership theory would explain why one person is a more effective leader than another. The same theory would help predict which people (such as those having charismatic qualities) are likely to be effective as leaders. Leadership theory could also be useful in controlling (or influencing) people. One leadership theory, for example, contends that to influence group members, a leader should help them remove barriers to goal attainment (DuBrin 2005).

Organisational behaviour is a subject that refers to the study of human behaviour in organisations. Apart from the focus on individual, organisational behaviour is also concerned with the leadership between the individual and the group, and how both interact with organisation the organisation is also subjected to analysis as is the relationship between the organisation and its environment. (Mc Kenna, Business Psychology and organizational behaviour 2006).

Mc Kenna (2006) also describes organisational behaviour as a social science rather than natural science, encounters difficulties when identifying, defining, measuring, and predicting relationships between concepts because it deals with phenomena. In addition Mc Kenna (2006) says that the development of the organisational behaviour has been associated with growth of large organisations over the past century, although a preoccupation with issues related to organisation and management has been around for centuries.

By reading the previous, one could deduct that organisational behaviour is a subject which gives a great care for studying the behaviour of human being specially in an organisation. An example of some study field that can fall under the organisational behaviour is leadership and management style, power, environment, change and development, motivation and communication.

In my opinion, the previous highlighted issues are the main factors for deriving organisations in any region. These factors are creating a chain of variables that are affecting the organisations. I am proposing that environmental issues are the main factor which starts the chain of the chemical reactions that leads to growth and changes. Growth and change that has to be guided and controlled by a power transformed in a leadership style.

Studying organisational behaviour can enhance your effectiveness as a manager or professional. Yet the benefits from studying organisational behaviour are not as immediately apparent as those derived from the study of functional fields such as accounting, marketing, purchasing, or information systems. Such fields constitute the content of managerial and professional work. Organisational behaviour, in contrast, relates to the process of conducting such work. An exception may be seen with organisational behaviour specialist whose content, or functional knowledge, deals with organisational behaviour concepts and methods (DuBrin 2005).

Visualize an information systems specialist who has extremely limited inter-personal skills in communicating, motivating, and resolving conflict. She will have a difficult time applying her technical expertise to organisational problems. She will therefore fail in serving her clients because she lacks the ability to use effective interpersonal processes. In contrast, if the same information systems specialist had solid interpersonal skills, she could do a better job of serving her clients. (She would probably also hold onto her job longer.) (DuBrin 2005).

### **2.8.2 Competencies needed to be an affective employee**

Hellriegel, D. & Slocum, J. (2004) described the importance of the organisational behaviour & argued that you are or probably will be an employee of an organisation-and perhaps of several

during your career. You may eventually become a team leader, a manager, or an executive. Studying organisational behaviour should help you attain the competencies needed to be an effective employee, team leader, manager, and/or executive. The competencies that you acquire should help you diagnose, understand, explain, and act on what is happening around you in your job.

Hellriegel, D. & Slocum, J. (2004) have highlighted these competencies as follows:

#### COMPETENCY: MANAGING SELF

The managing self competency involves the overall ability to assess your own strengths and weaknesses, set and pursue professional and personal goals, balance work and personal life, and engage in new learning—including new or modified skills, behaviours, and attitudes.

#### COMPETENCY: MANAGING COMMUNICATION

The managing communication competency involves the overall ability to use all the modes of transmitting, understanding, and receiving ideas, thoughts, and feeling—verbal, listening, nonverbal, written, electronic, and the like—for accurately transferring and exchanging information and emotions. This competency may be thought of as the circulatory system that nourishes the other competencies. Just as arteries and veins provide for the movement of blood in a person, communication allows the exchange of information, thoughts, ideas, and feelings. One of John Yokoyama's strengths is the managing communication competency, as suggested by his comments.

#### COMPETENCY: MANAGING DIVERSITY

The managing diversity competency involves the overall ability to value unique individual and group characteristics, embrace such characteristics, embrace such characteristics as potential sources of organisational strength, and appreciate the uniqueness of each individual. This competency also involves the ability to help people work effectively together even though their

interests and backgrounds may be quite diverse. Recall the “principle of being in alignment” at Pike Place Fish, which is based on a common purpose that honours diversity of thought.

### COMPETENCY: MANAGING ETHICS

The managing ethics competency involves the overall ability to incorporate values and principles that distinguish right from wrong in making decisions and choosing behaviours. Ethics are the values and principles that distinguish right from wrong.

### COMPETENCY: MANAGING ACROSS CULTURES

The managing across cultures competency involves the overall ability to recognise and embrace similarities and differences among nations and cultures and the approach key organisation and strategic issues with an open and curious mind. Culture is the dominate pattern of living, thinking, and believing that is developed and transmitted by people, consciously or unconsciously, to subsequent generations. For a culture to exist, it must

- be shared by the vast majority of the members of a major group or entire society;
- be passed on from generation to generation; and
- shape behaviour, decisions, and perceptions of the world.

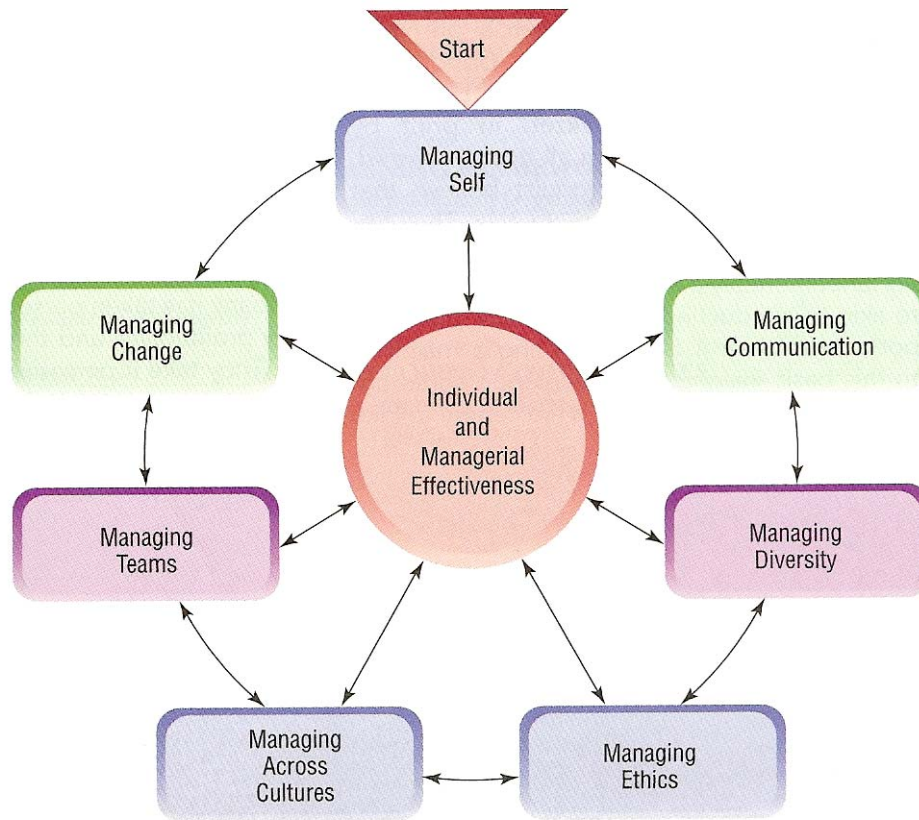
### COMPETENCY: MANAGING TEAMS

The managing teams competency involves the overall ability to develop, support, facilitate, and lead groups to achieve organisational goals.

### COMPETENCY : MANAGING CHANGE

The managing change competency involves the overall ability to recognise and implement needed adaptations or entirely new transformations in the people, tasks, strategies, structures, or technologies in a person’s area of responsibility.

Figure (1) section 2.8.2 shows the different competencies that could be improved by being aware of the organisational behaviour aspects.



Source: Organisational behaviour by Don Hellriegel & John Slocum (2004).

Figure (1) section 2.8.2 Foundation competencies for individual & managerial effectiveness

### 2.8.3 Group organisational citizenship behaviours (GOCB)

Chen et al. (2002) have elaborated the construct of group OCB (GOCB). They conceptualise GOCB as a distinct group –level phenomenon concerning the extent to which the work group as a whole engages in OCB within the team. Behaviour such as taking constructive initiatives and helping each other are voluntary, but at the same time important to the success of the group. Salam, Cox, and Sims 1996) argue that OCB is really interactive and ‘social’ in nature, and should therefore also be viewed as an element of team culture. Recognising this value, OCB research at the group or unit level of analysis is beginning to accumulate (Ehrhart 2004; Ehrhart

& Naumann 2004; Pearce & Herbig, 2004; Suchneke & Dumler 2003) . Schnake and Dumler (2003) emphasise the need to study OCB at group levels. They argue that team and organisational effectiveness typically depends on the collective levels of OCB, or GOCB: 'The OCB construct itself is a multi-level construct .... Theoretically, it is OCB in the aggregate and not individual instances of OCB, which impact organisational effectiveness' (p. 295), and they continue: 'It is theorised, ...that aggregate or group-level OCB contributes to organisational effectiveness...other group –level phenomena which may impact group-level OCB include group –cohesiveness , group norms, and leadership...' (p. 296).GOCB is therefore defined there as a group-level variable, and should be considered separate from individual level models of OCB (Euwema, Wendi & Van Emmerik 2007).

## **2.9 Organisational change**

### **2.9.1 Definition**

In any dynamic region, change becomes a natural obligation as a result of the environment dynamic forces specially economy, politics and technology. As we are understanding the mandatory of change we should understand change so it can be implemented successfully when the situation determines that.

Our era is a period of change. This is not unusual in the history of mankind. What perhaps is different this time is that change shall be managed. This is true for societies and individuals but in particular for organisations. Organisational change management does not only happen in business organisations but increasingly also in public sector organisations. And there is a particular understanding based on neo-liberalism about the nature and objectives of organisational change which dominates discourses and policies (Diefenback, T. 2007).

Saka (2003) has argued that, In an ideal sense, change from within an organisation may be seen as sufficient to initiate change in mindsets. However, in practice, internal change agents, as far as the cases are concerned, require discontinuous change evoked by an external stimulus to initiate change in mindsets. Organisational members tend not question the status quo unless they

are faced with an obligatory change factor, such as a financial or a political crisis. For instance, small evolutionary changes at Samson are not strong enough to undermine the old system. It is difficult to break habitual routines that are embedded in past learning. What appears to be needed to encourage people to accept change is the unfreezing of the organisation by "disconfirming, and creating anxiety and psychological safety" (Schein 1993) and institutionalising new behaviours in a context of intuitive appreciation of the different challenges to profound change and contextual learning (Senge et al 1999).

Saka (2003) also stated that, although change in itself means uncertainty, managers are expected to generate clear and adequate formulation of what the problem is and where they would like the organisation to be. In other words, they are expected to create a coherent structure from a set of incoherent and disorderly events. Although, in theory, common values and preferences can allow for clarity in direction, in practice, resource constraints and power struggles do not provide one with the flexibility to work towards a complete agreement of organisational decisions and goals.

Likewise, there are changes within organisations brought about by the application of new technology to work processes and products, alterations to structure, jobs, physical setting (space and layout), and modification to employee attitudes, expectations, and skills (Robertson, Roberts, & Porras 1993). If these changes were carried out successfully they could lead to competitive advantage for a company in the market-place. Recently in certain countries we have witnessed changes in practices within organisations, such as the creation of back-up systems and greater employee security in response to international terrorism. These are examples of organisations responding to events in their environment. Organisations can also influence their environment by internally generated changes, such as innovations that command wide acceptance in the external world. IBM, which is now an economically healthy corporation, was in need of fundamental change in order to survive when Lou Gerstner took over as CEO in 1993 (see Panel 16.1) (Mc Kenna 2006).

The theory of punctuated equilibrium was proposed by Tushman and Romanelli (1985) as a comprehensive, descriptive theory for explaining change in organisations. They suggested that

change is characterised by relatively long periods of gradual, incremental and adaptive change (convergence). Punctuated by brief period of discontinuous, radical transformation, which result in new organisational forms (reorientation or recreation). The evolution of British Telecom in the 1980s from governmental provider to commercial institution, Aided by changes in the political, business environments and technology, exemplifies this erratic linear path: cultural changes at all levels of management during a brief period of create change (Sundarasaradula, Hasan, Walker & Tobias 2005).

### **2.9.2 Models of change**

Another approach to understanding how change unfold can be seen in the following sequence of actions (Satece 1996; stace and Dunphy 2001):

1. Fine tuning. Set out improve objectives and practices at divisional & department level.
2. Incremental adjustment. There is no radical change at this stage. But noticeable modification to strategy, structure, and processes take place.
3. Modular transformation. This is akin to strategic change in organisations. Radical shifts in policy come about accompanied by significant changes to mission statements, key cultural values, power distribution, structures, and processes.
4. Corporate transformation. This is akin to strategic change in organisations. Radical shifts in policy come about accompanied by significant changes to mission statement, key cultural values, power distribution, structures & process.

When reflecting on models of change we should note the views of Dawson (2003). In a processual/contextual perspective on change he maintains that there are no universal prescriptions on how best to manage change. Major change is both a complicated and a political process that takes time to plan and implement. It is important that change strategies are sensitive to the human resource considerations and the context in which they will take root. It must be recognised that it is a phenomenon that is perceived differently by the various actors within the organisation and that communication is an essential ingredient in the change process. Involvement in the change process is a learning experience whether or not it is successful.



Training is a natural complement to change, but all too often training is inadequate to underpin change (Mc Kenna 2006).

### **2.9.3 Implementing change**

Earlier in relation to the continuous change process model, and in the account of Lou Gerstner's stewardship of IBM, we saw that top leaders are influential in articulating the company's vision and setting the agenda for major change. But one must

1. Establish a sense of urgency.
2. Establish a coalition.
3. Create a vision and strategy for change.
4. Communicate the vision and strategy through a combination of words, deeds, and symbols.
5. Remove obstacles that impede the accomplishment of the new vision, and empower people to move ahead.
6. Produce visible signs of progress in the form of short-term victories.
7. Stick to the change process and refuse to give up when conditions get tough, and don't declare victories or achievements too soon.
8. Nurture and shape a new culture to support the improvements and innovations that are taking root.

### **2.9.4 Resistance to change & the force-field theory**

As it was described above managers are the main change agents. They are the main people to be convinced about change and understanding it in order for the changes to be implemented successfully. Prior to that one should understand why people resist change? In order to come up with solutions for implementing the changes.

People tend to resist change because they think they will lose something of a value as a result, because it is the nature of the people to focus on their best interest. Change is always threatening the balance of power among the managers. It is also seen as an unfair violation of people's

psychology contract. People fear change because they don't understand its implications. They tend to fear both technology and job security in addition to the hazard of facing a new internal environment created by change.

Thus Reichers et al. (1997) found that employees often develop an attitude of futility towards changes together with negative attitudes towards change agents, these more cynical employees also showed lower work motivation, job satisfaction and commitment. Significantly, increasing levels of cynicism could become a self-fulfilling prophecy that makes subsequent changes increasingly more difficult to achieve (Pate, Martin & Staines 2000).

The employee resistance that takes place in change processes is often considered as a very difficult and almost impossible phenomenon to contract. At the same time this is a problem which change managers have to cope with. Choosing Grounded theory as a method made it possible to understand the content of the phenomena (Roald & Edgren 2001).

McKenna (2006) stated that change creates uncertainty as to what the future holds, and as a consequence can lead to personal insecurity. Therefore, it is not surprising to encounter resistance to change within organisations. An organisational change, such as a move to a better office can be warmly accepted, simply because it is seen to have obvious advantages. But not all changes fit into this category. where changes create ambiguity and uncertainty, then resistance to change is likely to emerge. In essence, the resistance, the resistance is not change as such –rather it is to the personal loss (or possibility of personal loss) that people believed will accompany the change (Burke 1982).

There are occasions when employees (both superiors and subordinates) fear the introduction of new technology to their work because of a feeling that they may be unable to cope with the jib in the changed circumstances. Also, certain employees, particularly the older ones, fear that they may lose the personal investment (in terms of skill and experience) in the current system. For example, print workers in the UK newspaper industry vehemently resisted proposals to computerise their work in the early 1980s because of the perceived ramifications of the proposed change in terms of job loss, status, and conditions generally (McKenna 2006).

McKenna (2006) explained that there are sources of resistance to change & these are listed as follows:

- **Habit:** A change to well-established procedures and practices could create discomfort and resistance on the part of a person who is very familiar with the current system.
- **Security:** doing things in a familiar way brings comfort and security, and people are likely to resist change if they perceive their security to be threatened.
- **Economic considerations:** People may fear that change could threaten the very existence of their jobs as presently constituted, and eventually lead to the loss of a salary or wage. As a result, they resist change.
- **Fear of the unknown:** Some people fear anything unfamiliar.
- **Lack of awareness:** Due to selectivity in perception, a person may overlook a critical factor in a change process.
- **Social considerations:** The motivation to resist change may spring from a group.
- **Parochial self-interest:** People are anxious to maintain the status quo because of the benefits associated with it. Change could pose a threat to present advantages in terms of power, status, and security, and could undermine valued relationship developed over time, lead to unwanted geographic moves, and deny opportunities for social intercourse.
- **Misunderstanding and lack of trust.**
- **Contradictory assessments:** Not everybody shares the same view of the impact change is going to have.
- **Low tolerance of change:** People tend to have different abilities and skills to handle the ambiguity and uncertainty heralded by change.

Then How to implement change into an organisation? is going to be the next question. In order to answer this question it is important to understand the force-field theory. The force field theory argues that any situation is in a balance or equilibrium as long as the forces deriving for change and the forces resisting change are in balance. Figure (1) section 2.9.4 shows the diagram of the theory for more clear understanding.

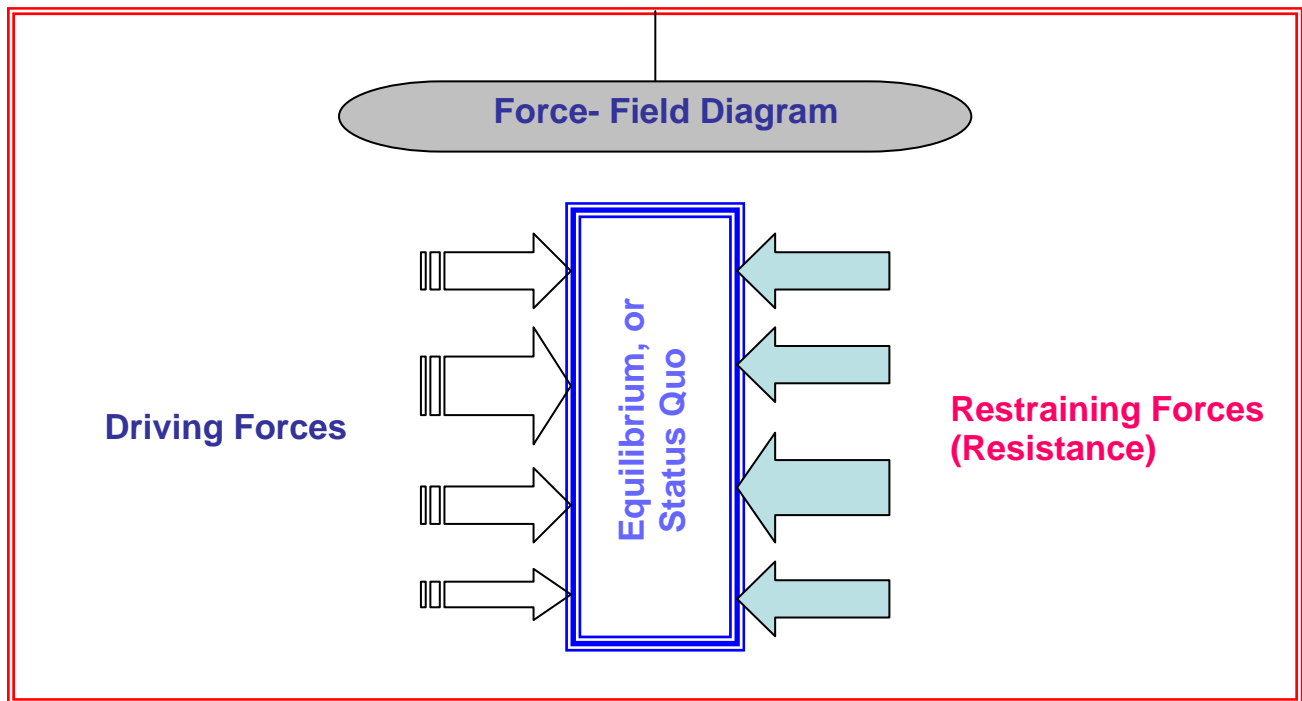


Figure (1) section 2.9.4 force-field theory

By analysing the force-field diagram, one should understand that in order to implement the driving force for change, he/she should be working on reducing the resistant forces within the organisation. This reduction of the resisting forces could be achieved either by resolving the organisational behaviour issues, mentioned earlier, or it could be achieved by forcing this change aggressively on the people of the organisation. In the second case an alternative plan of hiring new people should be prepared because the second method used to introduce change will result into a turnover within an organisation.

### 2.9.5 Organisational change strategies & psychological contract

Recently, a debate has arisen over how changing market conditions and employer change strategies (especially in the area of flexibility, cost improvement and reduction programs) have affected the traditional, relational psychological contracts of many UK and US employees. Though most of the research to date has taken a pessimistic position, pointing to the negative effects on employees of such changes, other researchers have proffered a more optimistic interpretation of the data on the current state of psychological contracts claiming that job security was less of a concern to employees than was commonly believed to be the case (see Guest et al., 1996; Guest and Conway, 1997; Cully, 1998). Such evidence has been associated with the new

deal' literature (Cappelli et al. 1997; Cappelli 1998; Rajan 1997). Thus, it is argued, employers were increasingly attempting to manage employee expectations in the form of a new deal in which employees were no longer guaranteed job security but could expect training or career development for future employability. Critics of this new deal (see Herriot et al. 1998; Martin et al. 1998) have focused on the more issues of new deals and aspirations of employees (Kessler and Undy 1996) and evidence from the recent Workplace Employee Relations survey sheds light on some of these issues. For example, 40% of respondents to the survey judged their managers to be poor or very poor at giving them the opportunity to comment on proposed changes compared with 30% who rated them as good (Cully et al. 1998). These findings have important implications particularly in pointing out how psychological contract breach can lead to major resistance to strategic change initiatives by organisations (Pate, Martin & Staines 2000).

## **2.10 Organisational development or restructuring & downsizing**

### **2.10.1 Organisational development**

Organisational development (OD) has been defined as “the process of planned change and improvement of organisations through the application of knowledge of the behavioural sciences” (Moorhead & Griffin 2004). To supplement this definition one can use other definitions to reflect the broad coverage of the process. Organisational development has been described as an involved network of events that increases the ability of members of the organisation to solve problems in a creative fashion, to assist the organisation in adapting to the external environment, and to manage organisational culture. It embraces a broad range of interventionist processes from changes in organisational structure and systems to psychotherapeutic counselling sessions with individuals and groups in response to change in the external environment. According to Beer and Walton (1987), the interventions seek to improve the effectiveness of the organisation and contribute to employee well-being (Mc Kenna 2006).

In the past OD focused primarily on interpersonal relationships and group processes (such as T-groups, process consultation, teambuilding, and third-party intervention, and underplayed organisational efficiency and effectiveness) (Cummings & Worley 2001). Since the 1980s, OD

has broadened its perspective and has become linked more closely with strategic planning in organisations, and is concerned with aligning strategy with culture and the external environment. Other interventions mentioned by Cummings and Worley (2001) are change to the structure of the organisation, such as adjusting socio-technical systems, business process re-engineering, delivering and the creation of the network organisation such as performance management, employee development, reward management (Mc Kenna 2006).

