

# LOGIC INSIGHTS

ISSUE # 1



*FEATURED ARTICLE*

## **Egypt's Universal Healthcare Act**

*Its implications and how  
hospitals can prepare for it*

## **The Talent Race**

*What are Egyptian companies  
looking for & why are they  
not attaning it?*

# Editorial Note

*The passage of time is a curious thing. As LOGIC nears its 21<sup>st</sup> year in the world of consulting, I am inclined to examine the ideals we have upheld throughout our journey. The one that stands out to me the most is our commitment to providing Egyptian companies and executives with global business perspectives, exposing them to the latest knowledge and equipping them with the tools they need to navigate a challenging and promising market such as Egypt's. Bridging the knowledge gaps that industries and companies experience will enable players to achieve sustainable growth and make great strides in their lines of business. Over the years, we have provided our approaches, methodologies and success stories through a variety of bite-sized articles, workshops and events. Now, we venture into the realm of thought leadership with our newest publication: "LOGIC Insights", a quarterly magazine focused on business issues relevant to the Egyptian market.*

*As a management consulting firm that offers a full suite of services including strategy consulting, organizational development, talent management and governance, we at LOGIC are determined to translate our knowledge and expertise into reading material that is actionable and relevant. In "LOGIC Insights", we will introduce new concepts and value-adding approaches developed by our experts and provide coverage of pressing business issues. This goal will be accomplished by mixing our consulting experience together with insights into local and global trends to produce material that is innovative, novel and pertinent to Egypt in terms of its management and business thoughts as well as its approaches to challenges and growth.*

*The central article of our first issue tackles Egypt's new Universal Healthcare Act. This extensive research spotlight explains the proposed structure of the UHA, sets expectations for the changes that will take place in the healthcare industry and provides insights into how businesses can prepare themselves to not only survive but to thrive as well. In the other two articles, we explore two very important topics that are of relevance to both the healthcare industry and other industries as well. The first article delves into the formation of Executive Committees and their importance in steering companies to success and the second examines the best talent management practices that are increasingly needed in today's volatile world.*

*"LOGIC Insights" is LOGIC's second publication that aims to accomplish the goal of thought leadership following the relaunch of "LOGIC ExecTalks" in the beginning of 2019. Since thought leadership is needed in both Egypt and the MENA region to accelerate the development and exposure of talent and corporates, it is my hope that LOGIC will contribute to and have a positive impact on this vital branch of knowledge. As always, our mission is to "think LOGIC... think sustainability" and what better driver is there for sustainability than knowledge?*

**Amr N. Osman**  
CEO AND CHAIRMAN  
LOGIC CONSULTING

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*Amira El Deeb*

# Egypt's Universal Healthcare Act:

## ITS IMPLICATIONS AND HOW HOSPITALS CAN PREPARE FOR IT

by *Ahmed Moharram*  
PRINCIPAL

Egypt's Universal Healthcare Act (UHA) has been in the works for the past three years but will soon become a reality. **The universal healthcare act was established to give all Egyptians equal access to a patient-centric healthcare model.** The enactment of the scheme will change the landscape of healthcare services in Egypt and will require that both public and private providers be agile and adapt to the changes. It is anticipated that the healthcare market will witness an overall improvement, but the exact way in which the process will play out is still unknown and stakeholders' best bet is to prepare for the unexpected.

**The program includes plans to provide full healthcare coverage, build more medical facilities, set quality standards for existing facilities, eliminate waiting lists, and increase production of critical medication such as insulin.** It is set to be piloted in five governorates: Port Said, Suez, Ismailia, North Sinai and South Sinai. The program began its first phase in 2018 and will be fully implemented across the country by 2032.<sup>1</sup>

Subscription to the program will be mandatory for all Egyptians residing in the country and optional for Egyptians living abroad. Fees will be set according to income – those who receive minimum wage or are unemployed will be exempt – and additional funding will be provided through taxation. Government officials state that the comprehensive social health insurance is based on social solidarity. They stress that “the family is the main insurance coverage unit within the system, and the system is based on the separation of funding from the service”.<sup>2</sup>

As for the private sector, its entities will not be forced to supply healthcare under the proposed scheme. Non-participating private operators will not be affected by the scheme as there are no set price caps across the healthcare sector. This independence will allow private operators to focus their attentions on specialized niche markets and demonstrates the act's adaptability to a mixed economy.



## Pricing

The pricing system in the market for entities participating in the UHA will change with the implementation of the new law. **A committee responsible for pricing the medical services will be established, involving an equal number of representatives from both the private and public sector to account for all stakeholders. Private sector operators not participating in the healthcare coverage scheme will not be regulated by the insurance entity and will be able to set the prices for their services.** Currently, the private sector is saturated with a small percentage of the population who have been loyal to its services. These individuals resort to the private sector due to the lack of equivalent quality services in the public sector. However, to stay competitive and relevant following the implementation of the new law, healthcare organizations will need to re-evaluate their pricing model to attract customers.



## Funding

Funding will be primarily obtained through the generated enrollment fees of the medical insurance system. Contribution rates of individuals will depend on personal status and income<sup>3</sup>:

- Business owners, members of liberal professions such as lawyers and doctors, and Egyptians working abroad will pay around 5% of their insured salary, the income stated in their tax return, or the maximum of the social insurance salary;
- Casual laborers will pay 5% of their insured salary up to a maximum of 7% for each household, with the Treasury paying any difference;
- All of the above will pay an additional 3% of their income if they have a spouse who either is not working or does not have a stable income, as well as a further 1% of their income for each of their children and dependents;