### **2.10.2 Downsizing & restructuring as a change strategy**

Downsizing is the reduction of the size & the cost of an organisation & the redesign of the network processes. It is implemented in order to improve organisation efficiency, productivity & competitiveness (Luthans & Sommer, 1999). A central focus of most definitions is that the intended purpose is regenerative. However, more recent studies are questioning the financial benefits of downsizing strategies (Farrell & Mavondo 2005) & highlighting the negative effects of a major loss in human capital (Nixon et al, 2004). Though originally used for problematic organisations, it reportedly is a common response to an emergent global environment. According to Mirabal & De Young (2005), incorporating downsizing in the strategic management plan can increase organisational efficiency by maintaining a focus on core competencies that promote competitive advantage & increasing (or at least maintaining) current levels of market share (Travaglion & Cross 2006).

The practice of downsizing has become such a reality of today that its detrimental effects have become accepted by management in many organisations as a part of organisational success progress. Because of the failure to consistently provide the anticipated benefits whilst maintaining an increasing role in organisational change (Cascio 1993).

Downsizing has already been mentioned as significant stressor and a method of achieving a flat structure. Downsizing is also the most often used deliberate organisation change in recent years. More than 85 percent of the Fortune 100 firms initiated major restructuring in the early 1990s. The pace of downsizing diminished only slightly at the end of the decade. Downsizing intensified again in the 2000-2003 period, with major contributors being company mergers and

acquisitions, as well as a slower economy. Cost reductions are often necessary because the survival of the firm is at stake. Laying off workers can sometimes make a firm more competitive by lowering costs, but at the same time this causes enormous confusion and resentment. Downsizing can also leave a firm so understaffed that it cannot capitalise on new opportunities. Another concern is that downsizing depletes human assets and interferes with organisational learning (see Chapter 15) because so much information stored in people's memories leaves the firm (DuBrin 2005).

DuBrin (2005) stated that an important perspective on downsizing as a change strategy is to specify the conditions under which it has the best chance of contributing to organisational effectiveness. To begin with, top management should ponder whether downsizing can be avoided. Instead of laying off employees, a way should be sought to better utilize their expertise. Some cost cutting can be achieved by involving employees in improving work methods and processes. Under ideal circumstances, key people can look to penetrate new markets. As a last-ditch maneuver to avoid downsizing, a company might reduce the salaries of all workers, or place workers on a four-day workweek, thereby having enough money to pay a full workforce.

Furthermore, DuBrin (2005) said that the first key to a successful restructuring is to integrate downsizing with the company's long-term strategies. The firm must determine where the business is headed and which employees are needed to ensure that future. The company must identify and protect high-potential individuals who are needed to carry the firm forward. After delayering, firms must decentralize and empower key individuals to conduct their jobs. The downsizing survivors must be revitalized by redefining their positions. (A problem is that survivors often have to assume the workload of several people.) It is therefore essential to eliminate low-value and non-value activities such as multiple reviews of other people's work and meetings without meaningful agendas.

After restructuring, teamwork must be emphasized more than previously because much operation is required to accomplish the same amount of work with fewer personnel. The downsized organisation may require a new structure. It should be redesigned to reflect the changed jobs, processes, and responsibilities. Horizontal as well as vertical relationships must be

specified. Considerable attention must be paid to the human element before and after downsizing. A carefully implemented system of performance appraisal increases the chances that good work performance and the possession of vital skills should receive more weight than favouritism in retaining employees (DuBrin 2005).

A progressive approach is to offer training to employees designated for downsizing so they might qualify for any vacant positions in the company. Downsizing survivors in all companies need an outlet to talk about their grief and guilt in relation to laid-off coworkers. As is often done, laid-off workers should be given assistance in finding new employment and redirecting their careers (DuBrin 2005).

In the distant past a practice developed to increase the size of advisory or support staff to cope with complexity in the life of large organisation. More recently, large organisations faced with the possibility of becoming victims of corporate predators, or having to rationalise operations because of recessionary forces or to improve profitability, have cut back significantly on numbers of employees, generally in order to create leaner but healthier entities. Particular targets in this pruning exercise have been headquarters or corporate staff, who have become victims of what is called “organisational downsizing” i.e., reducing the size of corporate staff. For example, Mobil and AT & T (both large US corporations) have pruned headquarters and corporate staff drastically, with mixed results (Moore 1987). Downsizing has also been associated with an across-the-board reduction in the headcount. Some claims that downsizing will emaciate the organisation in certain key functions, whereas others point to positive outcomes in terms of faster decision making due to the existence of fewer management levels through which decisions pass for approval (Mc Kenna 2006).

Downsizing and delayering are complementary in the sense that reducing hierarchical levels is a means to achieve downsizing. A flatter structure, obtained by a reduction in the number of layers in the management hierarchy, is justified as a means to simplify management structures, reduce bureaucracy, cut paths of communication, speed up decision making, and push responsibility to lower organisational levels (empowerment). Delayering makes an important impact on manager's lives. The flattening of the management hierarchy also reduces opportunities of promotion, and



therefore could impose a restriction on career advancement for managers need not be negative, because delayering offers managers still in the organisation the opportunity to assume greater responsibility at an early point in their careers and also to receive favourable rewards for doing so (Child 2005) (Mc Kenna 2006).

Heugens, P. & Schenk, H. (2004) stated that corporate restructuring can straightforwardly be defined as ‘a major change in the composition of a firm’s assets combined with a major change in its corporate strategy’ (Hoskisson & Turk 1990). At the highest level of integration, three distinct types of corporate restructuring can be identified (Bowman & Singh 1993): portfolio financial & organisational restructuring. Portfolio restructuring which involves a reconfigurations of the firm’s main lines of business through acquisitions & divestitures (Bowman & Singh 1990), usually follows a change in managerial insight as to what the scope of firm should be. Managers may either believe that more diversification is appropriate in order to utilize any excess resources or capabilities that the organisation has in place (Penrose 1959) or, inversely, that down scoping through programmes of strategic divestiture is necessary in order to prevent dilution of the firm’s core assets (Hoskisson & Hitt 1994). Financial restructuring is different from portfolio restructuring, in that its is not principally concerned with changing the strategic scope of organisation, but rather with altering its capital & ownership structure. Managers tend to restructure the organisations for which they work financially it they believe that a public firm should be taken into private ownership in order to eliminate agency-related inefficiencies through a tighter coupling of ownership & control (Fox & Marcus 1992) or that a private firm should be taken into public ownership in order to attract sufficient financial capital to sustain high-growth ventures (Florin et al. 2003). Financial restructuring is also appropriate when a firm’s present dept-equity ratio is insufficient for it to attain optimal leverage. Finally, organisational restructuring, in the form of significant changes to the structural properties of the organisation, is usually undertaken when managers substantively or symbolically want to stress the importance of increasing the organisation’s efficiency or effectiveness (Bowman & Singh 1993). Organisational restructuring is often by-product of portfolio or financial restructuring, as significant changes in the strategic scope & capital structure of the firm need to be accompanied by corresponding changes in its authority & decision-making hierarchies (Perchel 1994).

A second class of frequently occurring corporate restructuring transactions is composed of the related phenomena of downsizing and downscoping (Zyglidopoulos 2004). Downsizing has previously been defined as ‘an organization’s conscious use of permanent personnel reductions in an attempt to improve its efficiency and/or effectiveness’ (Bodros 1999:70). It must be distinguished from non-international forms of organizational size reduction like growth-in-reverse, because downsizing typically involves deliberate activities to reduce the size of the workforce like hiring freezes, early retirement programmes or layoffs (Freeman & Cameron 1993). Downsizing is also different from organisational decline, because it is often used proactively to enhance competitiveness (Sutton & D’Aunno 1989).

## **2.11 Corporate reputation**

### **2.11.1 The importance of the corporate reputation**

Kitchen, P. & Laurence, A. (2003) have pointed out that while corporate reputation has always been of value to corporation, it is only in the later part of the 20<sup>th</sup> century that it became a topic of major importance. Corporate reputation underlines the need for corporate branding & effective management of corporate brand communications. The backdrop is the omnipresent & interconnected global economy. And in that economy, corporate reputation supports & sustains not only market, mind & heart share, but also share values. The reputation institute indicated that the best corporate reputation in the U.S.A.- the world’s major market (Fisher 2000)- also perform significantly better than others in terms of market share & share value.

Good reputation is very is very useful for an organisation; it may enable it to charge premium prices for its products, enter into favourable financial arrangements with banks, attract graduates from top universities, get in touch with customers easily, & so on, such that good reputation constitutes a valuable asset to the organisation. An organisation with bad or no reputation is likely to encounter situations where the opportunities open to it are few & constraints imposed on it are many (Kitchen, P. & Laurence, A. 2003).

### **2.11.2 Protecting organisation reputation during crises**

The previous is an interesting subject because it related directly to the situation the organisations are facing now a day in the U.A.E. market. W. Coombs, T. (2007) said that crises are taken as a threat to the organisational reputation. Crises damage the reputation & such changes can affect how stake holders interact with the organisation. Post crises communication can be used to repair the reputation & /or prevent reputational damage. The field of crises communication is dominated by case studies. The end result is that we know precious little about how stakeholders react to crises or to the crisis response strategies used to manage crises. Crisis management needs evidence-based crisis communication guidance. Evidence-based guidance for decision making in a crisis must be supported by scientific evidence from empirical research rather than personal preference & unscientific experience.

Coombs, T. (2007) have added that Situational Crisis Communication theory (SCCT) posits that by understanding the crisis situation, the crisis manager can determine which crisis response strategy or strategies will maximize reputational protection. SCCT centres on the crisis manager examining the crisis situation in order to assess the level of reputational threat level presented by a crisis. The threat is the amount of damage a crisis could inflict on the organisation's reputation if no action is taken. Three factors in the crisis situation shape the reputational threat: (1) initial crisis responsibility, (2) crisis history & (3) prior relational reputation.

Nerb & Spada (1997) have stated an interesting point that SCCT holds that communication affects people's perception in a crisis. The words used & action taken by management affect how people perceive the organisation &/or the crisis. In turn, those perceptions shape evaluations of the organisational reputation as well as stakeholders emotional response towards & future interactions with the organisation.

## Chapter 3 Research methodology

### 3.1 Introduction

The research methodology chapter introduces to the reader mainly the actions taken to gather the not available information. The methodology of this research will focus on the aims & objectives of it. Then it will go through methods on how to gather the information from the post project review, in this case gathering the information about organisational change within Dubai Properties Group. In addition the methodology approach will show the reader how other information from different entities were gathered in order to establish a comparison & contrast case. These case studies along with the comparison & the contrasts carried on between them will drive to an analytical conclusion of the research & that is the main result of the research.

### 3.2 Research approach

Before going on with explaining the approach of this particular research, it is important at this stage of the research to introduce the reader to the different approaches of researches in general & then clarify the approach is being used in this one.

Different styles, traditions or *approaches* use different methods of collecting data, but no approach prescribes nor automatically rejects any particular methods. Quantitative researchers collect facts & study the relationship of one set of facts to another. They use techniques that are likely to produce quantified & if possible generalizable conclusions. Researchers adopting qualitative perspective are more concerned to understand individuals' perceptions of the world. They doubt whether social facts exist & question whether a scientific approach can be used with dealing with human beings. *Yet there are occasions when qualitative researchers draw on quantitative techniques & vice versa* (Bell 2005).

Denscombe, M. (2003) explained about the quantitative data & said that the use of quantitative data in social research has its attractions. For one thing it carries with it an aura of scientific

responsibility. Because it uses numbers & it can present findings in the form of graphs & tables, it conveys a sense of solid objective research.

Denscombe, M. (2003) has also elaborated on the quantitative data approach while the availability of computer software as he said the availability of such software, however, is a mixed blessing. Relative novices can undertake fairly complex statistical tests- but there is the very real danger that they could be the wrong tests! The computer will undertake the analysis, but it is the researcher who needs to choose which research to apply.

Denscombe, M. (2003) has also elaborated on the qualitative research & said that it is an umbrella term that covers a variety of styles of social research, drawing on variety of disciplines such as sociology, social anthropology & social psychology. Tesch (1990) lists 26 distinct kinds of social research which can fall under the term 'qualitative' &, no doubt, as time goes by the list could be extended. But, as she goes on to indicate, there are some common elements to these approaches which begin to give some sense to the term 'qualitative research'.

Denscombe, M. (2003) has listed these approaches as follows:

- ***A concern with meanings & the way people understand things.*** Human activity is seen as a product of symbols & meanings that are used by members of the social group to make sense of things. Such symbols & meanings need to be analysed as a 'text'- to be interpreted rather like a literary critic interprets a book.
- ***A concern with patterns of behaviour.*** Here the focus is on the activities of a social group, such as in rituals, traditions & relationships & the way these are expressed as patterns of behaviour, cultural norms & types of language used.

Denscombe, M. (2003) explained also the uses of the qualitative data & said that qualitative research can be part of an information gathering exercise & useful in its own right. Or, qualitative research can be used as the basis for generating theories. In neither case, however, are its description ever 'pure'- they are always the outcome of an interpretation by the researchers.

The approach is being used in this research is mainly the qualitative one. The reason behind that is the fact that this research is focusing on the effect of the economy change on the change of an organisational structure & both sides getting affected, whether the change in the economy or the change in the organisational structure, are being affected because of its human influence. The study focuses on both the change aspect & the human behaviour behind this aspect. As it was defined previously in chapter 2, Organisational behaviour (OB) is the study of human behaviour in the work-place, the interaction between people and the organisation, and the organisation itself. The major goals of organisational behaviour are to explain, predict, and control behaviour (DuBrin 2005). That's why it was important in this research to go through the qualitative approach & focus on the analysis of these situations along with the analysis of different number of people within the same situation.

The research is using also some quantitative styles in order to achieve some of the quantitative results, such as using the ranking methods in order to rank the importance of the change factors. This is going to be shown in section 3.4 of this chapter when we will start talking about data collection methods.

It is important to mention for the reader at this stage the difference between the research approach & the research strategy & this is clarified in the next section 3.3 of this chapter as the section is thoroughly explaining the researches strategies in general & talking particularly about the strategy adopted in this particular one.

### **3.3 Research strategy**

This research is using the case study approach in order to get the data needed to form the elements of the research. In order to understand the previous, it is necessary to understand the importance of the case study as a research strategy.

A research design is the logic that links the data to be collected (& the conclusion to be drawn) to the initial questions of the study (Yin 2003).

The case study is used in many situations to contribute to our knowledge of individual, group, organisational, social, political & related phenomena. Not surprisingly, the case study has been a common research strategy in psychology, sociology, political science, social work (Gilgun 1994), business (Ghauri & Gronhaug 2002), & community planning. Case studies are found even in economics, in which the structure of given industry or the economy of a city or region may be investigated by using the case study method. In all of these situations, the distinctive needs for case study arise out of the desire to understand complex social phenomena. In brief, the case study method allows investigators to retain the holistic & meaningful characteristics of real-life events such as individual life cycles, organisational & managerial processes, neighbourhood change, international relations & the maturation of industries (Yin 2003).

Yin (2003) have added also that the case study is but one of the several ways of doing social science research. Other ways include experiments, surveys, histories & the analysis of archival information. Each strategy has peculiar advantages & disadvantages, depending on three conditions: (a) the type of research question, (b) the control an investigator has over actual behavioural events & (c) the focus on contemporary as opposed to historical phenomena. In general, case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events & when the focus is on contemporary phenomenon within some real-life context.

Yin (2003) mentioned that it is important to cover the phases of the case study which are design, data collection, analysis & reporting.

The most frequently encountered definitions of case studies have merely repeated the types of topics to which case studies have been applied. For example, in the words of one observer,

The essence of case study, the central technology among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented & with what result (Schramm, 1971, emphasis added).

This definition thus cites the topic of “decisions” as the major focus of case studies. Other topics have been similarly cited, including individuals, organisations, processes, programs, neighbourhoods, institutions & even events (Yin 2003).

Yin (2003) has also introduces tow other definitions of the case study as he said the following:

1. A case study is an empirical inquiry that

- Investigates a contemporary phenomenon within its real-life context, especially when
- The boundaries between phenomenon & context are not clearly evident.

In other words, you would use the case study method because you deliberately wanted to cover contextual conditions – believing that they might be highly pertinent to your phenomenon of study. This first part of our logic of design therefore helps us to understand case studies by continuing to distinguish them from the other research strategies.

An experiment, for instance, deliberately divorces a phenomenon from its context, so that attention can be focused on only few variables (typically, the context is “controlled” by the laboratory environment). A history, by comparison, dose deal with the entangled situation between phenomenon & context, but usually with noncontemporary events. Finally surveys can try to deal with the phenomenon & context, but their ability to investigate the context is extremely limited. The survey designer, for instance, constantly struggles to limit the number of variables to be analysed ( & hence the number of questions that can be asked) to fall safely within the number of respondents that can be surveyed.

Second, because phenomenon & context are not always distinguishable in real-life situation, as a whole set of other technical characteristics, including data collection & data analysis strategies.

2. The case study inquiry

- Copes with the technically distinctive situation in which there will be many more variables of interest than data points & as one result
- Relies on multiple sources of evidence, with data needing to converge in a triangulating fashion & as another result



- Benefits from the prior development of theoretical propositions to guide data collection & analysis.

In other words, the case study as a research strategy comprises an all-encompassing method – covering the logic of design, data collection techniques, & specific approaches to data analysis. In this sense, the case study is not either a data collection tactic or merely a design feature alone (Stoecker 1991) but a comprehensive research strategy.

Yin (2003) has added an interesting point which goes in line with the way this research is formed as he said yes, case study research includes both single & multiple- case studies. Though some fields such as political science & public administration have tried to distinguish sharply between these two approaches ( & have used such terms as the comparative case method as distinctive form of multiple- case studies) (see Agranoff & Radin, 1991; George, 1979; Lijphart 1975), single & multiple- case studies are in reality but two variants of case study designs.

Denscombe, M. (2003) believed that the use of case studies has become extremely widespread in social research, particularly with small-scale research. When researchers opt for a case study approach they buy into a set of related ideas & preferences which, when combined, give the approach its distinctive character. True many of the features associated with the case study approach can be found elsewhere & are not necessarily unique to this strategy. However, when brought together they form a broad approach to social research, with an underlying rationale for the direction & planning of an investigation that separates it from the rationale for survey research or the rationale for experimental research.

Case studies focus on one instance (or a few instances) of a particular phenomenon with a view to providing an in-depth account of events, relationships, experiences or processes accruing in that particular instance (Denscombe 2003).

It is worth pointing out that this case study was designed so that it is respecting the five components of research design set by Yin (2003) & these are listed as follows:

1. A study questions;

2. Its propositions if any;
3. Its units of analysis;
4. The logic linking the data to the propositions; &
5. The criteria for interpreting the findings.

In line with the previous, this research is presenting one main case study about the organisational change within Dubai Properties Group. This case study is followed by three other case studies of competitive real-estate companies within the U.A.E. & that in order to achieve a comprehensive data comparison & analysis. The result of the research will mainly depend on the presented case studies & it will be stored for the next researcher to build on founded facts.

### **3.4 Data collection methods**

There were five main steps considered in order to achieve the data collection. The research applied these five steps in order to concentrate on the effect of economy change on the Dubai Properties Group organisational change. In addition the five steps were formed as such in order to give the reader a base of comparison between the affect of economy change on major real-estate organisations in the U.A.E. market. These steps are listed as follows:

1. **Initial data collection:** prior to any step taken in order to gather information for this research, the dependency was on the general information one could gather from the daily news, magazines, along with some news websites & then internal information distributed within the company, Dubai Properties Group. This approach was decided in order to have a good back ground about what is happening in the market which later on helped in forming both the internal survey questioner within Dubai Properties Group & the interview questions to the employees within the major real-estate companies in the U.A.E. This also helped to avoid asking any inappropriate questions which may affect the continuity of the interviews.
2. **Defining the interview questions & selecting the main case study which is Dubai Properties Group:** it was decided to carry on interviews on the affect of change within

Dubai Properties Group in order to use it as the main case study & compare the other studies to it. For that purpose, interview questions were prepared talking different areas of change within the organisation & how that affected the overall organisational structure strategy. This strategy lead to downsizing the organisation & by that limits the activities of operation except for the necessary operations which is ranked mandatory internally. Section 3.4.1 in this chapter will explain for the reader intensively about the formed interview questions & the responses high level employees interviewed. These interviews were promised & trusted to be classified as top confidential in terms of revealing the name of the interviewed person or using the information gathered for other than academic purposes.

3. **Selecting the case studies:** three main other case studies were selected in order to create a comparison basis with Dubai Properties Group case study. The companies were selected for these case studies are the major real-estate companies in the U.A.E. market which are Nakheel in Dubai, Al Dar in Abu Dhabi & Emmar in Dubai. The method used to gather the information about the previous mentioned companies is by conducting an interview with some employees within these companies. These interviews were promised & trusted to be classified as top confidential in terms of revealing the name of the interviewed person or using the information gathered for other than academic purposes. Further description of the interview questions is explained in section 3.4.1 of this chapter.
4. **Analysing the data:** Data were organised & categorised into two main groups. The first collection of the data was primarily focusing on Dubai Properties Group reaction to the change of the economy & that by itself affected the organisational structure of the company. The other group of data collected were focusing on the major real-estate companies in the U.A.E. market which are, Al Dar in Abu Dhabi & Nakheel & Emmar in Dubai. The data collected were analysed & compared against the previous literature review carried on & in line with the evolution of the events. The data gathering & analysis will be exposed to the reader thoroughly in chapters 4, 5 & 6.

5. **Preparing the report:** The sequence of preparing the report first of all went through focal point of Dubai Properties Group change in the organisational structure as a result to the economy change in the U.A.E. the reactions of the change were gathered & categorised to establish the base of comparison against the other summarised case studies. Furthermore, due to the limitation of the information & because of the difficulties faced to gather the information from other major real-estate companies in the U.A.E. market, it was decided for to depend mainly on the interviews with the employees & keep the information gathered highly classified for academic research purposes as was highlighted in step number 3.

#### **3.4.1 Description of the interview questions distributed within Dubai Properties Group, Al Dar, Nakheel & Emaar.**

The interview questions were designed to target four main ideas which are listed as follows:

- The general effect of the economy downturn on the organisation & the hierarchy of the events
- The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the region's history
- The external & internal environmental factors affecting the organisation
- The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

Nine main questions were generated as questions number 1 & 2 are targeting the idea of the general effect of the economy downturn on the organisation & the hierarchy of the events. Questions number 3, 4 & 5 are targeting the idea of the affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the region's history. Question number 6 is targeting the idea of the external & internal environmental factors affecting the organisation & finally questions number 7, 8 & 9 are targeting the idea of the organisational response to the economy, the negative impacts & the

tactics to minimize these negative impacts in the future. The questioner sample is presented in Figure (1) section 3.4.1 for details.



Interview questions  
MSc. in project management  
for the topic of

The affect of the economy change on the change of a company's organisational structure:  
A case study on organisational change within Dubai Properties Group & other three major real estate companies before & during the economy downturn in the U.A.E. market which was the result of the global economy crisis

Important notes:

In line with the main subject of the research the Interview questions are targeting the following topics, which reflects for the reader the main objectives of the research:

- The general effect of the economy downturn on the organisation & the hierarchy of the events
- The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history
- The external & internal environmental factors affecting the organisation
- The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

The general effect of the economy downturn on the organisation & the hierarchy of the events

1- How did the economy downturn in the U.A.E., which was originally the result of the global economy downturn, affected your organisation in particular?

2- What was the hierarchy of the events? Or in other words, what was the sequence of the events following each other?

The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history

3- Where you prepared for this? How did you control the change & risk?

4- How did the economy downturn within the U.A.E. affected the structure of the organisation in terms of the size?

5- Do you recall a history of a similar case? What happened back then?

The external & internal environmental factors affecting the organisation

6- It has been observed that there are certain external & internal environmental factors involved in shaping out the structure of the organisation.

A- The external environmental factor are:

Political.

Economical.

Social.

Technological.

Cultural.

Physical.

Aesthetical.

Financial.

Policy.

Legal.

Institutional.

B- The internal environmental factors are:

Leadership.

Motivation.

Organisational structure

Rules & procedures.

People.

Empowerment.

Communication.

First of all rank the factors in A & B in starting with the most affecting environmental factor on the organisational change. You are to rank factors in A separately from B.

Secondly, explain which group of factors external/ internal have the most affect on shaping the organisational structure? & why?

The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

7- Knowing the factors, how is the organisation responding to the economy?

8- What are the main negative impacts?

9- Discuss the tactics to minimize the negative impacts in the future?

Figure (1) section 3.4.1 Interview questions sample

### **3.5 Advantages & disadvantages.**

#### **The advantages:**

- The survey method used to gather the information helped in getting a full range of responses from the population covered within Dubai Properties Group.

- Carrying on the interviews has the advantage of getting a deep range of information. Things are explained very well in the face-to-face conversations & the questions can be asked as the conversation is going on which enrich the information gathered & that was a great help for explaining the aims of the research.
- The researcher will open a line with the interviewee, & that is helpful in case of any further information needed towards the end of the research.
- The interview is a smooth way of collecting the facts & a way of getting informal with the high people within the companies chosen for the case study.
- The interviewing method is a flexible one as the inaccurate questions could be adjusted according to the response of the interviewee.

**The disadvantages:**

- It was difficult to get the responds of all the population the survey covered as some people didn't take pay a good attention to the matter which reflected on poor response from them.
- The limitation of the time was a challenge in getting the interviewees to respond to all the questions designed. The fact that high level employees were selected to carry the interviews with essentially created this challenge.
- The fact that different people have different opinions about the same matter made it hard to analyse & compare between the responses. This is a main challenge when using the qualitative approach as the main tool to create a research.
- The time used to organise the meeting with the employees consumed a lot of research time for progress.
- Some of the responses of the interviewees were totally outside the context of the question prepared & that lead into getting insufficient results some times.
- In general the time limitation of the research made it challenging to go through more than three four case studies.



## **Chapter 4 Dubai Properties Group Organisational structure**

### **4.1 Introduction**

This chapter introduces the evolution of Dubai Properties Group organisational structure. The purpose of this chapter is to understand the stages of organisational structure changes Dubai Properties Group went through. Accordingly this is going to be the case study in which the research will compare the other cases against. The qualitative data are going to be collected from this particular case study. These data are going to be fed in chapter 6, data analysis & results.

Since establishing Dubai Properties Group in December of 2004, the company went through several organisational structure evolutions due to two main different reasons. The first reason was the increase in the company's activities in the past five years which led the higher management to increase their forces in line with the market needs & establish Dubai Properties Group in September of 2008. Dubai Properties Group was set as the main umbrella of other six companies recognized to take the business forward within the competing market & the demand calls back then. This research is not going to focus on the first reason that led to the organisational change. The second reason for organisational change was the economy downturn in the U.A.E. market due to the international financial crises. This is going to be the main focus of the research. In line with the previous, Dubai Properties Group went through two major changes & has lived two major periods since establishing & these are:

- Dubai Properties Group organisation structure before September 2008 (Before the financial crises)
- Dubai Properties Group organisation structure after September 2008 (During the financial crises)

One of the research's aims is to show the hierarchy of the history of the events. Accordingly it is important for the reader to understand the history & the time lines behind this change. That is why the previous dates are important to recognise.

## 4.2 What is Dubai Properties Group?

Dubai Properties Group (DPG) is Dubai Holding's pioneering community developer. Its offers integrated & holistic services in real estate, retail, hospitality & lifestyle management (Dubai Properties Group website 2009).

Dubai Properties Group website (2009) explained that Dubai properties Group was established in 2008 to allow the different divisions of [Dubai Properties](#) to be separated into distinct business units. Dubai properties Group aims to contribute to the growth of Dubai and Dubai industry by conceiving, developing, managing and extending unique projects. The group's subsidiaries offer complementary services that integrate to provide a sustained level of quality and excellence:

1. [Dubai Properties](#) develops and manages planned communities
2. [Salwan](#) deals with property management services
3. [Injaz](#) creates fully sustainable green communities
4. [Dubai Asset Management](#) provides facilities management and security services
5. [Dubai Retail](#) develops the retail sector
6. [Dubai Hospitality](#) is a specialty hospitality company

## 4.3 Organisational objectives

Dubai Properties Group aspires to become a world-class partner for providing unique lifestyles, with a wealth of commercial real estate knowledge and expertise. It constantly seek innovative ways of creating end-to-end solutions and consciously work towards raising the benchmark of environmental standards in the region while still achieving its ambitious objectives (Dubai Properties Group website 2009).

#### 4.4 Overview of Dubai Properties Group organisation structure before September 2008 (before the financial crises)

##### 4.4.1 Departments & operations

Dubai Properties group organisational structure before September 2008 was mainly a flat structure, a horizontal structure if you want to call it. So many functions were centralised within the CEO's responsibilities. The reason behind that was because the company was still young in the market & the management have decided to centralise the functions in order to assure the correct flow of the process. It is worth mentioning that fact that the company Dubai Properties Group wasn't formed yet & all the operations were going under the name of a single company called Dubai Properties.

Dubai Properties organisational structure before September 2008 was mainly consisted of 13 departments. 8 of these departments were reporting directly to the CEO of the company & 5 of the departments were reporting to the Chief Administration Officer. The 8 departments reporting to the CEO of Dubai Properties were as listed:

1. **Business Development:** This department was responsible for coming up with business strategy plans for the company & search for any business opportunities along with searching & surveying the market in order to understand & take advantage of these opportunities. In addition, developing business model & business plans were one of its core responsibilities.
2. **Design Development:** This department was responsible for transforming the business opportunity generated within the Design Development into a life project. The main responsibility of this department was to come up with creative real estate development ideas which will attract the customers to Dubai's market. Taking care of the architectural development of the buildings along with its interior & surrounding landscaping was one of the core focus within the department.
3. **Project Management team1:** The main responsibility of this department was to construct the designs got generated from the Design Development department. Assuring

the construction process & delivery of the project was the core function of the department. It is important to explain for the reader that there were two other Project Management teams (Project Management team2 & Project Management team3) to support the same function. The reason behind that was to dedicate each team geographically in delivering the assigned project. This used to help in expediting the work, creating a demand in the market & having an internal competition that helps in a fast delivery for the projects.

4. **Project Management team2:** This department does the exact same function of Project Management team1, but in another geographical location within Dubai.
5. **Project Management team3:** This department does the exact same function of Project Management team1, but in another geographical location within Dubai.
6. **Technical Support:** The main function of this department was to assure the quality of work of the delivered projects by Project Management team1, team2 & team3. The technical support department used to double check the mechanical, electrical & plumbing aspects of the buildings after being checked by the consultant responsible for the project.
7. **Infrastructure:** This department was responsible for assuring the process of design & delivery of the infrastructure of lands assigned for the projects.
8. **Master Planning:** This department was responsible for the planning & phasing out of the lands assigned for the project. It had high confidential information within it such as the data base of the land bank & the location of the future projects in accordance with the time line assigned for it. This particular department used to have a close coordination with the business development department because it was one of the main tools to transform the business ideas into projects.

Furthermore, the 5 departments reporting to the Chief Administration Officer were as listed:

1. **Finance:** This department is responsible for all the finance related matters to the company.
2. **Legal:** The legal department assures the correct legal situation of the company in all its deals along with the contracts signed with the external parties.

3. **Marketing:** The main role of this department was to market for Dubai Properties real estate products. It assures the launch of the projects within the market & make sure the market is aware of the launched product.
4. **Revenue operations:** This department deals & assures the generation of the revenues from each particular project in accordance with its business plan.
5. **Sales:** This department is responsible for selling the real estate products. It was Dubai Properties face in front of the customers & one of its roles is to assure the customer's satisfaction.

As it was explained, it is clear for the reader that each functional department is acting as a support to the next one in function. These departments were categorised & operated by both the CEO & the Chief Administration Officer of Dubai Properties in order to assure the full process of the real estate management. Figure (1) section 4.4.1 is an organisational structure of Dubai Properties before September 2008 & it is showing the operational departments & the reporting lines.

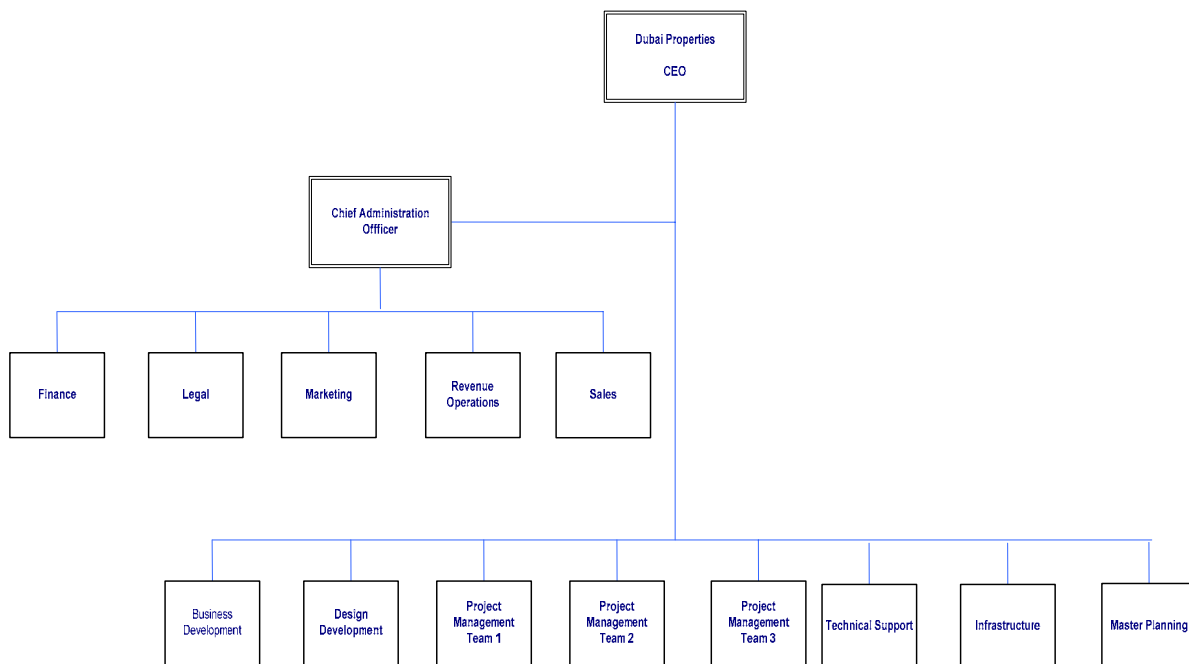


Figure (1) section 4.4.1 Dubai Properties Group organisation structure before September 2008 (before the financial crises)

## 4.5 Overview of Dubai Properties Group organisation structure after September 2008 (During the financial crises)

### 4.5.1 Departments & operations

By September 2008, the management of the company felt like it is a time to focus on particular line of businesses & develop them. The company then had already been gone through a four years learning curve. It has developed its resources eventually & has spent a big amount of money on that. All necessary market studies, which are aiming at figuring out the demand in the market, were taken care off. By depending on the previous mentioned sequence of events, it was decided to form what is now called Dubai Properties Group. Six major companies were formed accordingly. This was based on the market demand first & a functional line of business. An evolution accrued in the organisational structure of Dubai Properties Group in where the post of the Group Chairman was formed & to him the Group Chief Executive Officer was reporting. Each company of the six is an independent one & it has its independent Chief Executive Office. Each of these independent Chief Executive Officers is reporting to the Group Chief Executive officer. These six companies are listed as follows:

1. **Dubai Properties:** Dubai Properties supports the Group by providing value-added critical core & support services which are sales & revenue operations. Figure (1) section 4.5.1 shows the organisation structure of Dubai Properties & its reporting lines.

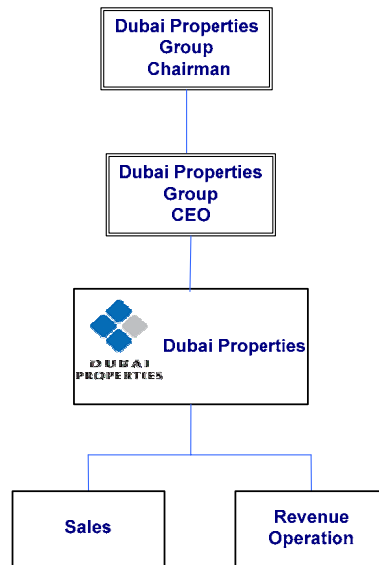


Figure (1) section 4.5.1 Dubai Properties organisation structure after September 2008 (During the financial crises)

2. **Injaz:** Injaz provides project management solutions & plays the role of creator of DPG developments. It consists of 5 departments which are Business Development, Urban Planning & Design Management, Construction Management, Infrastructure & Special Projects. Figure (2) section 4.5.1 shows the organisation structure of Injaz & its reporting lines.

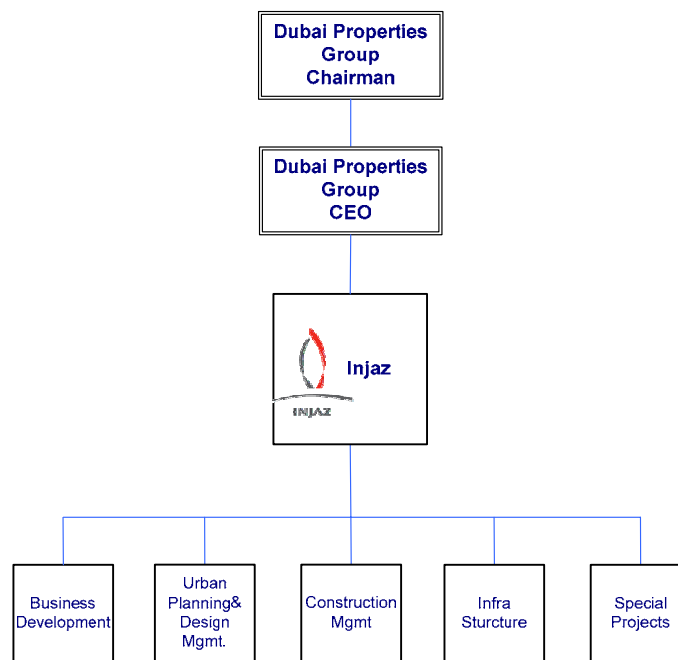


Figure (2) section 4.5.1 Injaz organisation structure after September 2008 (During the financial crises)

3. **Dubai Asset Management:** Dubai Asset Management provides integrated, strategic & operational asset management & community services focusing on sustainability & continuity to master developers, investors, owners & occupiers. It consists of 5 departments which are Babel Gym Management, IDAMA Facility Management, Dubai Security Group, Enmaa Facility management Consultancy & Dubai Community ventures. Figure (3) section 4.5.1 shows the organisation structure of Dubai Asset Management & its reporting lines.

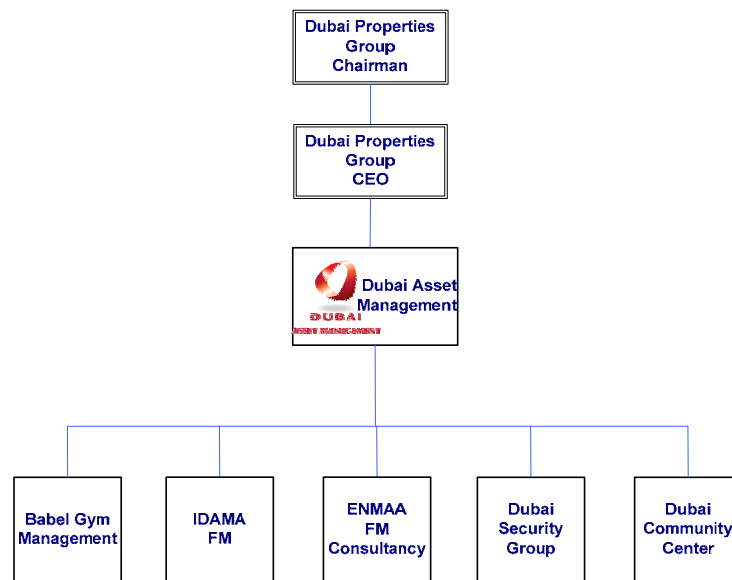


Figure (3) section 4.5.1 Dubai Asset Management organisation structure after September 2008 (During the financial crises)

4. **Dubai Hospitality:** Dubai Hospitality focuses on the hospitality component of the group & provides development advice as well as hospitality management solution. So Far this Company is a one man show as it is still forming. The only one available so far is the Chief Executive Officer of the company. Figure (4) section 4.5.1 shows the organisation structure of Dubai Hospitality & its reporting lines.



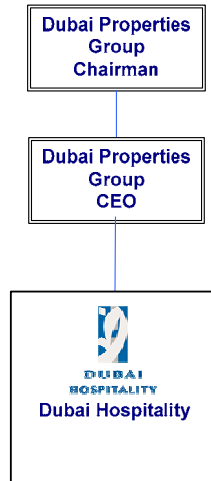


Figure (4) section 4.5.1 Dubai Hospitality organisation structure after September 2008 (During the financial crises)

5. **Dubai Retail:** Dubai Retail focuses on the retail component of the Group & provides retail development advice, retail leasing & mall management solutions. It consists of 4 departments which are Development, Technical, Leasing & mall Management. Figure (5) section 4.5.1 shows the organisation structure of Dubai Retail & its reporting lines.

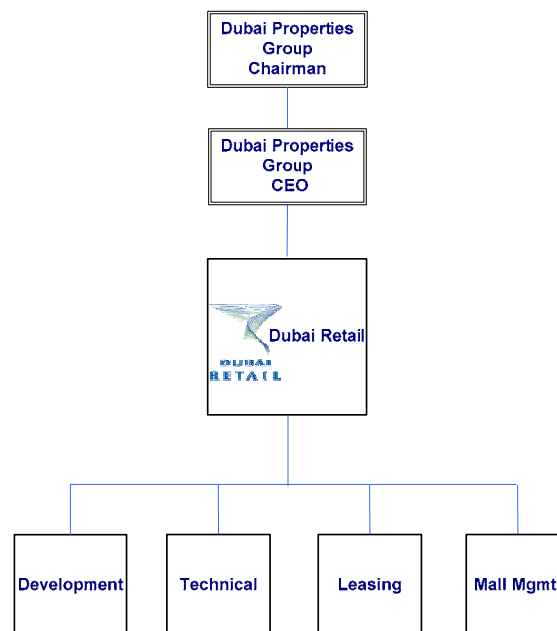


Figure (5) section 4.5.1 Dubai Retail organisation structure after September 2008 (During the financial crises)

6. **Salwan:** Salwan complements the real estate value chain by providing end to end services to enhance their clients' investment growths, property management solutions focusing on leasing, management of owners' associations in line with strata management

practices. It consists of 4 departments which are Property Management, Leasing, Hotel apartments & valuation & research. Figure (6) section 4.5.1 shows the organisation structure of Salwan & its reporting lines.

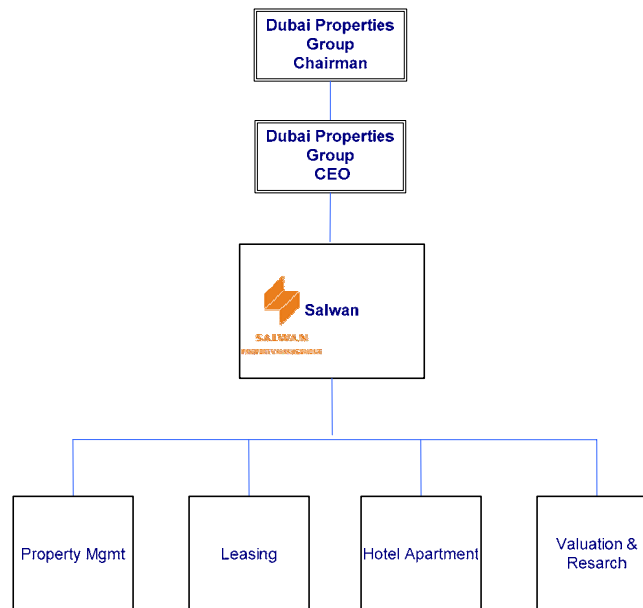


Figure (6) section 4.5.1 Salwan organisation structure after September 2008 (During the financial crises)

In addition to the six companies existing within the group, there are still 8 independent departments within Dubai Properties Group. These department were kept as such in order for the Group CEO to have the control on the its operations due to its sensitivity. These 8 departments are listed as follows:

1. **Operation:** This department deals & assures the generation of the revenues from each particular project in accordance with its business plan.
2. **Finance:** This department is responsible for all the finance related matters to the company.
3. **Human Capital:** This department is responsible for providing the human capital services for the whole group including the six independent companies.
4. **Customer service:** The main role of this department is to assure the satisfaction of the customer & a continues relationship between the customers & the company. It also has the responsibility of attracting more customers to the company.

5. **Internal Audit:** This department is responsible for auditing the process of work for the whole group including its the six companies. This department assures achieving the quality of the process.
6. **Legal:** The legal department assures the correct legal situation of the company in all its deals along with the contracts signed with the external parties.
7. **Marketing:** The main role of this department was to market for Dubai Properties real estate products. It assures the launch of the projects within the market & make sure the market is aware of the launched product.

Commercial & Contracts (C&C): This department is a service provider to all of the Group companies. It is responsible for all the commercial issues & contractual matters related to the companies within the group. It is the Groups advisor for any issues related to commercial & contracts.

Figure (7) section 4.5.1 shows Dubai Properties Group organisation structure after September 2008 (During the financial crises). This diagram shows clearly the integration within the Group companies' & the departments in addition to the reporting lines.

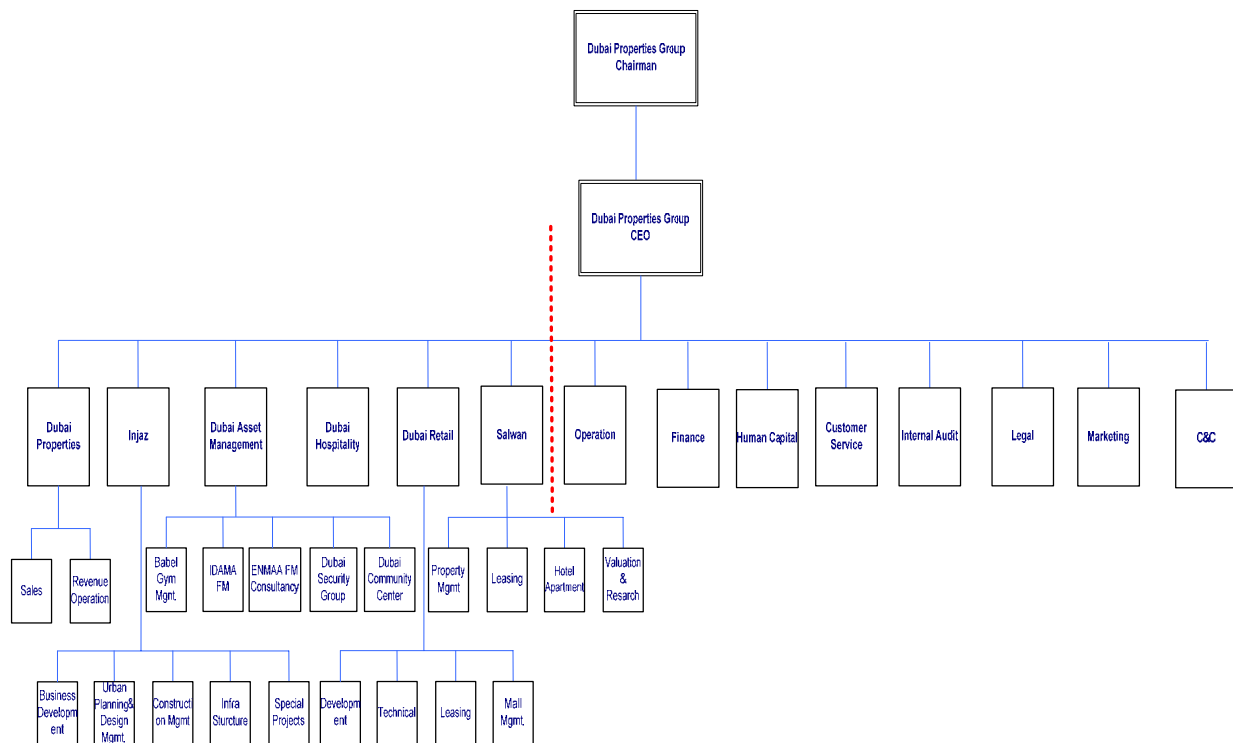


Figure (7) section 4.5.1 Dubai Properties Group organisation structure after September 2008 (During the financial crises).

## **Chapter 5 Case studies of major companies' organisation structure got affected in the market in comparison with Dubai Properties Group.**

This chapter is going to show the reader the direct response of some of the key personals within their organisations for the interview questioner. The aim of presenting this chapter is to collect as much data as possible from the targeted organisations. This chapter gives the reader the chance to read & think about the answers provided prior to the analysis part. It helps in comparing your thoughts with the analysis, going to be provided, in chapter 6.

### **5.1 Case study 1: Dubai Properties Group**

#### **5.1.1 Organisation description**

The organisation has already been described in detail in chapter 4.

#### **5.1.2 Person interviewed**

The person interviewed from Dubai Properties occupies a middle management position. He is a director who is specialised in real estate management. The company rely on him for delivering the critical tasks. He has his own unique way of thinking & approaching the problems. His feed back of the interview is very rich as you will read next.

#### **5.1.3 Response to the interview questions**

The general effect of the economy downturn on the organisation & the hierarchy of the events

1- How did the economy downturn in the U.A.E., which was originally the result of the global economy downturn, affected your organisation in particular?

The organization anticipated that the investors won't be able to meet their payments deadline in fact maybe not be able to pay at all due to the liquidity crisis in the market. Thus, DPG had to go through several precautionary steps in order to survive the crisis.

2- What was the hierarchy of the events? Or in other words, what was the sequence of the events following each other?

- Halt all tenders and stop awarding any projects.
- Stop at the nearest mile stone in any project under design and inform the consultant of our intentions to hold the project for a while.
- Release all employees who were still under probation.
- Study the market situation and expected needs during economy down turn.
- Evaluate the priority of the ongoing projects according to the current market needs.
- Cancel projects which have not yet been sold to end users/ investors, and those which do not serve the expected market needs.
- Release further employees whose projects have been cancelled.
- Reduce the scope of the existing projects wherever possible in order to reduce the financial liabilities of that project.
- Expedite the progress of the projects which are nearing completion in order to use their generated income to fund other projects.

The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history

3- Where you prepared for this? How did you control the change & risk?

Hardly anyone could have been prepared for such an event; nevertheless, we were able to minimize the losses due to this crisis through the above mentioned plan. The focus of the plan was to cut down any liabilities falling on DPG such as unneeded employees, project which are

not expected to be feasible at this time of crisis, reduce the scope of the existing projects wherever possible, Understand the current market needs and fashion our products around those needs.

4- How did the economy downturn within the U.A.E. affected the structure of the organisation in terms of the size?

The size of the organization has dropped approximately by 40%.

5- Do you recall a history of a similar case? What happened back then?

The UAE has gone through economical down turns before no as large as this one though. For example, during the gulf war demand has dropped drastically in the region and it affected the real estate in particular; however we were able to pick up from there and recover in a remarkable manner.

#### The external & internal environmental factors affecting the organisation

6- It has been observed that there are certain external & internal environmental factors involved in shaping out the structure of the organisation.

A- The external environmental factor are:

Political.

Economical.

Social.

Technological.

Cultural.

Physical.

Aesthetical.

Financial.

Policy.

Legal.

Institutional.

B- The internal environmental factors are:

Leadership.

Motivation.

Organisational structure

Rules & procedures.

People.

Empowerment.

Communication.

First of all rank the factors in A & B in starting with the most affecting environmental factor on the organisational change. You are to rank factors in A separately from B.

Secondly, explain which group of factors external/ internal have the most affect on shaping the organisational structure? & why?

A- The external environmental factor

1. Financial.

2. Economical.

3. cultural.

4. Political.

5. Social.

6. Aesthetical.

7. Policy.

8. Legal.

9. Institutional.

10. Technological.

11. Physical.

B- The internal environmental factor

1. Leadership.

2. Motivation.

3. Organisational structure

4. Rules & procedures.

5. Communication.

6. Empowerment.

7. People.

Externally, I believe that the most influential factor affecting our organization structure is the financial economical, cultural, and political. Any organization must be profitable to exist, thus being able to sustain financial gains makes it a better organization.

Internally, leadership is a rare gift, which should be cherished and appreciated. Hence, when found, it must be positioned at its rightful place. Thus in our organization I see Leadership taking the leading factor in affecting our organization structure.

As for motivation, you need it the most in such hard economical situation to keep everyone focused and unyielding.

The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

7- Knowing the factors, how is the organisation responding to the economy?

The organization had to sustain profitability and minimize its losses thus it cut down on all unnecessary costs and maintained only financially feasible projects. It has also down sized its work force however retaining those with leadership quality and motivation.



8- What are the main negative impacts?

1. Dealing with the investors' inability to meet the payment deadlines.
2. Not being able to commence some of our landmark projects.
3. Loosing a lot of veteran employees who has enriched the organization with knowledge and experience.

9- Discuss the tactics to minimize the negative impacts in the future?

1. Constantly monitoring the financial and the economical situations of the local and global economy.
2. Studying the financial profile and history of any investor or end user willing to buy a property from our development.
3. Establishing a knowledge pool which we can share and utilize for the better of the organization.
4. Establishing a contingency plan for employees to allow them to survive the first impact of any economical or political situation.

## **5.2 Case study 2: Al Dar**

### **5.2.1 Organisation description**

ALDAR Properties PJSC is a leading property development company, with strong investment and management capabilities.

ALDAR was established primarily to create world-class real estate developments for the nation of Abu Dhabi, whilst providing a stable and profitable investment portfolio for all our investors.

We are dedicated to achieving new standards of innovation, excellence and value in urban design and sustainable development. Our priority is the immediate and future benefit of Abu Dhabi and its residents.

The company is owned by leading Abu Dhabi institutions, founder shareholders and over 20,616 investors throughout the UAE. ALDAR's principle corporate shareholders include:

- Mubadala Development Company
- Abu Dhabi Investment Company
- Abu Dhabi National Hotels Company
- National Corporation for Tourism & Hotels
- National Investor

Central to the success of ALDAR are over 500 multi-disciplinary staff providing expertise and knowledge from around the globe ([http://www.aldar.com/about\\_aldar.en](http://www.aldar.com/about_aldar.en) 2009).

### **5.2.2 Person interviewed**

I have achieved to interview one of the middle management employees in Al Dar. His position there is a senior development manager. The main advantage of interviewing him is the fact that he has been focusing on real-estate development throughout his career. He has joined Al Dar properties a year ago & previously was working with another property company within the U.A.E.

### **5.2.3 Response to the interview questions**

The general effect of the economy downturn on the organisation & the hierarchy of the events

1- How did the economy downturn in the U.A.E., which was originally the result of the global economy downturn, affected your organisation in particular?

Several changes took place in the organisation due to the global economy downturn. The strategy got changed from fast track of delivering the projects to the traditional procurement system. The organisation went for a market test exercises on the ongoing projects in order to the possibilities of going forward with the project. On the other hand, some departments within the organisation became more important than other departments & got empowered such as the contract

department & the planning & the infrastructure department. Other departments lost their power & became weaker such as the sales & marketing department. The higher management have announced a cutting cost on operations by 20%. The market segment got changed from focusing on high end products to focusing on affordable products.

2- What was the hierarchy of the events? Or in other words, what was the sequence of the events following each other?

We mainly got affected by Dubai situation. After viewing the situation in Dubai an assessment has been taken to reduce the negative risk look for any foreseeing opportunities. Throughout emergency surveys & market researches, an emergency assignment group has been formed & accordingly came up with a focused strategy for the year 2009. This strategy have announced to stop some projects & to go ahead with others linking that to the availability of the cash flow & the planned cash to be collected from the market. Basically a change in the business strategy in the middle of execution & it was mandatory for that to be done. The management of the projects got driven by cash flow. Some of the projects in the pipeline got redesigned. The higher management started focusing on the downsizing strategy. They were also looking at reducing & relocating the resources according to the priorities.

The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history

3- Where you prepared for this? How did you control the change & risk?

We weren't prepared & I don't think any organisation in the region was prepared. We are a young economy with a limited experience & history in these situations.

4- How did the economy downturn within the U.A.E. affected the structure of the organisation in terms of the size?

Some departments within the organisation became more important than other departments & got empowered such as the contract department & the planning & the infrastructure department. Other departments lost their power & became weaker such as the sales & marketing department. The higher management started focusing on the downsizing strategy. They were also looking at reducing & relocating the resources according to the priorities. An exercise of downsizing by 20% started to be put in place. Some people in the company were arguing that this strategy is a right idea but it was wrongly approached.

5- Do you recall a history of a similar case? What happened back then?

Yes, I recall that in early 1990's the property value in the country & particularly in Dubai went down, but it was part of the regular economy fluctuation.

The external & internal environmental factors affecting the organisation

6- It has been observed that there are certain external & internal environmental factors involved in shaping out the structure of the organisation.

A- The external environmental factor are:

Political.

Economical.

Social.

Technological.

Cultural.

Physical.

Aesthetical.

Financial.

Policy.

Legal.

Institutional.

B- The internal environmental factors are:

Leadership.

Motivation.

Organisational structure

Rules & procedures.

People.

Empowerment.

Communication.

First of all rank the factors in A & B in starting with the most affecting environmental factor on the organisational change. You are to rank factors in A separately from B.

Secondly, explain which group of factors external/ internal have the most affect on shaping the organisational structure? & why?

A- The external environmental factor

1. Financial.
2. Economical.
3. Political.
4. Legal.
5. Social.
6. Cultural.
7. Institutional.
8. Physical (Logistics).
9. Aesthetical.
10. Technology.

B- The internal environmental factors

1. Leadership.
2. Communication.
3. People.
4. Motivation.
5. Rules & procedures.
6. Organisational structure.
7. Empowerment.

It is obvious that the external factors are the most affecting factors, because it affects the whole vision of the company. If most of these factors changes the vision of the company gets changed & accordingly its execution strategies'. On the other hand the internal factors does not affect the vision at most but affects some of the mission statements sat earlier for the company.

The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

7- Knowing the factors, how is the organisation responding to the economy?

The organisation is mainly doing three things. They are cutting operational cost, downsizing & reducing the profit margin.

8- What are the main negative impacts?

The main negative impact was on the reputation of the company, as it takes a strong force & money to build the reputation & it could easily get harmed by a wrong decision making. There is also a huge negative affect on the families of the sent off employees. The investors start to be hesitant to invest in the market & this generates the loss of the confidence in the market. The quality of end products is being affected due to the reduction on the scope & specifications in order to save as much money as possible to secure the stability of the company & the existence. Along with the quality the level of services gets reduced. In addition to the previous, the main

developer starts to face difficulties in the cash flow which puts the delivery of the launched projects at risk & in the future created liabilities problems with the end users.

9- Discuss the tactics to minimize the negative impacts in the future?

For the future, we have to think of changing the exit strategy for the project & differentiate between a selling strategy and a long term investment like a renting strategy. Also we have to redefine our targeted customers as we used to create a demand rather than building against a demand. We should look at funding partnerships & joint ventures. It is important to mention that when we are reprioritised we should be focusing on customer satisfaction because they are the main source of funding for the project. Finally it is always important to enhance both the internal & the external communication.

### **5.3 Case study 3: Nakheel**

#### **5.3.1 Organisation description**

Nakheel is the force turning the vision of Dubai into reality. When complete, projects such as the Palm Trilogy, the World and Waterfront will add more than 600 miles of beachfront to the Dubai coastline and cover over 2 billion sq ft. Nakheel's 1800 employees are delivering US\$60 billion of iconic developments, driving thought leadership, pioneering innovation and creating a legacy for generations to come.

Nakheel was created through the vision of the late Sheikh Rashid Al Maktoum, who wanted a better way of life for his people. Today, Nakheel's Business Divisions are delivering on that vision.

Nakheel is a focus of world attention. Government leaders, academics, leaders of industry all want to see for themselves what is happening as Nakheel build for the future.

Nakheel is not only building a nation, it is constantly involved in the long term planning for economic, environmental and social development. Nakheel is all focused on making the dreams of Dubai come true (<http://www.nakheel.com/en> 2009).

### **5.3.2 Person interviewed**

I was successful to interview one of the top management people within Nakheel. Currently he is occupying a managing Director position within the organisation. He has a wide range of experiences within the property development & he really understands the real-estate economy cycle. In addition, currently within his organisation he is searching opportunities within the economy downturn. He is putting a good effort into how to benefit from the situation & go forward with the currently launched projects.

### **5.3.3 Response to the interview questions.**

The general effect of the economy downturn on the organisation & the hierarchy of the events

1- How did the economy downturn in the U.A.E., which was originally the result of the global economy downturn, affected your organisation in particular?

It led to reduction of the resources; many staff had to be put on redundancy. Restructuring the organization was done twice as well as merges between business units.

2- What was the hierarchy of the events? Or in other words, what was the sequence of the events following each other?

- Around 15% of the staff was terminated, 30/11/2008,
- Restructuring the department was carried out.
- Merge between projects was announced and that led to
- Second batch was terminated by Feb 2009, approximately 50% of the remaining work force



- Restructuring the organization was carried out.
- Another merge was announced
- Another restructure was carried out but without any termination

The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history

3- Where you prepared for this? How did you control the change & risk?

No, we weren't prepared.

The main concern was to keep important information accessible within the organisation and having them accessible to the remaining staff, therefore the company decided to have the redundancy in two steps so that information could be transferred smoothly to the remaining staff, this will allow them to take decisions knowing the necessary details regarding the concerned issue.

Other risk was leaking information by terminated staff, therefore the IT department took immediate control on their email account, and terminated staff were prohibited to take any copy of documents and were escorted by HR staff from their work station to their transport vehicle; the company provided transportation for staff who did not have their own vehicle. A committee was formed in each business unit to take decisions about the redundancy and to keep the key staff in order to run the business smoothly.

4- How did the economy downturn within the U.A.E. affected the structure of the organisation in terms of the size?

- Around 15% of the staff was terminated, 30/11/2008,
- Restructuring the department was carried out.
- Merge between projects was announced and that led to second batch was terminated by Feb 2009, approximately 50% of the remaining work force

5- Do you recall a history of a similar case? What happened back then?

No previous experience.

The external & internal environmental factors affecting the organisation

6- It has been observed that there are certain external & internal environmental factors involved in shaping out the structure of the organisation.

A- The external environmental factor are:

Political.

Economical.

Social.

Technological.

Cultural.

Physical.

Aesthetical.

Financial.

Policy.

Legal.

Institutional.

B- The internal environmental factors are:

Leadership.

Motivation.

Organisational structure

Rules & procedures.

People.

Empowerment.

Communication.

First of all rank the factors in A & B in starting with the most affecting environmental factor on the organisational change. You are to rank factors in A separately from B.

Secondly, explain which group of factors external/ internal have the most affect on shaping the organisational structure? & why?

A- The external environmental factor

1. Financial
2. Economical.
3. Physical.
4. Social.
5. Policy
6. Legal
7. Political
8. Cultural
9. Technological.
10. Aesthetical.
11. Institutional.

B- The internal environmental factors

1. Empowerment
2. Leadership
3. Communication
4. Motivation.
5. Organisational structure
6. Rules & procedures.
7. People.

The change in structure was carried out due to the external environmental factors, but the new organizational structure shape was carried out based on the internal environmental factors, what I mean is that the business unit that had better leadership and communication, and was better organized took the lead and was put in charge for other projects and business units.

The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

7- Knowing the factors, how is the organisation responding to the economy?

The new organization is responding in a good way to the economy. Rules and regulations were distributed in a way to have more centralized decisions and actions were taken in a collaborative way instead of individual.

8- What are the main negative impacts?

The staff is de-motivated, scared to be redundant, and decision is taking longer time than it used to be.

9- Discuss the tactics to minimize the negative impacts in the future?

The organization structure could be improved if special committees were formed that have specific task.

For example:

Committee to deal with contractors who have many contracts in different projects, such committee may negotiate on behalf of all projects in order to achieve better results, and leave other tasks to the project team to deal with.

## **5.4 Case study 4: Emaar**

### **5.4.1 Organisation description**

Emaar Properties PJSC is one of the world's largest real estate companies and is rapidly evolving to become a global provider of premier lifestyles. A Dubai-based Public Joint Stock Company, Emaar is listed on the Dubai Financial Market and is part of the Dow Jones Arabia Titans Index.

In tandem with Dubai's rapid growth, Emaar has been shaping landscapes and lives in the Emirate since the company's inception in 1997. Not just building homes, Emaar develops value-added, master-planned communities that meet the homebuyers' full spectrum of lifestyle needs. A pioneer of innovative community-living concepts, Emaar is the prime mover of the Emirate's real estate and construction sector.

In line with its Vision 2010, Emaar is charting a new course of growth through a two-pronged strategy of geographical expansion and business segmentation. Replicating its successful business model in Dubai, Emaar is extending its expertise in creating master-planned communities to international markets. Simultaneously, Emaar is developing new competencies in hospitality & leisure, malls, education, healthcare and financial services, which have evolved from its integrated approach to customer service and property development.

With six business segments and more than 60 active companies, Emaar has a collective presence in over 36 markets spanning the Middle East, North Africa, Pan-Asia, Europe and North America. The company has established operations in the United Arab Emirates, Saudi Arabia, Syria, Jordan, Lebanon, Egypt, Morocco, Algeria, Libya, India, Pakistan, Turkey, Indonesia, USA, Canada and United Kingdom (<http://www.emaar.ae/index.aspx?page=about> 2009).

### **5.4.2 Person interviewed**

The person interviewed in Emaar is occupying a middle management position. He is at a director level. The key advantage about this person is the fact that he has been in the real estate

business throughout his career time. He totally understands the real estate cycle & the ups & down within the market. Through his answers the reader will notice his loyalty to Emmar & his confidence of being there.

#### **5.4.3 Response to the interview questions.**

The general effect of the economy downturn on the organisation & the hierarchy of the events

1- How did the economy downturn in the U.A.E., which was originally the result of the global economy downturn, affected your organisation in particular?

We are in the real estate market therefore we got the biggest impact and it did effect us badly.

2- What was the hierarchy of the events? Or in other words, what was the sequence of the events following each other?

Our management took the first wave seriously and started to rethink the company structure and ways to cut cost and secure the company through the tough times in order to keep being ahead in the future. We were the first who took real action on ground by cutting down people, salary reduction and introducing new ideas that will encourage sales and bring in cash/benefit to the organization.

The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history

3- Where you prepared for this? How did you control the change & risk?

To some extend yes, we have a risk management department who are considered with such situation, we did expect some downturn in the market, but what happen was more than our expectation. I guess it need that correction in the market and limiting the real estate development

to expert and professional people, but what was happening lately is that almost everyone started to be a developer.

4- How did the economy downturn within the U.A.E. affected the structure of the organisation in terms of the size?

It had some changes, the main one was the size as we had to cut down around 30% of staff and some departments had to merge under other department.

5- Do you recall a history of a similar case? What happened back then?

Early 2000 we had some slowdown in sales activity where the company had to release some of its employees and produce a product that goes with customer budgets and need In terms of space & services. Back then we came up with a better payment scheme to be able to sell our product. All of this had a huge impact to bring the market up again.

#### The external & internal environmental factors affecting the organisation

6- It has been observed that there are certain external & internal environmental factors involved in shaping out the structure of the organisation.

A- The external environmental factor are:

Political.

Economical.

Social.

Technological.

Cultural.

Physical.

Aesthetical.

Financial.

Policy.

Legal.

Institutional.

B- The internal environmental factors are:

Leadership.

Motivation.

Organisational structure

Rules & procedures.

People.

Empowerment.

Communication.

First of all rank the factors in A & B in starting with the most affecting environmental factor on the organisational change. You are to rank factors in A separately from B.

Secondly, explain which group of factors external/ internal have the most affect on shaping the organisational structure? & why?

A- The external environmental factor

1. Economical
2. Financial
3. Political
4. Legal
5. Social
6. Technological
7. Institutional
8. Cultural
9. Physical
10. Aesthetical
11. Policy



The economical factor is the main key element in the region & if there is a global crisis it will affect any business sector as the world has become one village.

**B- The internal environmental factors**

1. Leadership.
2. Communication.
3. Organisational structure.
4. Rules & procedures.
5. People.
6. Motivation.
7. Empowerment.

Leadership is the head of any organisation or cooperation. The greater the leader is the greater the company will perform. Again here where the brain lays & the success starts from.

Furthermore, In a business like the real estate both categories A & B have a huge impact on the decision making and company success or sales activity. Category A, have great impact on company profit in the previous years where the entire world and the international market was doing well and distance become shorter, almost everywhere the same language was spoken, political stability in the region and sense of security added great value of international investment to come and invest in the U.A.E specially Dubai, as it became one of the interesting international hubs. This right environment was the base of all this development and success.

Category B is the brain & seed of success. Through the great and sharp vision of HH Sheik Mohammad and the leaders below him, our management were able to convert this dream to reality through a proper execution plan.

Again having the right people on the right spot will create a success and there is no sign of failure in any organisation that follow these steps. Dubai took advantage of it leaders vision and managed to concur and develop an extraordinary Architecture & infrastructure...ect in a very short time where others took ages to do we what has been achieved in Dubai.

Again speed is a key success in an industry like us, to be able to deliver on time or a head of time that what we rely on in our sales strategy. With speed mistakes will appear & the trick is how to correct these mistakes and understand the lesson so you don't repeat them again & that what created our success in Emmar.

The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

7- Knowing the factors, how is the organisation responding to the economy?

With the extra volume of real estate units in the market, the higher management had to slowdown their real estate development for the time being and focus on other source of income like retail/ mall business FM (facility management). The previous lines of business are the areas we are focusing on at the time being.

Retail business is huge in Dubai, again due to its strategic location Dubai is surrounded by more the 1.2 billion of population (India & Egypt). There is a huge population within these mentioned regions which encouraged us to deliver world class Malls that includes the best up to date services.

8- What are the main negative impacts?

Rumours and some negative media report,,, as we all heard in the international media that Dubai became a ghost town.....ect as we all see this is not the fact. Yes there is a huge slow down in everything but it is not a shutdown as we still we have the crazy rush hour on Algarhoud, Shk Zayed road...ect...

9- Discuss the tactics to minimize the negative impacts in the future?

The best way to handle this situation is your result. Sharing the result with the public on business turn over and comparing it with other international market, this will be an indication that we are not doing less than others in fact we are better than others in some areas.....

Public awareness and celerity in the system so everyone can see it and understand it is the way we will limit everyone who is trying to take advantage of the system and people at the end of the day.

## Chapter 6 Data analysis & results

### 6.1 Introduction

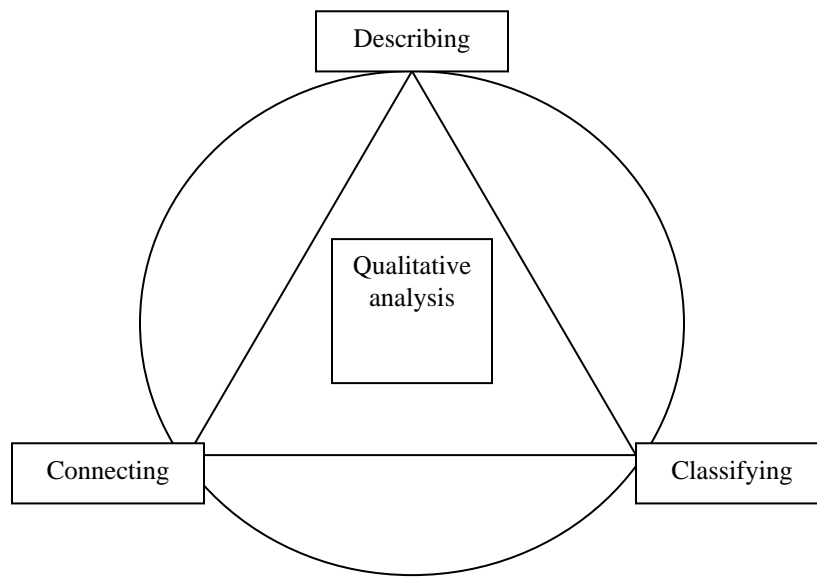
Question. What colour is snow?

Answer. White.

To most of us the answer ‘white’ may seem satisfactory, but to an Eskimo it would seem a joke: Eskimo distinguish between a wide variety of ‘whites’ because they need to differentiate between different conditions of ice & snow. So it is with qualitative data analysis: in a recent review of the field, Tesch (1990) distinguishes over forty types of qualitative research. Just as Eskimos distinguish varieties of white, so researchers distinguish varieties of qualitative analysis. There is no one kind of qualitative data analysis, but rather a variety of approaches, related to the different perspective & purposes of researchers. To distinguish & assess these different perspectives fully would be a formidable & perhaps rather fruitless task, particularly as boundaries between different approaches & their relation to what researchers actually do when analysing data is far from clear (Dey 1993).

Description lays the basis for analysis, but analysis also lays the basis for further description. Through analysis we can obtain a fresh view our data. We can progress from initial description, through the process of breaking data down into bits, & seeing how these bits interconnect, to a new account based on our reconceptualization of the data. We break down the data in order to classify it, & the concepts we create or employ in classifying the data, & the connections we make between these concepts provide a basis for a fresh description. The core of qualitative analysis lies in these related processes of describing phenomena, classifying it & seeing how our concepts interconnect (Dey 1993).

Figure (1) section 6.1 illustrates this relationship between describing phenomena, classifying it & seeing how our concepts interconnect.



Source: Qualitative data analysis by Ian Dey (1993).  
Figure (1) section 6.1 Qualitative analysis as a circular process

## 6.2 Data analysis comparison schedule

Number	Subject being tested	Organisation name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
1	The general effect of the economy downturn on the organisation & the hierarchy of the events	1. Investors won't be able to meet their payment deadlines due to the liquidity crises	1. The strategy got changed from fast track of delivering the projects to the traditional procurement system	1. Reduction of the resources as many staff had to be put on redundancy	1. The company got restructured

		2. Halt all tenders & stop awarding any projects	2. The organisation went for a market test exercises on the possibilities of going forward with the project	2. Around 15% of the staff was terminated by 30/11/2008	2. A decision to cut cost & secure the company was made
		3. Release all employees under probation	3. Some departments within the organisation became more important than other departments as other departments lost their power	3. Restructuring the department was carried out	3. Cutting down the people
		4. Study the market situation & the expected needs	4. Cutting cost on operation by 20%	4. Merge between projects were announced & that led to 50% of the work force to remain	4. Salary reduction
		5. Evaluate the priority of the ongoing projects	5. The market segment got changed from focusing on high end products to focusing on affordable products	5. Restructuring the organisation was carried out	5. Introduce new ideas to encourage sales in order to bring in cash

		6. Cancel the projects which have not yet been sold	6. Got affected by Dubai situation	6. Another merge was announced	
		7. Release further employees whose projects have been canceled	7. An emergency assignment group has been formed & accordingly came up with a focused strategy for the year 2009	7. Another restructure was carried out but without any termination	
		8. reduce the scope in order to reduce financial liabilities	8. Stop some projects & go ahead with others linking that to the availability of the cash flow		
		9. Expedite the progress of the projects which are nearing completion in order to use their generated income to fund other projects.	9. A change in the business strategy in the middle of execution		
			10. Downsizing strategy		

			11. Reducing & relocating resources according to the priorities		
--	--	--	--	--	--

Number	Subject being tested	Organisation name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
2	The affect of the economy down turn on the organisation in terms of the organisational change & size & comparing that to similar incidents within the regions history	1. Not prepared for the event	1. Not prepared for the event, as we are a young economy with limited experience & history	1. Not prepared for the event	1. Yes, we were prepared as we have a risk management department, we have expected some down turn, but what happened was more than our expectation



		2. Cut down any liabilities falling on DPG	2. Some departments within the organisation became more important than other departments & got empowered & other departments became weaker	2. The company decided to have the redundancy in two steps so that information could be transferred smoothly to the remaining of the staff	2. 30% of the staff were reduced
		3. Reduce the scope	3. Downsizing strategy by 20%	3. The risk was the leaking of the information by the terminated staff	3. Some departments had to merge under other departments
		4. Understand the current market needs & fashion our products around those needs	4. Reducing & relocating resources according to the priorities	4. It department took an immediate control on the e-mail accounts of the terminated staff	4. In early 2000 we had some slow down in sales activity & the company had to release some of its employees & produce a product that goes

					with the customers budgets
		5. The size dropped by 40%	5. The reduction of the staff strategy is a right idea but was wrongly approached	5. A committee was formed in each business unit to take decisions about the redundancy	5. It is a challenge to bring the market up again
		6. Demand had dropped during the Gulf war	6. In 1990 the property value dropped, but that was a regular economy fluctuation	6. Key staff were kept in order to run the business smoothly	
		7. We were able to pick up from there		7. 15% of the staff were terminated by 30/11/2008	
				8. Restructuring of the departments was carried out	
				9. Merge between projects was announced & that led to second batch was terminated by Feb 2009	
			10. No previous experience		

Number	Subject being tested	Organization name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
3	The external & internal environment factors affecting the organisation	1. Financial	1. Financial	1. Financial	1. Economic al then Financial
		2. Leadership	2. Leadership	2. Empowerment then Leadership	2. Leadership
		3. Externally financial because financial gains makes a better organisation	3. External factors are the most affecting factors because it affects the whole vision of the company. If most of these factors changes the vision of the company	3. The change in structure was carried out due to the external environmental factors, but the new organizational structure shape was carried out based on the internal environmental factors, what I mean is that the business unit that had better leadership and communication, and was better organized took the lead	3. Leadership is the head of any organisation or corporation. The greater the leader is the greater the company will perform
		4. Internally leadership is a rare gift & it must be positioned at its rightful place	4. Internally leadership is a rare gift & it must be positioned at its rightful place		4. In a business like the real estate both categories A & B are having a balance affect on shaping

				and was put in charge for other projects and business units.	the organisation structure
--	--	--	--	--	----------------------------

Number	Subject being tested	Organisation name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
4	The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future	1. The organization had to sustain profitability and minimize its losses thus it cut down on all unnecessary costs and maintained only financially feasible projects	1. The organisation is mainly doing three things. They are cutting operational cost, downsizing & reducing the profit margin	1. Centralized decision & actions were taken in a collaborative way instead of individual	1. Slowdown their real estate development & focus on other source of income like retail, mall business & facility management
		2. Dealing with the investors' inability to meet the payments deadlines	2. Reputation of the company gets affected & the investors start to be hesitant to invest in the market	2. The staff is demotivated & scared to be redundant	2. Rumors & some negative media reports
		3. Not being able to commence some of our landmark projects	3. Families of the sent off employees gets affected	3. Decision is taking longer time	3. There is a huge slowdown in everything

					but it is not a shut down
		4. Losing a lot of veteran employees who has enriched the organisation with knowledge & experience	4. The quality of end products is being affected due to the reduction on the scope	4. Special committees were formed to deal with contractors who have many contracts in different projects, such committee may negotiate on behalf of all projects in order to achieve better results	4. Sharing the result with the public on business turn over & compare it with other international market as this will show that we are doing better than the others
		5. Constantly monitoring the financial & the economical situations of the local & global economy	5. The quality of services gets reduced		5. Public awareness & clarity
		6. Studying the financial profile & the history of any investor or end user willing to buy a property from our development	6. Difficulties in the cash flow which created liabilities problems		
		7. Establishing a knowledge pool which we can share & utilize for the better of organisation	7. Changing the exit strategy for the project		
		8. Establishing a contingency plan for employees to allow them to survive the first impact of any economical or political situation	8. Redefine our targeted customers		
			9. We should look at funding partnerships & joint		

			ventures		
			10. Focus on customer satisfaction as they are the main source of funding		
			11. Enhance the internal & the external communication		

Schedule (1) section 6.2 data analysis comparison schedule

## Chapter 7 Discussion

### 7.1 The general effect of the economy downturn on the organisation & the hierarchy of the events

By referring to schedule (1) of section 6.2 it is clear that all the major companies in the case studies had some common first reaction to the economy downturn along with some similar hierarchy of the events. Whereas it was common for these companies to share the following actions:

- Stop most of the projects.
- Stop awarding any of the new projects.
- Introducing a cutting cost strategy.
- Release a big number of employees.
- Downsizing strategy was adopted.
- Relocating resources according to the priorities.
- An emergency group was formed to study the current market situation & the best way to move forward.
- And finally merging the departments & restructuring the organisation.

On the other hand one of the targeted companies, which is Dubai Properties Group, came across the challenge of investors not being able to meet their payment deadlines due to the liquidity crises. This created another panic in the company on how to deal with this situation & accordingly they have come up with new ideas in order to ease the payment schemes sat before. In other organisations like Al Dar, some departments have over ruled others because of the market situation for example the marketing & sales departments became weaker due to the low in demand on the properties. On the other hand some other departments got empowered such as contract & planning. In Nakheel one of the unique things happened is that the redundancy of the staff took place in two stages in order to assure the right flow of the information transfer. Finally, in Emmar, because they have a risk management department, they were expecting the down turn

so they have started to look at different opportunities available within the market during the downturn.

It is worth mentioning that the selected companies are the pioneers of the real estate development in the U.A.E. and most of them took the same measures of security in order to assure the growth of the company. To most of them they weren't worried about the company stopping its operation, but instead their main worry was that this economy down turn will affect mainly the growth planning of the company.

## **7.2 The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history**

Three of the case studies have replied that they weren't prepared for the economy downturn, except Emmar stated that they were prepared as they have a risk management department. Emmar representative have also added that what happened have exceeded their expectations that's why they had to involve some of the risk management ideas & form some of the risk management committees to tackle the matter. All the case studies stated that they were affected by the organisational change as the size of the company got reduced in order to achieve the strategy of cutting cost. For example, in Dubai Properties Group the reduction of the size happened up to 40% of the overall size of the company. In Al Dar it was 30% reduction from the over all. Nakheel had to face the same situation & accordingly reduced 15% of their overall staff. And finally, Emmar had cut its size by 30% from the overall.

Downsizing was a general strategy in the crises time, but some companies like Nakheel took different measures for achieving that as they have released their non wanted employees in two stages in order to assure the transfer of the information. They have also made sure to keep the key staff in order for the business to run smoothly. Companies like Al Dar stated that the reduction of the size the termination of the staff was a right strategy, but it was wrongly approached as it created a panic & a leakage of information from the organisation. Again due to the change of the economy, which is an external environmental factor, the size of the companies had to drop down and accordingly the restructuring was necessary in order to keep the operation



ongoing. That is why in most of the case studies the merge of the department has been introduced along with the idea of the critical department should lead the uncritical ones.

Finally, it was mentioned in Dubai Properties case study (case study 1) & Al Dar case study (case study 2) that the region have faced similar situations in the past in 1990's during the Gulf war. In that period of time the prices of the real estate went down due to the decrease in the demand because of the war. Al Dar representative have stated that this was a normal market fluctuation because of the war. It was a challenge to bring up the market to its normal performance after the war, but the property development market picked up at the end. In Emmar case study (case study 3) it has been stated that the company have faced a slow down situation in the year 2000 because of the slowdown in the sales activities & they had to release some of the employees accordingly. Emmar representative have stated that the history is repeating itself, but more aggressively this time. All of the case studies have raised their concern on how to bring the market again to its normal performance. They believe that it is a challenge & only could be achieved faster by introducing innovative ideas like a variety in the activity basket & and may be focus on the industry.

### **7.3 The external & internal environmental factors affecting the organisation**

While ranking category (A) the external environmental factor affecting the organisation it was figured out that Dubai Properties Group, Emmar & Nakheel have believed that the financial factor is the most external environmental factor which has an effect on the organisation. On the other hand Emmar reply was that the economical external environmental factor comes first then it is followed by the financial environmental factor. All the answers suggest the importance of the financial external environmental factor in determining the strategy of the organisation. It has also a great affect on the organisational structure adopted in the company. The financial factor is the market affect on the organisation. Especially the U.A.E. market which depend mainly on two main elements to keep on rolling which are:

- The banking finance
- And the expatriates population.

Eliminating any of the previous two elements, will result into disruption in the economy cycle & market demand. In addition the importance of the financial factors comes from the fact that the financial gains measure the company's success. Also depending on the finance availability the company set its vision & forecast its future plans.

In addition, by ranking the category (B), the internal environmental factors affecting the organisation, the result was that three organisations believed that leadership is the most internal environmental factor affecting the organisation. These organisations are Dubai Properties Group, Al Dar & Emmar, while Nakheel thought that leadership is the second internal environmental element which could affect the organisation strategy & that is after empowerment. Leadership was given an extraordinary weight while ranking the internal environmental factors & that due to the fact that leadership is gift that not all the organisations have. This brings us back to compare between the leader in a company & a manager in a company & the difference between the two. It is worth mentioning that throughout the interview, Nakheel representative have emphasized on the importance of communication as an internal environmental factor affecting the long run performance of any organisation. A good communications skill is one of the characteristics of the good leader.

All of the organisations believed that category (A) the external environmental factors have greater affect on determining the organisation path & its organisational structure shape. While Emmar thought that there is a balance effect between the external & the internal environmental factor in shaping out the organisational structure.

Finally, it is important to understand that the external environmental factor have a great affect on shaping out any organisation. These factors are listed, but not limited, to the next:

A- The external environmental factor are:

- Political.
- Economical.
- Social.
- Technological.
- Cultural.

- Physical.
- Aesthetical.
- Financial.
- Policy.
- Legal.
- Institutional.

The internal environmental factors are also important in determining the way that the organisation is going to be structured, but its affect is not as strong as the external factors. The internal environmental factors are listed, but not limited, to the next:

B- The internal environmental factors are:

- Leadership.
- Motivation.
- Organisational structure
- Rules & procedures.
- People.
- Empowerment.
- Communication.

#### **7.4 The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future**

Each one of the organisation, presented in the case studies, have responded to the economy downturn in its way. There were a lot of common responses among these major companies, but each one has presented a different tactic to overcome the crises. For example, Dubai Properties Group had to sustain profitability and minimize its losses thus it cut down on all unnecessary costs and maintained only financially feasible projects. This was its first response to the matter. In addition Dubai Properties Group went faced the problem of the customer not being able to meet the agreed payment scheme, so they had to relax the payment schedule. One of the major negative impacts within the company was the inability to commence its planned landmark

projects. By not being able to do that, Dubai Properties Group lost an important marketing tool. This marketing tool could have enhanced its position in middle east region & the global market. Losing a lot of veteran employees who has enriched the organisation with knowledge & experience was a tough challenge. It is difficult to create the know-how in a short period & both knowledge & talent comes with time & experience.

Al Dar has responded to the economy downturn similarly. It focused on three main things which are cutting operational cost, downsizing & reduce the profit margin. One of the major thing that Al Dar faced is the fact that the reputation of the company got affected & the customer became hesitant to invest in the market. It is worth mentioning that it takes a lot of marketing effort, delivery strategies & time to build up a reputation for a company & this could be affected badly by a single wrong action. One of the main negative impacts that Al Dar actions resulted into is the negative impacts on the over the families of the employees who were sent off. Especially the expatriates, it was very difficult for them to go back home & find themselves jobless. As a response to what happened, the quality of the of the products went down due to the company's intention to reduce the scope in order to cut down the cost & save as much cash as possible. Along with the quality of the product, the quality of the provided services by the company to the customer went down. Difficulties in the cash flow was a major problem faced Al Dar as they were threatened by liabilities problems.

As a response to the economy downturn, Nakheel has decided to centralise decision making. This helped in reducing the risk of some expected wrong actions by the sent off employees. The previous resulted into the decision taking longer to be made. Basically the horizontal decision making in the organisational structure was put on hold & instead the vertical decision making was performed. The decisions that were taken within Nakheel affected the staff as they were demotivated & scared to be redundant.

In Emmar the response was different. It is important to understand that Emmar is the oldest real estate developer among the presented case studies. The time it has spent in the real estate developing have proved the importance of the risk management department. The risk management department in Emmar is well established & the department's call was taken

seriously. Unlike others, Emmar was prepared for the economy down turn, but didn't expect it would be this harsh. Emmar went on focusing on enhancing its services during the crises in order to create a competition with other real estate developers in the tough times. Emmar has shifted its focus on providing residential & retail unites to the market into providing a high class facility management services. This will enable them to remain into the competition with other real estate developers during the crises. Unlike other developers, this was a positive impact on the company. On the other hand some of the negative impacts that have faced Emmar were dealing with rumours & the media channels which were speaking in a negative way about the company & the investment in the harmed market of the U.A.E. & off course Emmar have responded to that as it will come next.

By analysing the previous, the reader could understand that there were some common responses from the major real estate developers towards the economy downturn in the U.A.E. & these negative impacts could be summarized as follows:

- Cutting cost in order to keep as much of the cash inside the company.
- Downsizing the company, which affected the organisational structure.
- Releasing a big number of employees in order to achieve the cutting cost idea.
- Most of the not sold yet projects were put on hold & some of the land mark projects stopped.
- The quality of the product went down along with the scope.
- The reputation of the company had a negative affect.
- Cash flow, delivery & liability problems started to increase.

Some of the measures taken by Dubai Properties Group in order to minimize the negative impact was to monitor the financial & economical situation locally & globally. It was important for Dubai Properties Group to form a committee to look at the international history of similar cases & look how the crises were dealt with. The committee was also responsible for establishing a knowledge pool within the company on how to overcome such crises & maintain the existing of the company as a competing one in the real estate market. Dubai Properties Group went on

establishing a contingency plan for employees to allow them to survive the first impact of any economical or political situation.

Al Dar decided to change its exit strategy for the projects & prolong at the projects against relaxing the payment scheme for the customers. This was one win-win scenario which got welcomed in the market. Al Dar has redefined its targeted customers & looked seriously into other ways of funding the projects like entering joint venture strategies & looking at partnership. They have also decided to focus on the customer satisfactory as they are the main source of income for any project thinking that this approach may help them to become competitive to other real estate developers in the market.

In Nakheel one major decision was taken, which is the formation of special committees to deal with contractors who have many contracts in different projects, such committee may negotiate on behalf of all projects in order to achieve better results.

Finally & as assured before, Emmar responded to the rumours & media channels by mentioning the fact that there is a slowdown in everything in the town, but it is not a shut down. The verification for that is Sheikh Zayed road is still busy & we are still facing the rush hours time. In comparison with countries where rumours being generated we are doing way better in facing this global crisis. Emmar suggested that to overcome this situation, the company has to be more transparent than before & has to share its result & turn over with the public. They have also to present a comparison on what is happening in the U.A.E. market versus what is happening internationally. This will proof that the market could overcome this crises & pick up again. Emmar emphasised on the fact that the public awareness & the clarity are two important tools to be use in order for the customer to regain the trust in the market.

### **7.5 The necessity of the organisational structure in determining the business cycle**

By referring back to chapter 4 one could realize the importance of the organisational structure. As it was presented before, the organisational structure is the spinal column of any company. It expands & decreases depending on the situation it is facing. In a real estate industry the

organisational structure gets affected by the market fluctuation. It expands when the demand on business is there & its shrinks when it becomes necessary to cut cost & save some cash for the company. Chapter 4 have presented Dubai Properties Group organisational structure evolution. As the business demand increased the organisational structure got expanded into the presented six companies. Later on, the company have faced the economy downturn & had to release a big number of its employees. All of that happened while expanding, so the higher management call was to stop expanding & save some cash by releasing the employees who their projects have stopped. The worry was how the company will grow rather than will the company resist the global economy downturn & exist. Knowing the fact that a lot of sister companies within Dubai Holding are disappearing, has created a challenge on the management of Dubai Properties Group not to run into the same situation. Expediting the delivery & limiting the liabilities risk was important. In addition it was important for the management to understand that different timings require different focus on the business unites & activities. Diversifying the company's activities is very important in order to diversify the sources of income.

Dubai properties group went through two main stags. The stage of establishing until the global financial crisis, which was before September 2008 & then the stage during the financial crises, which is after September 2008. Both stages of change had different reasons as the first one took place due to the expansion on the company's operations which required to have six major companies in order to diversify the source of income. The other stage affecting the organisational structure took place manly because of the global economy crises which affected the U.A.E. market.

By now the reader would have understood the main objectives of the research & the importance of organisational structure. Being able to forecast the future will help in an early preparation for the coming market situation. This can't happen unless there is a useful record or a history data to rely on. This research was created to be one of these sources of history date for the coming generations to read from & built on as it has its limitations.

## 7.6 Discussion overview

In line with the comparison & contrast between the four case studies, presented in previously, it is important for the reader to understand that the organisational structure within any corporate is a dynamic element. It gets affected mainly by the external environmental factors, as explained in section 2.7 of chapter 2. The other group of factors affecting the organisational structure are the internal environmental factors. Both group of factors acts drastically in shaping the organisational structure. As it was read throughout the research, the focus of the research was on one of the major external environmental factors which are affecting the organisation all over the world. This factor is the financial factor which is affecting the economy factor & forcing the change of the organisational structure on the corporations all around the world. The financial factor this time is affecting all of the elements of both the external & the internal environmental factors affecting the organisations. It is now a days shaping out the economy and it is a major element in the political decisions. The social life is moving around it & the technology is being held till further notice due to the lack of financial liquidity. The physical & the aesthetical assets are dropping down in prices. New policies are being formed through the legal authorities & the institutional rules in order to over come this crisis. In addition the financial external environmental factor is affecting the organisational structures of companies. So many companies, all over the world & in the region had downsized & restructure in order to survive. So many of the expansion plans got cancelled & the employees in the organisation are demotivated more than ever. Departments within organisations are losing power & being merged with other departments as it lost more than 80% of its performance efficiency. At this point of the organisations history people are looking for the leadership qualities in order to bring the boat safely to the shore.

Knowing the previous facts, it is recommended for the organisations & the reader of this research to understand some the measures to be taken when facing a similar situation in the future. First of all knowing the history of similar incidents is very important. It helps how to act, simply because it gives an example on how the other companies acted. So it was important to understand the history of the general effect of the economy downturn on the organisations & the hierarchy of the events. Because one of the aims of this research is to form a history record of the economy



downturn within the U.A.E. and have this as one of the resources for any future investigations. In line with the previous topic it is important to reemphasise on the following recommended measures to be taken as described in section 7.1 of this chapter:

- Stop most of the projects.
- Stop awarding any of the new projects.
- Introducing a cutting cost strategy.
- Release a big number of employees.
- Downsizing strategy was adopted.
- Relocating resources according to the priorities.
- An emergency group was formed to study the current market situation & the best way to move forward.
- And finally merging the departments & restructuring the organisation.

In addition it is also important to understand the affect of the organisational change on the size & again compare that to similar history incidents in the region. Which is in this case (the financial crisis) lead to major reductions in company sizes & resulted in a big number of employees losing their jobs. Whereas curving down the salaries was one of the options not taken into consideration. This option could have distributed balance of satisfaction among employees & resulted into less number of the employees' release.

As explained in section 2.7 of chapter 2, it is important to distribute the education of being familiar with the external & internal environmental factors among the people within the organisation. This brings up the importance of communication & the negative impact of the non distributed knowledge. As an employee in an organisation, I have to understand what could affect the organisation because this will affect me & my performance at the end of the day. Understanding the source of the problem is one of the keys towards the solution. The source of the problem can't be understood unless the person is familiar with the environmental factors affecting the organisation. Additionally, the search should be narrowed down & focused on the active factor or they could be a group of active factors working together. In the case of this

research, & as its was proved through the interview questions, the financial factor was the fatal one & every other events occurred went around it. This is not always the case, because the organisational restructuring & reshaping could be the result to other factors weren't highlighted in this research.

The organisational response to the economy is a valid topic to look at. It helps in determining the future actions. To achieve the positive result for this topic, a historical data is very important as it will show a number of negative impacts. Besides, it will propose some tactics to minimize the negative impacts on the organisations as it was highlighted in section previously in this chapter.

Finally, all of the previous discussed points show the importance of the organisational structure, as an internal environmental factor, in determining the future of the business cycle. It could not be the major source of the problem, but it definitely the most affected element. Chapter 4 explains for the reader the importance of the organisational structure by giving an example of Dubai Properties Group organisational structure & how that structure went into two stages of evolution. The first one was because of the market demand & the necessity of diversifying the income source by having several income generating baskets & this will minimize risk. The second stage was the affect of the economy down turn on the organisation which in Dubai Properties Group case led into freezing the main organisational structure & reducing the operational cost.

## Chapter 8 Recommendations

### 8.1 Recommendations

#### 8.1.1 General recommendations for the U.A.E.

The U.A.E. economy is not immune to the global economy crisis. The government of the U.A.E. should draw lessons from this experience & develop new strategies to manage their resources & assets in a better way. It is important to understand that the U.A.E. economy depends mainly on the oil industries. The real estate market is a secondary one, nevertheless it is an important source of diversifying the nation's income. As it was mentioned before in chapter 7, the U.A.E. has faced several similar downturns in the economy throughout its history. It is important to understand the lessons learned in order to generate some future solutions. Some of the recommendations generated from this research in line with the government rules are listed as follows:

- The government of the U.A.E. has to inject some liquidity in the real estate market in order to build up optimism and cooperation & gain the public trust.
- The government of the U.A.E. has to make the emergency funds available in order to protect the economy.
- The government has to maintain economic growth, investment opportunities, in order to assure control.
- They have to optimise the 2009 & the future National Budget towards extremely important & agreed on investments in order to be less exposed to any risk.
- The real estate sector must continue to move forward, but this time with more control & this is one thing that the government policy should assure.
- The government should research & advise both the public & the private sector about the available opportunities in a crisis & how to take advantage of that.
- A stronger cooperation between the government & the banks should be established in order to assure the availability of liquidity.

- The government of the U.A.E. has to avoid over-focus on one sector (real estate) & start come up with real ideas on how to diversify the nation's income as this matter is going to be a challenge for the coming generations.
- The government has to communicate accurately and productively in order to preserve public trust & the international investors trust rather than having a balloon burs situation.
- The government has to assure the economic stability in the country by controlling the inflation & assuring the availability & the stability of the expert manpower.

The UAE economy has proven in the past to be able to successfully face several financial crises. The secret is the young and dynamic economy with a very high degree of flexibility. For example, we don't need to worry about unemployment; we worry more about lack of qualified labour. An overheated real estate has absorbed substantial resources and perhaps needs to slow down. A slowdown would enable real estate stakeholders to recap and consolidate their positions to face new challenges in the future. What we are sure about, for the time being, is that in any case, economies always get back in the medium term to new equilibrium (Hamad Bu Amim, 2009).

### **8.1.2 Recommendations for the stakeholders**

The stakeholder, related to the real estate market, have to take advantages for the situation they have faced. The stakeholders of the real estate market varies. It starts with the investor & the finance from the banks then it goes through the main and the sub developers & ends up with the involvement of consultants, contractors & factories in town. Some of the stakeholders are directly attached to this cycle & some of them are secondary stakeholders. One of the main stakeholders in the real estate formula this time was the released employees. The case studies responses showed that these people got affected the most. The case studies presented, are for the major real estate companies in the U.A.E. market. These companies drive the real estate business & determine its future. These selected organisations are major players in the real estate market. That is why the stake holders should take some measures in order to overcome sudden economic situations. Some of these recommendations are general measures & some others are dedicated to the major developers & the employees. These recommendations are listed as follows:

**Generally:**

- All the stakeholders have to plan for risk & have their contingencies against the unknown.
- The market situation has to be studied carefully prior to getting involved into commitments.
- Evaluating the priorities is an important measure to take.

**Recommendations for the main developers:**

- In order to overcome the current financial situation, a risk management division should be established. The recommendation of this division should be based on actual market survey & the results should be taken seriously.
- The main developers have to reduce the financial liabilities. In order to do so, they have to expedite the delivery of the committed project.
- The priority of the ongoing project should be evaluated.
- The downsizing is a difficult option, but it should be considered. Simply because as the demand goes down, the operation does as well.
- The whole business strategy & planning should include risk contingencies.
- Relocating of the resources efficiently rather prior to releasing employees should be considered by the main developer as they are the main source of income for a good number of population.
- An organisational restructuring should consider the market situation & should be designed so its assists the future plans.
- Looking for crisis opportunities is always an option to be considered. Emmar has diverted some of its activities & priorities in order to target the current market opportunities.
- Keeping the key performing staff is very important investment for the future.
- Try to maintain the reputation of the company in front of the customers, by adhering to their requests as they are always the main source of funding for the real estate market.

- Good planning will prevent having extra employees & that could only be achieved by having a good market survey facility. This survey should be kept updated.
- The main companies should be clear in their communications to the employees & should adopt transparency.
- The main developers should think about some other source of income such as the joint venture & the public private partnership (PPP).
- The major developer should consider diversifying the market that it is investing in, in order not to minimize the risk.

**Recommendations for employees:**

- The employee should understand the nature of the market & also should have their back up plans.
- The employee should react to the releasing in a professional way & should always understand that there are other opportunities.
- The employee should respect the bond signed between him & the company & should not release any confidential information.
- The main company should help the employees getting other opportunities. One kind of help is to host a career fare campaign.

**8.1.3 Government & policy making**

The policies of the government guide the economy. The investors are always seeking the market that adopts flexible policy rules. At the same time these policies should be strong enough to encourage the investment, reduce any debates or ambiguity in addition it should protect the right of the employees. For that the government of the U.A.E. should consider to improve some of their policies in order to achieve the main objective of the business. Some of the recommendations for the government to enhance their policies are listed as follows:

- The Government authorities have to implement flexibility for the major developers to ease out their delivery of unites to the customer. For example the government authorities should expedite their processes & avoid all types of restricting rules.
- The government should get involved in protecting the reputation of the real estate economy by protecting the major players within the economy. This protection could be through media support to encourage the investors to keep their trust.
- The government should take some policy measures to protect the image of the market by preventing the incapable developers to exist. The developer who wants to start their business in the market should show an accurate business plan with accurate cash flow. In addition this has to be restricted by applying penalties against lack of commitment to the customers.
- The policy of the government should consider the right of the employees. This has to be done in order for the employees to be able to plan for contingencies & protect their families.
- The policy in the U.A.E. should encourage the formation of employees & labour associations.
- Insurance policies should be developed so it serves the average employees.
- The government should look at the bank loans policies & reconsider the negative rules.
- The rules should support the ease of properties & land transferring.
- The rules & policies should encourage & support Joint ventures & partnerships because this is one way to investment into the market.

## 8.2 Conclusion

This research have presented to the reader the its main aims & objectives which is mainly understanding the importance of the organisational structure along with four major topics which are:

- The affect of the economy downturn on the organisation in terms the hierarchy of the events in order to keep a historical record of the current situation.

- The affect of the economy downturn on the organisation in terms of change in size & compare that to similar incidents within the region's history.
- Present the external & internal environmental factors affecting the organisation.
- Show the organisational response to the economy including the negative impacts & the tactics to minimize them.

Additionally the research have presented a literature review which discussed main topics such as the main objectives of the research, the economy & the market review, the economy downturn, the U.A.E. economy, organisational theory & structure, the size of the organisation, organisational culture & environment, organisational behaviour, organisational change, organisational restructuring & corporate reputation. The reason the previous topics were mentioned was to give the reader abroad overview on the deferent elements within a unified organisation. Understanding organisations could only be achieved by understanding the components it is composed from along with understanding the environment surrounding it. That is why a good focus was put on the external & internal environmental factors affecting the organisation.

After that the research goes on explaining for the reader the methodology used to achieve the objectives of the research. The methodology chapter explains the research approach, strategy & the data collection methods. A qualitative approach was used for compiling a research. The data gathered are non measurable data as it manly depends on the on the human perception of the data. This research is pretty much related to the economy as the project management practices are always attached to the economy & other environmental factors. This reemphasis the idea presented in section 2.2of chapter 2 which is economics is a social science were facts are weighed along with questions about how people will act on those facts (Schiff 2009). A current case study on Dubai Properties Group & its organisational structure transformation is presented in order to present an example for the reader on how major companies are structured. In addition the research reflects for the reader what happen to this structure in different conditions in accordance with the change in some of the environmental factors. This main case study was followed by three other case studies, for major organisations in the real estate business within the U.A.E. in order to provide a comparison base.



Finally, one of the aims of this research was to keep a historical record of what happening right now. As I was constructing this report, I didn't come across any record of any similar incidents in the region's history, but as I was interviewing people I found out that there are some history of similar cases in the memories of the interviewed people, but sadly that is not recorded which result into forgetting some of the important historical data. I am encouraging this approach of recording facts & have it available for the next researchers.

### **8.3 Limitations of dissertation**

This research has a number of limitations. One of them is the lack of the recorded history of the incidents happened in the region particularly the U.A.E. This didn't help in developing the historical comparison further. The historical comparison of this research is limited & in order to enrich this part of the research, a historical perspective of the international economy & market review was presented in the literature review chapter.

The main tool to compile the result for this report was to interview people & establish case studies. There was a time limitation of the interviews. Each interview took a lot of time to schedule, because basically the targeted people were the experts in the field, middle management & above levels. It consumes a lot of time to organise a meeting with this level of people. Into the bargain, it also takes a lot of effort to convince these people to answer your questions up to the satisfaction expected. The more you can interview people in this field, the more data on the matter you would be able to collect & there is always a limitation to the number of people he/she could interview in the given time.

This research lacks the experience of the small size corporations towards the economy downturn. The main targeted corporations, for establishing this research, were the major ones in the U.A.E. There is a big chance the reaction of the smaller organisation have taken a different approach. On top, there is chance that the affect of the economy downturn on them was much bigger as we are hearing in the news of small corporations being shut down.

The research was focusing on a group of environmental factor affecting the organisations externally as well as internally. There are other factors beside the previous mentioned ones which were not discussed in the research. An example for these factors are natural disasters like the famous Tsunami which affected southeast Asia badly & like hurricane Katrina which affected badly New Orleans in the U.S. Another example of the environmental factors not discussed are wars such as the Gulf war which really had an affect on the economy & finance through the history of the region, but there isn't any records with this regard or at least I haven't come across one myself.

#### **8.4 Suggestions for the future research**

This research came across some of the interesting subjects which could form the base of future researches. These subjects are listed as follows:

- The impact of the Natural disasters on the economy & how that will affect the organisational structure.
- The impact of wars on the economy & the organisational structures of corporations.
- Small corporation organisational structures.
- A focus research on the internal environmental factors affecting the organisational structures & other factors.
- Historical analysis on different organisational structures being affected & changed, as this could be an excellent data pool for future researches.
- Economic crises & the centralization of control over the managerial process.
- Protecting organisational reputation during a crisis.

**References**

Al Dar website (2009). About Al Dar [online]. Available from:  
[http://www.aldar.com/about\\_aldar.en](http://www.aldar.com/about_aldar.en) [Accessed 7<sup>th</sup> April 2009].

Altiany, L., Altiany, M. (2004). The influence of organizational structure on entrepreneurial orientation and expansion performance. *International journal of contemporary hospitality management*, 16(6) pp 334-344.

Baldwin, R. (2003). Openness & growth: What's the empirical relationship?. *National Bureau of Economic research (NBER)*, Working paper 9578. NBER: Cambridge, MA.

Baker, G., Smith, G. (1998). *The new financial capitalists: Kohelberg Karvis Roberts & the creation of corporate value*. Cambridge, U.K. : Cambridge University press.

Baylis, R., Connell, L., Flynn, A. (1998). Company size, environmental regulation & ecological modernization: further analysis at the level of the firm. *Business strategy & environment*, 7(1) pp 285-296.

Bell, J. (2005). *Doing your research project a guide for first-time researchers in education, health & social science*. 4th edition. Maidenhead: Open university press.

Bowman, E., Singh, H. (1990). Overview of corporate restructuring: Trends & consequences in M. Rock & R. Rock (eds). *Corporate Restructuring*, 14(1) pp 8-22.

Bowman, E., Singh, H. (1993). Corporate restructuring: Reconfiguring the firm. *Strategic Management Journal*, 14(1) pp 5-14.

Boyle, M. (2002). Cleaning up after Celtic tiger: scalar fix in the political ecology of tiger economies. *Trans inst Br Geogr*.

Bratton, J., Gold, J. (2003). *HR-related skill development: External environment analysis*.

Budros, A. (1999). A conceptual framework for analyzing why organisation downsize. *Organisational Science*, 10 (1) pp 69-82.

Cascio, W. (1993). Downsizing, what have we learned. *Academy management executive*, 1(1) pp 795-104.

Chacar, A., Vissa, B. (2005). Are emerging economies less efficient? Performance persistence & the impact of business group affiliation. *Strategic management journal*, 26(1) pp 933-946.

Clougherty, J. (2005). Antitrust holdup source, cross-national institutional variation, & corporate political strategy implication for domestic mergers in a global context. *Strategic management journal*, 26(1) pp 769- 790.

Collis, D., Young, D., Goold, M. (2007). The size, structure & performance of corporate headquarters. *Strategic management journal*, 28(1) pp 383-405.

Coombs, T. (2007). Protecting Organisation Reputation During a Crisis: The development & Application of Situational Crisis Communication Theory. *Corporate Reputation Review*, 10(3) pp. 163-176.

Denscombe, M. (2003). *The good research guide*. 2nd edition. Maidenhead: Open university press.

Dey, I. (1993). *Qualitative data analysis*. London: Routledge publishing.

Diefenback, T. (2007). The managerialistic ideology of organizational change management. *Journal of organizational change management*, 20(1) pp. 126-144.

Dubai Properties Group website (2009). Our companies [online]. Available from: <http://dubaiholding.com/en/our-companies/dubai-properties-group/> [Accessed 7<sup>th</sup> April 2009].

DuBrin, A. (2005). *Fundamentals of organisational behaviour*. Australia: Thomson South-Western.

Euwema, M., Wendi, H., Van Emmerik, H. (2007). Leadership styles & group organisational citizenship behaviour across cultures. *Journal of organisational behaviour*, 28(1) pp 1035-1057.

Fisher, K. (2000). *All a broker needs to succeed*. Research, July: 41-45; [www.researchmagazine.com](http://www.researchmagazine.com).

Florin, J., Lubatkin, M. & Schulze, W. (2003). A social capital model of high-growth ventures. *Academy of Management Journal*, 46(3) pp 374-84.

Fox, I. & Marcus, A. (1992). The causes & consequences of leveraged management buyouts. *Academy of Management Review*, 17(1) pp 62-85.

Freeman, S. & Cameron, K. (1993). Organisational downsizing: A convergence & reorientation framework. *Organisation Science*, 4(1) pp 10-29.

Gilmore, A. (1996). The impact of organisational factors on management decision. *Strategic change*, 5(1) 343-358.

Global downturn hits U.A.E. Living & working in the U.A.E. [online] Available from: [salaries \(2009\). http://www. USA2UAE.com](http://www.USA2UAE.com) [Accessed 7<sup>th</sup> April 2009].

- Gulf news.com (2009). Business [online] Available from:  
<http://www.gulfnews.com/business/General/10257676.html> [Accessed 7<sup>th</sup> April 2009].
- Handy, C. (1993), *Understanding organisations*. 4<sup>th</sup> edn. London: Penguin.
- Hellriegel, D., Slocum, J. (2004). *Organisational behaviour*. Australia: Thomson South-Western.
- Henley, J. & Kirkpatrick, C.(2001) Industrial development in a changing global economy. In strategies for industrialization: The case of Bangladesh. Huq MM, Love J. (eds). *University press: Dhaka*.
- Heugens, P., Schenk, H. (2004). Rethinking corporate restructuring. *Journal of public affairs*, 4(1) pp. 87-101.
- Honig, A. (2006). Is there a link between Dollarization & banking crises?. *Journal of international development*, 18(1) pp 1123-1135.
- Hoskisson, R., Turk, T. (1990). Corporate restructuring: Governance & control limits of the internal capital market. *Academy of Management Review*, 15(3) pp 459-77.
- Hoskisson, R., Hitt, M. (1994). Down scoping : How to Tame the Diversified Firm. New York, NY: *Oxford University Press*.
- Hughes, W. (1989). Identifying the environments of construction projects. *Construction management & economics*, 7(1) pp 29-40.
- James, L., Jones, A. (1976). Organisational structure: a review of structural dimensions & their relationships with individual attitudes & behaviour. *Organisational behaviour & human performance*, 16(1) pp 74-113.

Klein, M. (2003). Capital account openness & varieties of growth experience. *National Bureau of economics research (NBER)*, working paper 9500. NBER: Cambridge, MA.

Kitchen, P., Laurence, A. (2003). Corporate reputation: An eight-country analysis. *Corporate reputation review*, 6(2) pp. 103-117.

Kohl, R. (2003). *Globalization, poverty & inequality*. Paris: OECD.

Koufopoulos, D, Chryssochoidis, G. (2000). The effects of uncertain country environment upon leadership & strategic planning practices. *Strategic change*, 9(1) pp 379-395.

Linnenluecke, M., Russel, S., Griffiths, A. (2007). Subcultures & sustainability practices the impact on understanding corporate sustainability. *Business strategy & environment*.

Lugosi P. & Bray J. (2008). Tour guiding organisational culture & learning lessons from an entrepreneurial company. *International journal of tourism research*, 10(1) pp 467-479.

Lyneis, J., Cooper, K., Sharon, E. (2001). Strategic management of complex projects: a case study using system dynamics. *System dynamics review*, 17(3) pp 237-260.

Markids, C. (1992). Consequence of corporate refocusing: Ex ante evidence. *Academy of Management Journal*, 35(1) pp 398-412.

Masud, S., Andrews, S., Wright, K. (2009). U.A.E. properties. *UBS investment research*, UBS.

McKenna, E. (2006). *Business psychology & organizational behaviour*. 4<sup>th</sup> edition. New York: Psychology press.

Miller, D., Friesen, P. (1984). *Organisations. A quantum view*. NJ: Prentice hall, Englewood Cliffs.

Mintzberg, H. (1979). *The structuring of organisations*. NJ: Prentice hall, Englewood Cliffs.

Moor, D. (2002). *Project management, designing effective organisational structures in construction*. Malden: Blackwell publishing.

Mozammel, H., Micheal, T. (2004). Economic development in a changing globalized economy. *Journal of international development*, J. Int. Dev, 16(1) pp 911- 923.

Mudd, S., Grosse, R., Mathis, J. (2002). Dealing with financial crises in emerging markets. *Thunderbird international business review*, 44(3) pp 399-430.

Nakheel website (2009). Corporate [online]. Available from:  
<http://www.nakheel.com/en> [Accessed 7<sup>th</sup> April 2009].

Nerb, J., Spada, H. (1997). The role of controllability of the cause in cognitive & emotional evaluation of environmental risk. *Information & communication in environmental & health issues*, Eco-Informa Press, Bayreuth, pp 161-166.

Pate, J., Martin, G., Staines, H. (2000). Exploring the relationship between psychological contracts & organisational change, a process model & case study evidence. *Strategic change*, 9(1) pp 481-493.

Pedersen, T. & Thomsen, S. (1997). European patterns of corporate ownership. *Journal of international business studies*, 25(1) pp 833-848.

Penrose, E. (1959). The theory of the growth of the firm. *Oxford: Oxford University Press*.

Prechel, H. (1994). Economic crises & the centralization of control over the managerial process: corporate restructuring & neo-Fordist decision-making. *American Sociological Review*, 59(1) 723-745.



Rajan, R., Siregar, R., Sugema, I. (2003). Why was there a precrisis capital inflow boom in south east Asia?. *Journal of international development*, 15(1) pp 265-283.

Roald, J., Edgren, L. (2001). Employee experience of structural change in two Norwegian hospitals. *International journal of health planning & management*, 16(1) pp 311-324.

Saka, A. (2003). Internal change agents' view of the management of change problem. *Journal of Organisational Change Management*, 16(5) pp. 480-496.

Schiff, P. (2009). *The little book of the bull moves in bear markets*. New Jersey: Published by John Wiley & Sons, Inc., Hoboken.

Schiff, P. (2007). *Crash proof: how to profit from the coming economic collapse*. New Jersey: Published by John Wiley & Sons, Inc., Hoboken.

Shtub, A., Bard, J., Globerson, S. (2005). *Project management. Process, methodology & economics*. New Jersey: Pearson Education.

Smooth riding for U.A.E. economy amidst global credit crunch (2009). About Dubai [online]. Available from:  
<http://www.Gowealthy.com> [Accessed 7<sup>th</sup> April 2009].

Stiglitz, J. (1999). Responding to economic crises: policy alternatives for equitable recovery & development. *The Manchester School*, 67(5) pp 1463-6786 - 409-427

Stiglitz, J. (2002). Globalization & its discontent. *Penquin: London*.

Sundarasaradula, D., Hasan, H., Walker, D., Tobias, A. (2005). Self-organisation, evolutionary & revolutionary change in organisations. *Strategic change*, 14(1) pp 367-380.

Sutton, R., D'Aunno, T. (1989). Decreasing organisational size: Untangling the effects of Money & people. *Academy of Management Review*, 14(1) pp 194-212.

Travaglione, A., Cross, B. (2006). Diminishing the social network in organisations, does there need to be such a phenomenon as survivor syndrome after downsizing?. *Strategic change*, 15(1) pp 1-13.

Wade, R. (1990). Governing the market: Economic theory & the role of government in East Asian industrialization. *Princeton University Press: Princeton, NJ*.

Wehrmyere, W. Parker, K. (1995). Identification analysis & relevance of environmental corporate cultures. *Business strategy & the environment*, 4(1) pp 145-153.

Yin, R. (2003). *Case study research design & methods*. 3rd edition. Thousand Oaks, CA: Sage publications, Inc.

Zyglidopoulos, S. (2004). The impact of downsizing on the corporate reputation for social performance. *Journal of Public Affairs*, 4(1) pp 11-25.

**Bibliography**

Banner, D., Gagne, E. (1995). *Designing effective organizations traditional & transformational views*. Thousand Oaks, CA: Sage publication.

Bell, J. (2005). *Doing your research project a guide for first-time researchers in education, health & social science*. 4th edition. Maidenhead: Open university press.

Denscombe, M. (2003). *The good research guide*. 2nd edition. Maidenhead: Open university press.

DuBrin, A. (2005). *Fundamentals of organisational behaviour*. Australia: Thomson South-Western.

Gillham, B. (2000). *The research interview*. Suffolk: Paston Prepress Ltd. Beccles.

Hellriegel, D., Slocum, J. (2004). *Organisational behaviour*. Australia: Thomson South-Western.

Dey, I. (1993). *Qualitative data analysis*. London: Routledge publishing.

McKenna, E. (2006). *Business psychology & organizational behaviour*. 4<sup>th</sup> edition. New York: Psychology press.

Newstrom, J., Davis, K. (2002). *Organizational behavior, human behavior at work*. McGraw-Hill/Irwin, International edition.

Schiff, P. (2009). *The little book of the bull moves in bear markets*. New Jersey: Published by John Wiley & Sons, Inc., Hoboken.

Schiff, P. (2007). *Crash proof: how to profit from the coming economic collapse*. New Jersey: Published by John Wiley & Sons, Inc., Hoboken.

Yin, R. (2003). *Case study research design & methods*. 3rd edition. Thousand Oaks, CA: Sage publications, Inc.

## Appendix 1



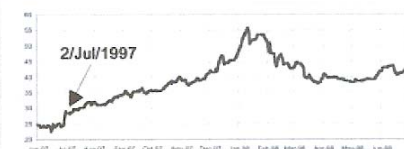
Source: <http://images.google.ae/imghp?hl=en&tab=wi>

### Exchange Rate Experiences in Six Financial Crises.

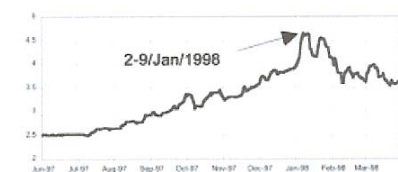
**Mexican Pesos per U.S. Dollar**  
1/Jan/1994—31/Dec/1995



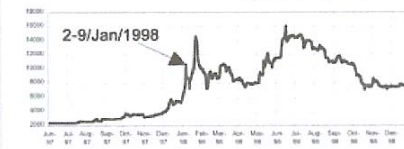
**Thai Baht per U.S. Dollar**  
1/Jan/1997—30/Jan/1998



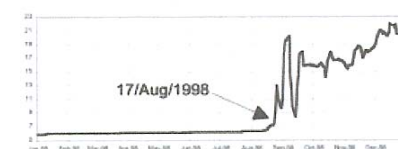
**Malaysian Ringgit per U.S. Dollar**  
1/Jan/1997—31/Mar/1998



**Indonesian Rupiah per U.S. Dollar**  
1/Jan/1997—31/Dec/1998



**Russian Rubles per U.S. Dollar**  
1/Jan/1998—31/Dec/1998



**Brazilian Reals per U.S. Dollar**  
1/Jan/1998—30/Jan/1999



Source: Prof. Werner Antweiler, University of British Columbia, Vancouver, BC, Canada. Figure (1) section 2.2 Exchange rate experience in six financial crises

Emirate	2006			2007			2008E			2009E		
	Residents	Expats	Total	Residents	Expats	Total	Residents	Expats	Total	Residents	Expats	Total
Abu Dhabi	358	1,072	1,430	372	1,121	1,493	387	1,172	1,559	403	1,225	1,628
Resident-Expat mix	25%	75%		25%	75%		25%	75%		25%	75%	
Dubai	139	1,233	1,372	141	1,337	1,478	145	1,451	1,596	147	1,575	1,722
Resident-Expat mix	10%	90%		10%	90%		9%	91%		9%	91%	
Sharjah	140	681	821	143	739	882	147	799	946	152	865	1,017
Resident-Expat mix	17%	83%		16%	84%		16%	84%		15%	85%	
Ajman	39	173	212	41	183	224	43	194	237	43	207	250
Resident-Expat mix	18%	82%		18%	82%		18%	82%		17%	83%	
UAQ	16	34	50	16	36	52	16	37	53	17	39	56
Resident-Expat mix	32%	68%		31%	69%		30%	70%		30%	70%	
RAK	89	125	214	91	131	222	93	138	231	97	144	241
Resident-Expat mix	42%	58%		41%	59%		40%	60%		40%	60%	
Fujairah	58	72	130	60	77	137	61	82	143	64	88	152
Resident-Expat mix	45%	55%		44%	56%		43%	57%		42%	58%	
Total	839	3,390	4,229	864	3,624	4,488	892	3,873	4,765	923	4,143	5,066
Resident-Expat mix	20%	80%		19%	81%		19%	81%		18%	82%	

Source: Ministry of Economy UAE, UBS

Figure (1) section 2.3 Absolute population level by Emirate

% growth	Residents 07	Expats 07	Residents 08E	Expats 08E	Residents 09E	Expats 09E
Abu Dhabi	4%	5%	4%	5%	4%	5%
Dubai	1%	8%	3%	9%	1%	9%
Sharjah	2%	9%	3%	8%	3%	8%
Ajman	5%	6%	5%	6%	0%	7%
UAQ	0%	6%	0%	3%	6%	5%
RAK	2%	5%	2%	5%	4%	4%
Fujairah	3%	7%	2%	6%	5%	7%
Total	3%	7%	3%	7%	3%	7%

Source: Ministry of Economy UAE, UBS

Figure (2) section 2.3 Population growth y/y resident & expats

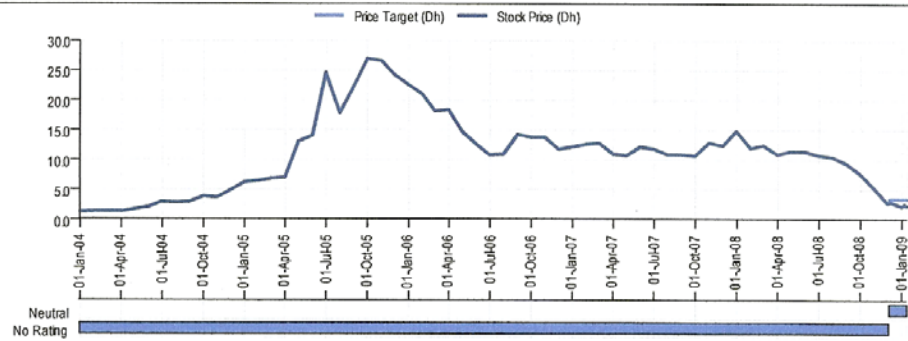
Q-Series®: UAE Property 14 January 2009

## Aldar Properties (Dh)



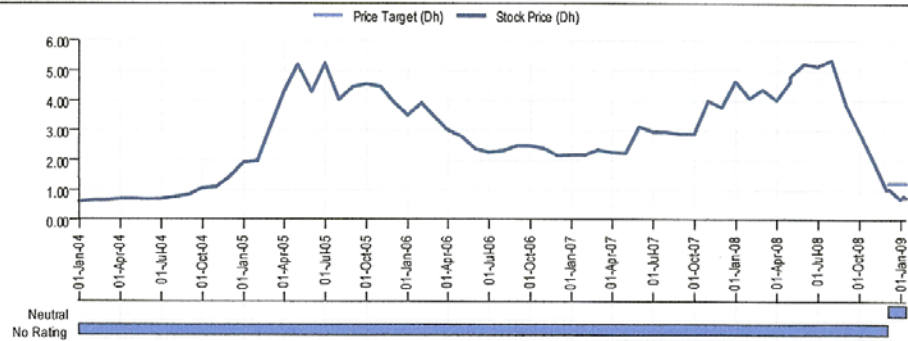
Source: UBS; as of 13 Jan 2009

## Emaar Properties (Dh)



Source: UBS; as of 13 Jan 2009

## Union Properties (Dh)



Source: UBS; as of 13 Jan 2009

Figure (3) section 2.4 Stock price targets of the major properties development companies in the U.A.E.

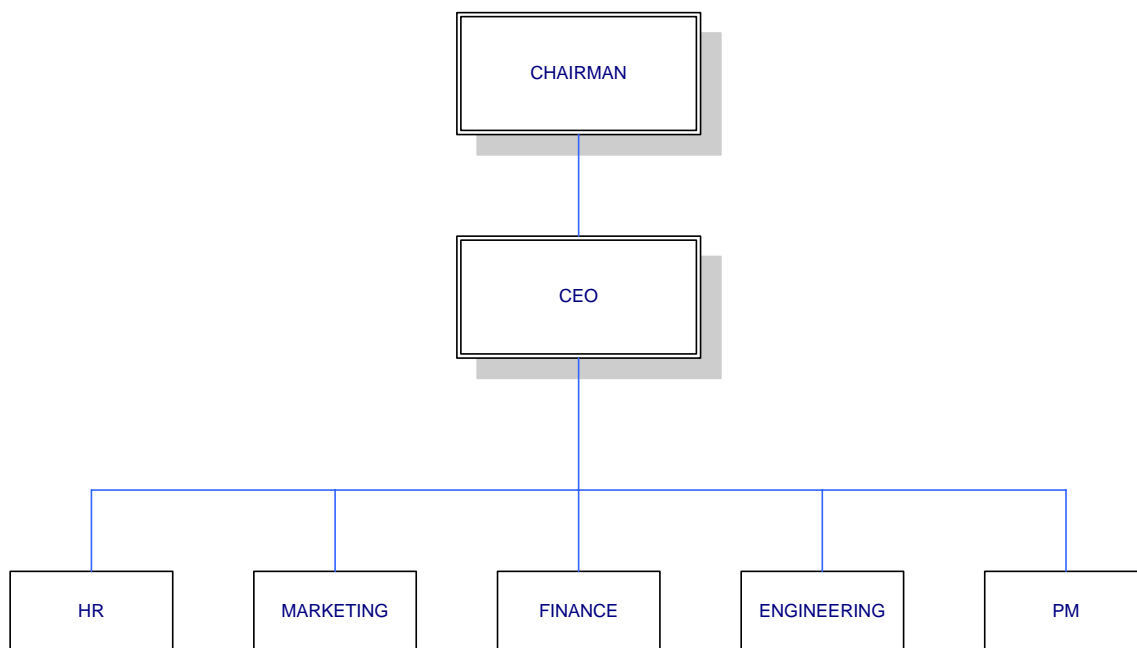


Figure (1) section 2.4.3 functional organisation

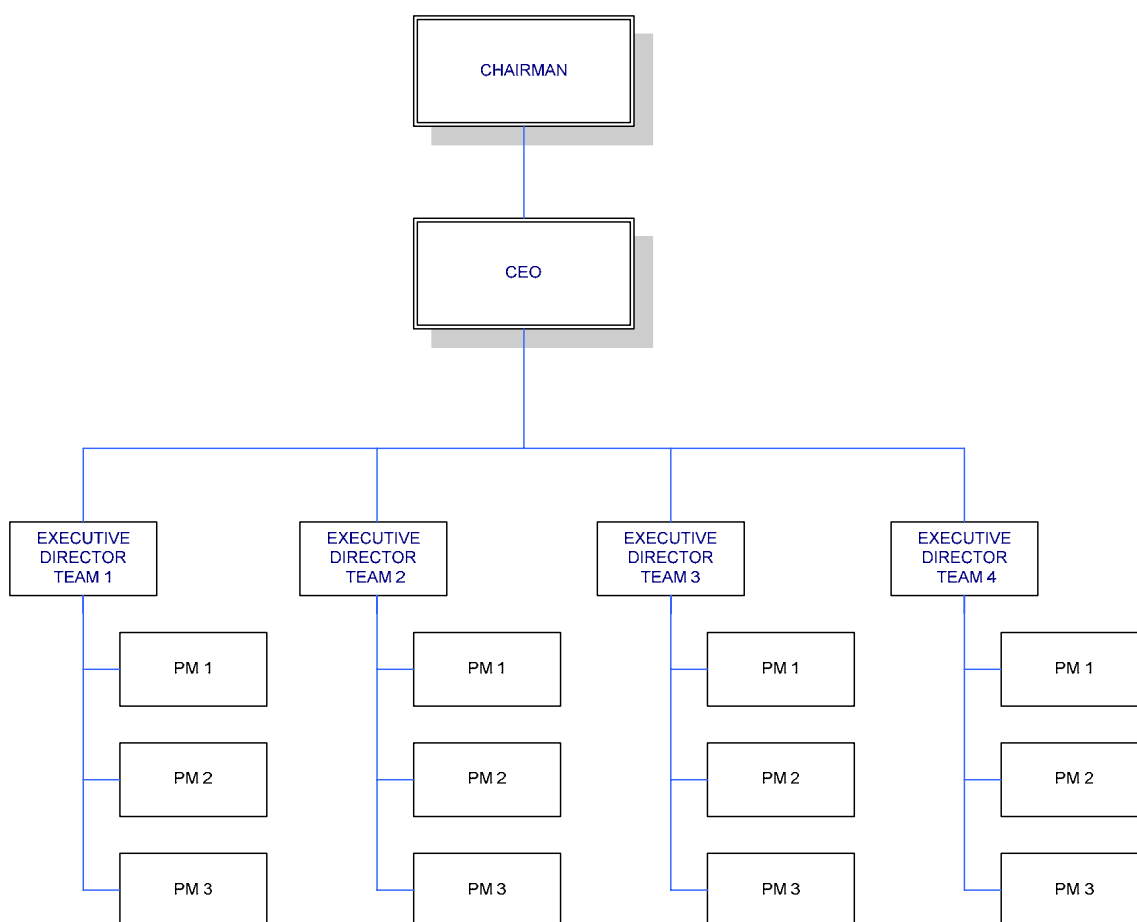


Figure (2) section 2.5.3 pure project organisation



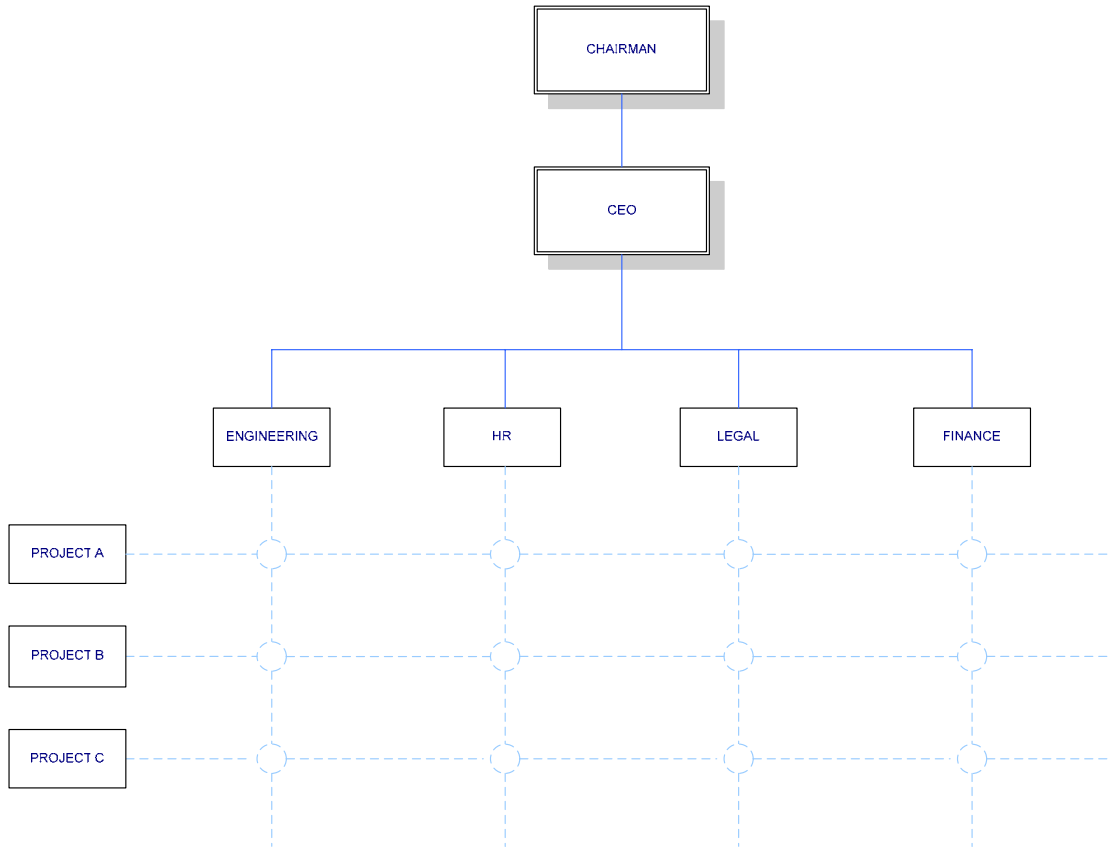
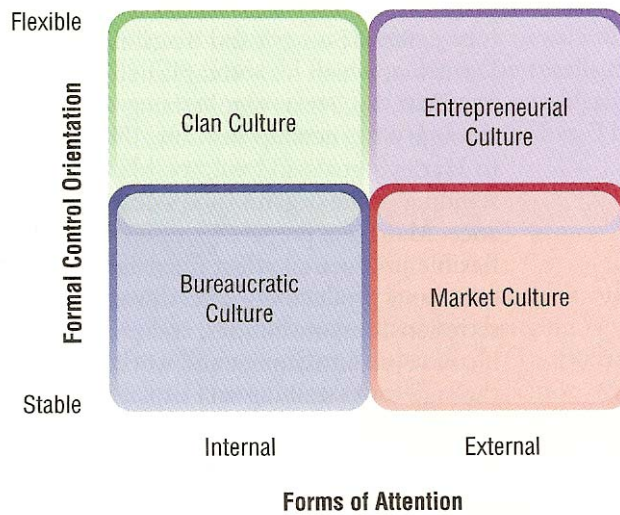


Figure (3) section 2.5.3 Matrix organisation



Source: Adapted from Hooijberg, R., & Petrock, F. On cultural change: using the competing values frame work to help leaders execute a transformational strategy. Human resource management 1993, 32, 29-50; Quinn, R. E., Beyond rational management: mastering the paradoxes & competing demands of high performance. San Francisco: Jossey-Bass, 1988.

Figure (1) section 2.7.2 Frameworks of types of cultures

### I.C.E Model

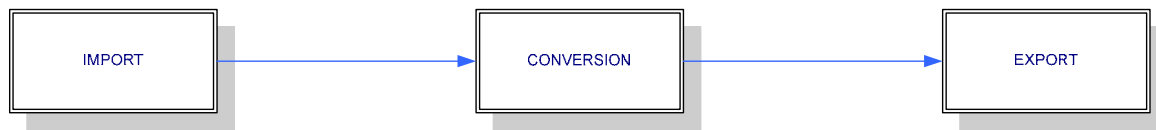


Figure (1) section 2.7.3 I.C.E. Model

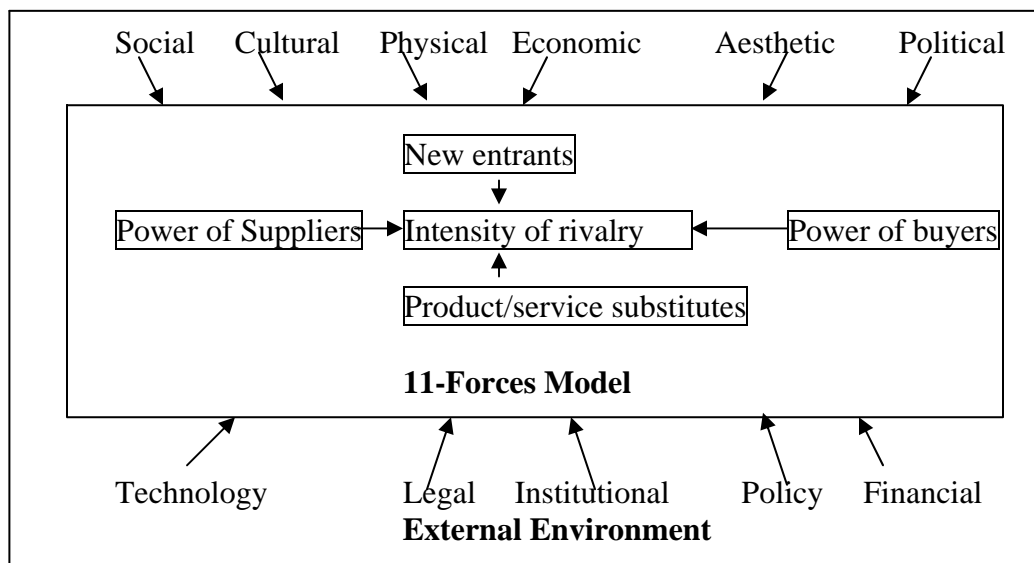
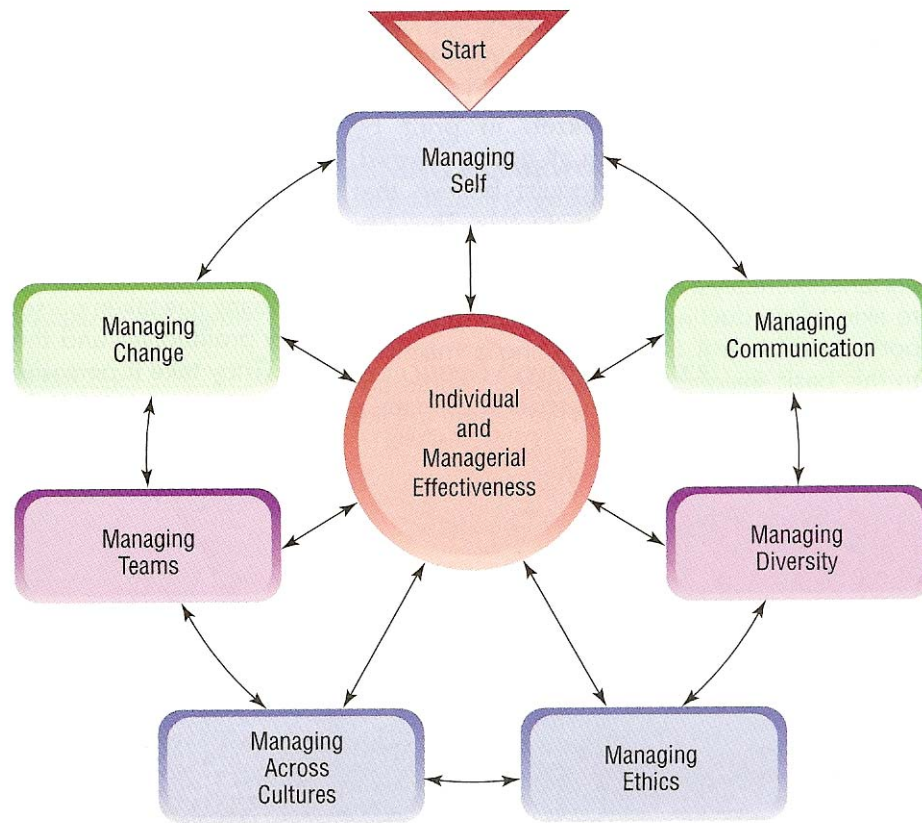


Figure (1) section 2.7.4 external environment and it's 11 forces model



Source: Organisational behaviour by Don Hellriegel & John Slocum (2004).  
Figure (1) section 2.8.2 Foundation competencies for individual & managerial effectiveness

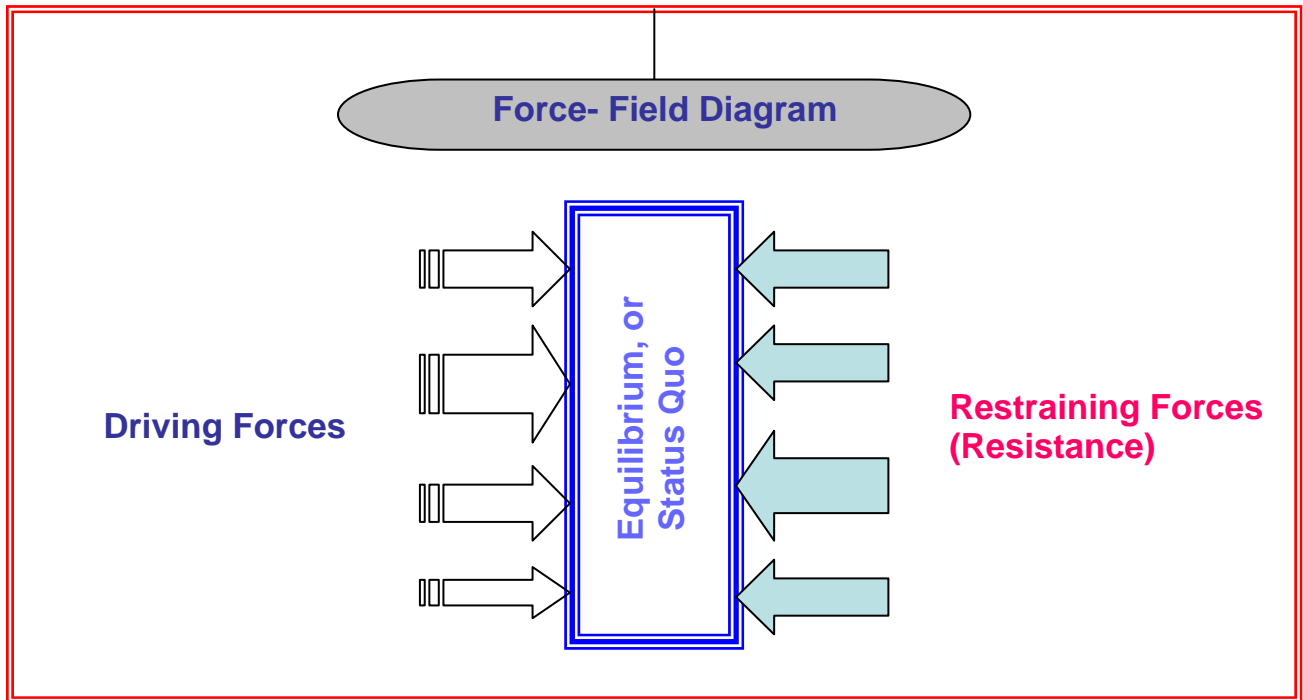


Figure (1) section 2.9.4 force-field theory

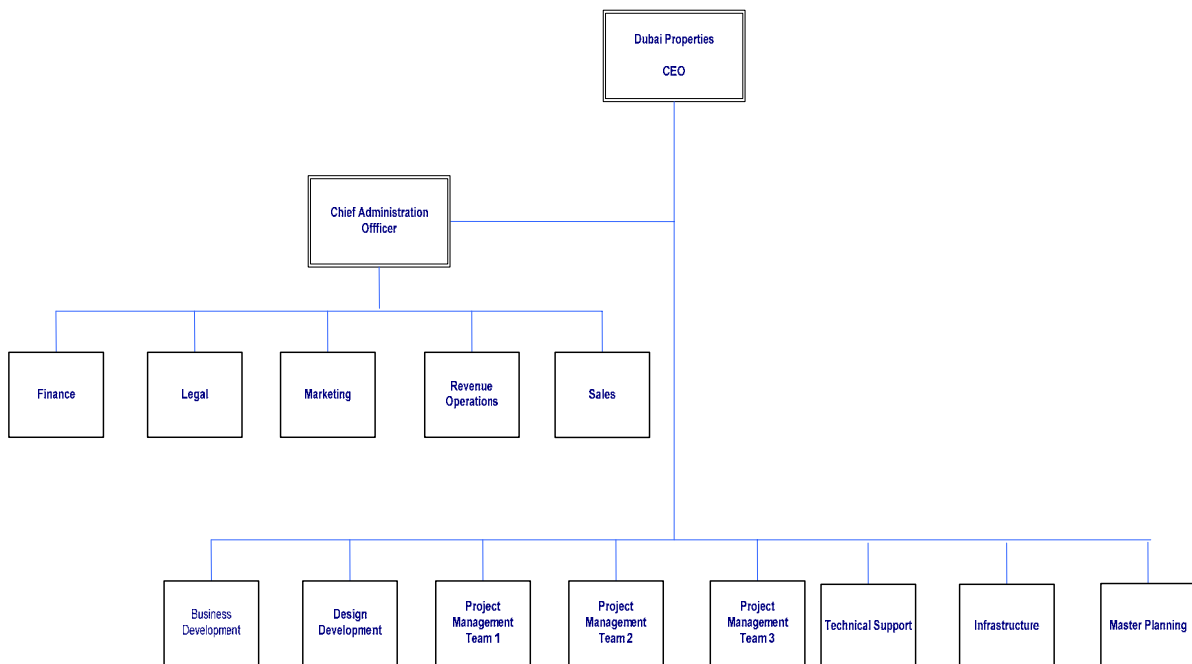


Figure (1) section 4.4.1 Dubai Properties Group organisation structure before September 2008 (before the financial crises)

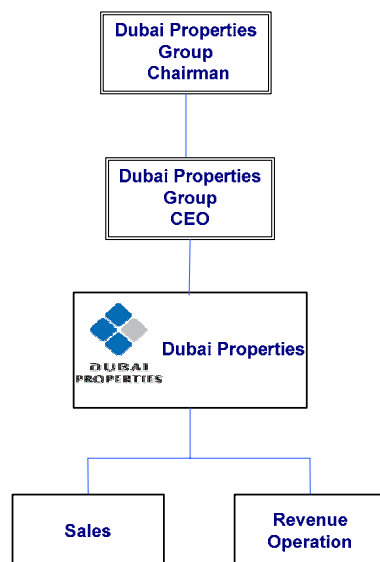


Figure (1) section 4.5.1 Dubai Properties organisation structure after September 2008 (During the financial crises)

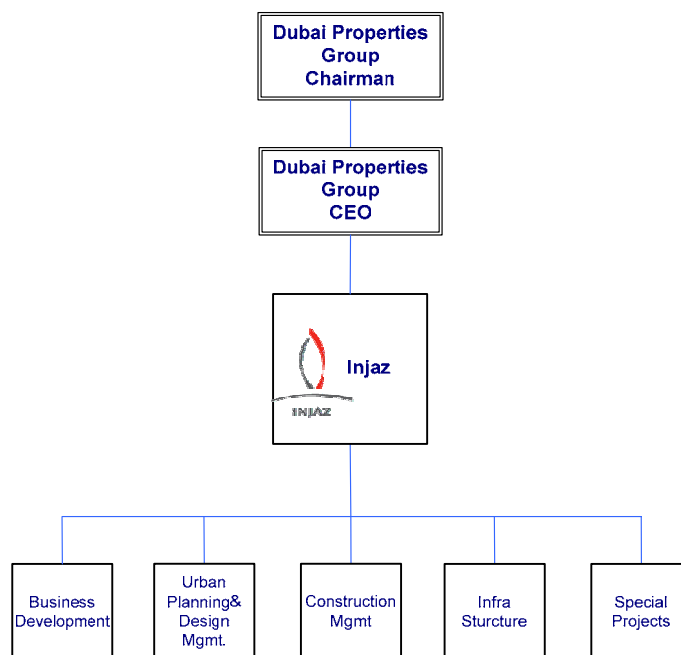


Figure (2) section 4.5.1 Injaz organisation structure after September 2008 (During the financial crises)

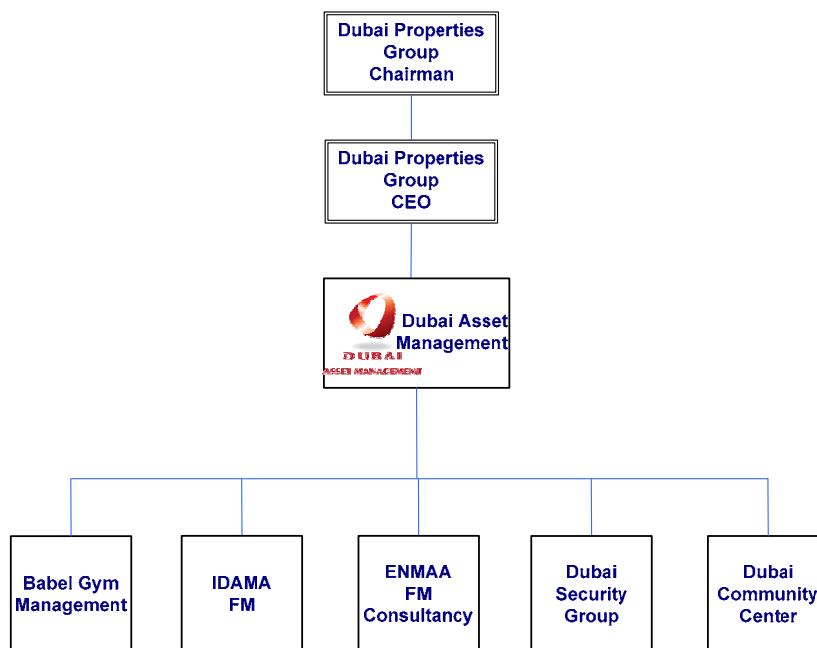


Figure (3) section 4.5.1 Dubai Asset Management organisation structure after September 2008 (During the financial crises)

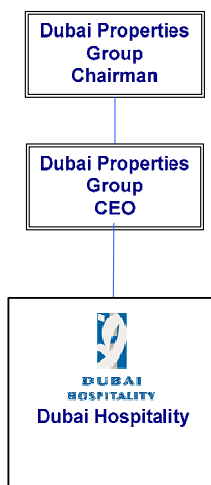


Figure (4) section 4.5.1 Dubai Hospitality organisation structure after September 2008 (During the financial crises)

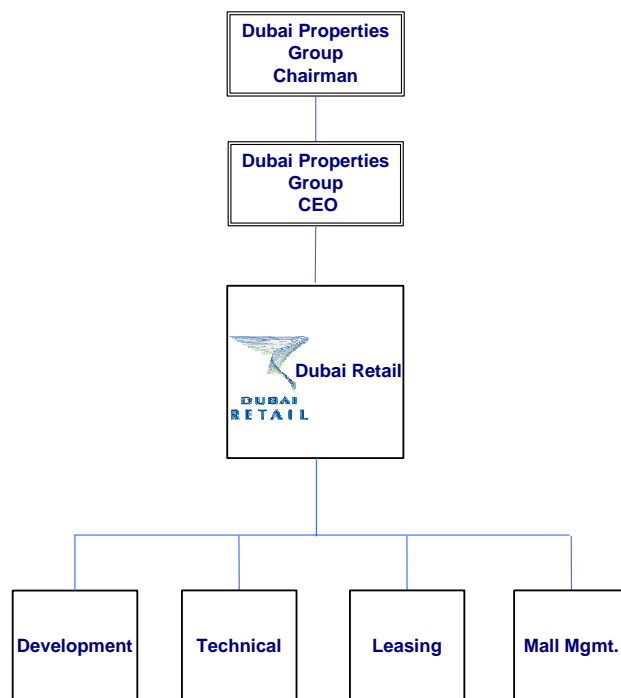


Figure (5) section 4.5.1 Dubai Retail organisation structure after September 2008 (During the financial crises)

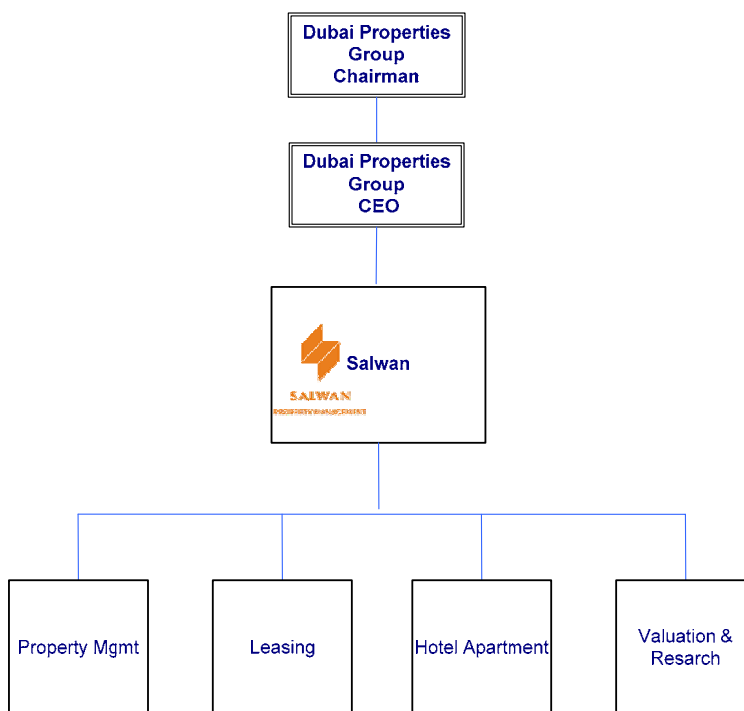


Figure (6) section 4.5.1 Salwan organisation structure after September 2008 (During the financial crises)

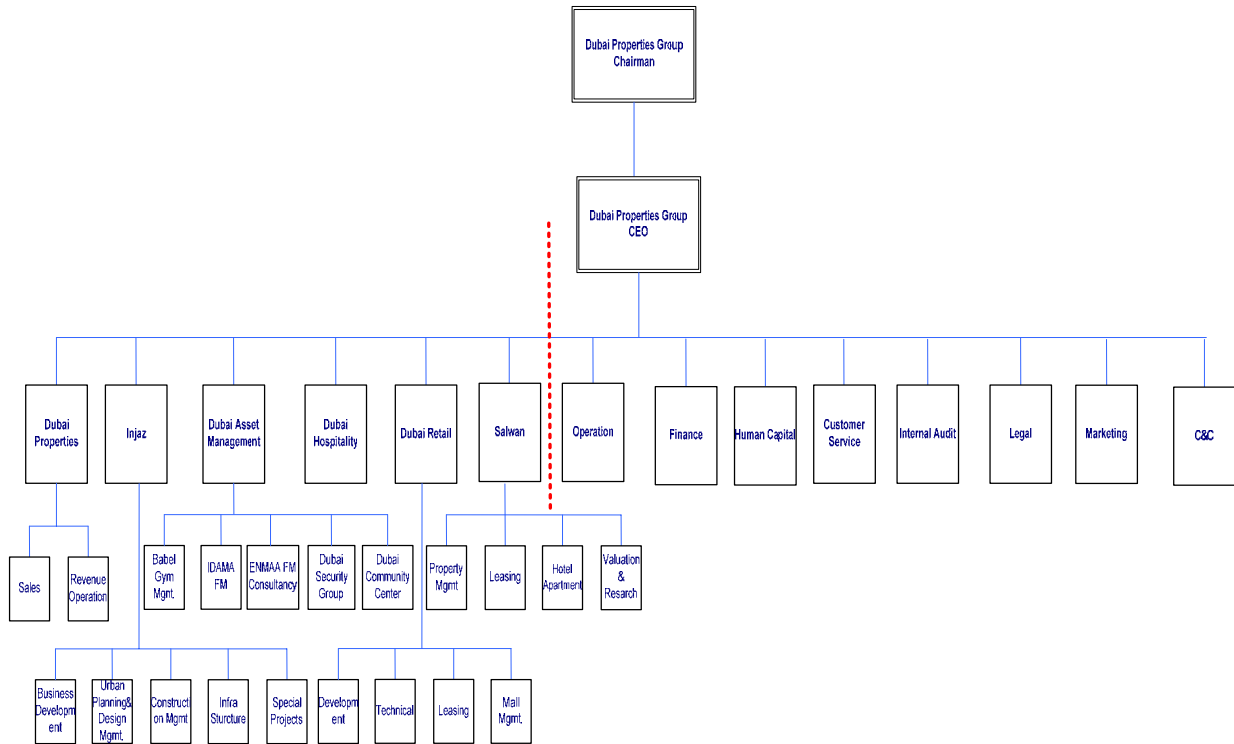
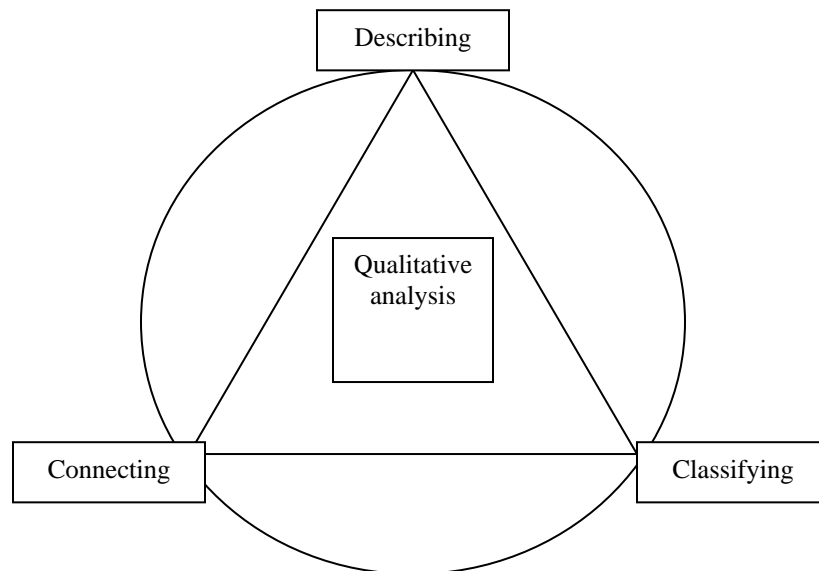


Figure (7) section 4.5.1 Dubai Properties Group organisation structure after September 2008 (During the financial crises).



Source: Qualitative data analysis by Ian Dey (1993).

Figure (1) section 6.1 Qualitative analysis as a circular process



### Appendix 2



Interview questions  
MSc. in project management  
for the topic of

The affect of the economy change on the change of a company's organisational structure:  
A case study on organisational change within Dubai Properties Group & other three major real estate companies before & during the economy downturn in the U.A.E. market which was the result of the global economy crisis

Important notes:

In line with the main subject of the research the Interview questions are targeting the following topics, which reflects for the reader the main objectives of the research:

- The general effect of the economy downturn on the organisation & the hierarchy of the events
- The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history
- The external & internal environmental factors affecting the organisation
- The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

The general effect of the economy downturn on the organisation & the hierarchy of the events

1- How did the economy downturn in the U.A.E., which was originally the result of the global economy downturn, affected your organisation in particular?

2- What was the hierarchy of the events? Or in other words, what was the sequence of the events following each other?

The affect of the economy down turn on the organisation in terms of organisational change & size & comparing that to similar incidents within the regions history

3- Where you prepared for this? How did you control the change & risk?

4- How did the economy downturn within the U.A.E. affected the structure of the organisation in terms of the size?

5- Do you recall a history of a similar case? What happened back then?

The external & internal environmental factors affecting the organisation

6- It has been observed that there are certain external & internal environmental factors involved in shaping out the structure of the organisation.

A- The external environmental factor are:

Political.

Economical.

Social.

Technological.

Cultural.

Physical.

Aesthetical.

Financial.

Policy.

Legal.

Institutional.

B- The internal environmental factors are:

Leadership.

Motivation.

Organisational structure

Rules & procedures.

People.

Empowerment.

Communication.

First of all rank the factors in A & B in starting with the most affecting environmental factor on the organisational change. You are to rank factors in A separately from B. Secondly, explain which group of factors external/ internal have the most affect on shaping the organisational structure? & why?

The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future

7- Knowing the factors, how is the organisation responding to the economy?

8- What are the main negative impacts?

9- Discuss the tactics to minimize the negative impacts in the future?

Figure (1) section 3.4.1 Interview questions sample

Number	Subject being tested	Organisation name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
1	The general effect of the economy downturn on the organisation & the hierarchy of the events	1. Investors won't be able to meet their payment deadlines due to the liquidity crises	1. The strategy got changed from fast track of delivering the projects to the traditional procurement system	1. Reduction of the resources as many staff had to be put on redundancy	1. The company got restructured
		2. Halt all tenders & stop awarding any projects	2. The organisation went for a market test exercises on the possibilities of going forward with the project	2. Around 15% of the staff was terminated by 30/11/2008	2. A decision to cut cost & secure the company was made
		3. Release all employees under probation	3. Some departments within the organisation became more	3. Restructuring the department was carried out	3. Cutting down the people

			important than other departments as other departments lost their power		
		4. Study the market situation & the expected needs	4. Cutting cost on operation by 20%	4. Merge between projects were announced & that led to 50% of the work force to remain	4. Salary reduction
		5. Evaluate the priority of the ongoing projects	5. The market segment got changed from focusing on high end products to focusing on affordable products	5. Restructuring the organisation was carried out	5. Introduce new ideas to encourage sales in order to bring in cash
		6. Cancel the projects which have not yet been sold	6. Got affected by Dubai situation	6. Another merge was announced	
		7. Release further employees whose projects have been canceled	7. An emergency assignment group has been formed & accordingly came up	7. Another restructure was carried out but without any termination	

			with a focused strategy for the year 2009		
		8. reduce the scope in order to reduce financial liabilities	8. Stop some projects & go ahead with others linking that to the availability of the cash flow		
		9. Expedite the progress of the projects which are nearing completion in order to use their generated income to fund other projects.	9. A change in the business strategy in the middle of execution		
			10. Downsizing strategy		
			11. Reducing & relocating resources according to the priorities		

Num ber	Subject being tested	Organisation name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
2	The affect of the economy down turn on the organisation in terms of the organisational change & size & comparing that to similar incidents within the regions history	1. Not prepared for the event	1. Not prepared for the event, as we are a young economy with limited experien ce & history	1. Not prepared for the event	1. Yes, we were prepared as we have a risk manage ment departme nt, we have expected some down turn, but what happene d was more than our expectati on
		2. Cut down any liabilities falling on DPG	2. Some departm ents within the organisat ion became more importan t than other departm ents &	2. The company decided to have the redundancy in two steps so that information could be transferred smoothly to the remaining of the staff	2. 30% of the staff were reduced

			got empowered & other departments became weaker		
		3. Reduce the scope	3. Downsizing strategy by 20%	3. The risk was the leaking of the information by the terminated staff	3. Some departments had to merge under other departments
		4. Understand the current market needs & fashion our products around those needs	4. Reducing & relocating resources according to the priorities	4. It department took an immediate control on the e-mail accounts of the terminated staff	4. In early 2000 we had some slow down in sales activity & the company had to release some of its employees & produce a product that goes with the customer's budgets
		5. The size dropped by 40%	5. The reduction of the staff strategy is a right idea but	5. A committee was formed in each business unit to take decisions about the redundancy	5. It is a challenge to bring the market up again



			was wrongly approach ed		
		6. Demand had dropped during the Gulf war		6. Key staff were kept in order to run the business smoothly	
				7. 15% of the staff were terminated by 30/11/2008	
				8. Restructuring of the departments was carried out	
				9. Merge between projects was announced & that led to second batch was terminated by Feb 2009	
				10. No previous experience	
		7. We were able to pick up from there	6. In 1990 the property value dropped, but that was a regular economy fluctuati on		

Number	Subject being tested	Organisation name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
3	The external & internal environment factors affecting the organisation	1. Financial	1. Financial	1. Financial	1. Economic al then Financial
		2. Leadership	2. Leadership	2. Empowerment then Leadership	2. Leadership
		3. Externally financial because financial gains makes a better organisation	3. External factors are the most affecting factors because it affects the whole vision of the company. If most of these factors changes the vision of the company gets changed & accordingly its execution strategies	3. The change in structure was carried out due to the external environment al factors, but the new organization al structure shape was carried out based on the internal environment al factors, what I mean is that the business unit that had better leadership and communication, and was better	3. Leadership is the head of any organisation or corporation. The greater the leader is the greater the company will perform
		4. Internally leadership is a rare gift & it must be positioned at its rightful place			4. In a business like the real estate both categories A & B are having a

				organized took the lead and was put in charge for other projects and business units.	balance affect on shaping the organisation structure
--	--	--	--	--	--

Number	Subject being tested	Organisation name			
		Dubai Properties Group	Al Dar	Nakheel	Emmar
4	The organisational response to the economy, the negative impacts & the tactics to minimize these negative impacts in the future	1. The organization had to sustain profitability and minimize its losses thus it cut down on all unnecessary costs and maintained only financially feasible projects	1. The organisation is mainly doing three things. They are cutting operational cost, downsizing & reducing the profit margin	1. Centralized decision & actions were taken in a collaborative way instead of individual	1. Slowdown their real estate development & focus on other source of income like retail, mall business & facility management
		2. Dealing with the investors' inability to meet the payments deadlines	2. Reputation of the company gets affected & the investors start to be hesitant to invest in the	2. The staff is demotivated & scared to be redundant	2. Rumors & some negative media reports

			market		
		3. Not being able to commence some of our landmark projects	3. Families of the sent off employees gets affected	3. Decision is taking longer time	3. There is a huge slowdown in everything but it is not a shut down
		4. Losing a lot of veteran employees who has enriched the organisation with knowledge & experience	4. The quality of end products is being affected due to the reduction on the scope	4. Special committees were formed to deal with contractors who have many contracts in different projects, such committee may negotiate on behalf of all projects in order to achieve better results	4. Sharing the result with the public on business turn over & compare it with other international market as this will show that we are doing better than the others
		5. Constantly monitoring the financial & the economical situations of the local & global economy	5. The quality of services gets reduced		5. Public awareness & clarity
		6. Studying the financial profile & the history of any investor or end user willing to buy a property from our development	6. Difficulties in the cash flow which created liabilities problems		

		7. Establishing a knowledge pool which we can share & utilize for the better of organisation	7. Changing the exit strategy for the project		
		8. Establishing a contingency plan for employees to allow them to survive the first impact of any economical or political situation	8. Redefine our targeted customers		
			9. We should look at funding partnerships & joint ventures		
			10. Focus on customer satisfaction as they are the main source of funding		
			11. Enhance the internal & the external communication		

Schedule (1) section 6.2 data analysis comparison schedule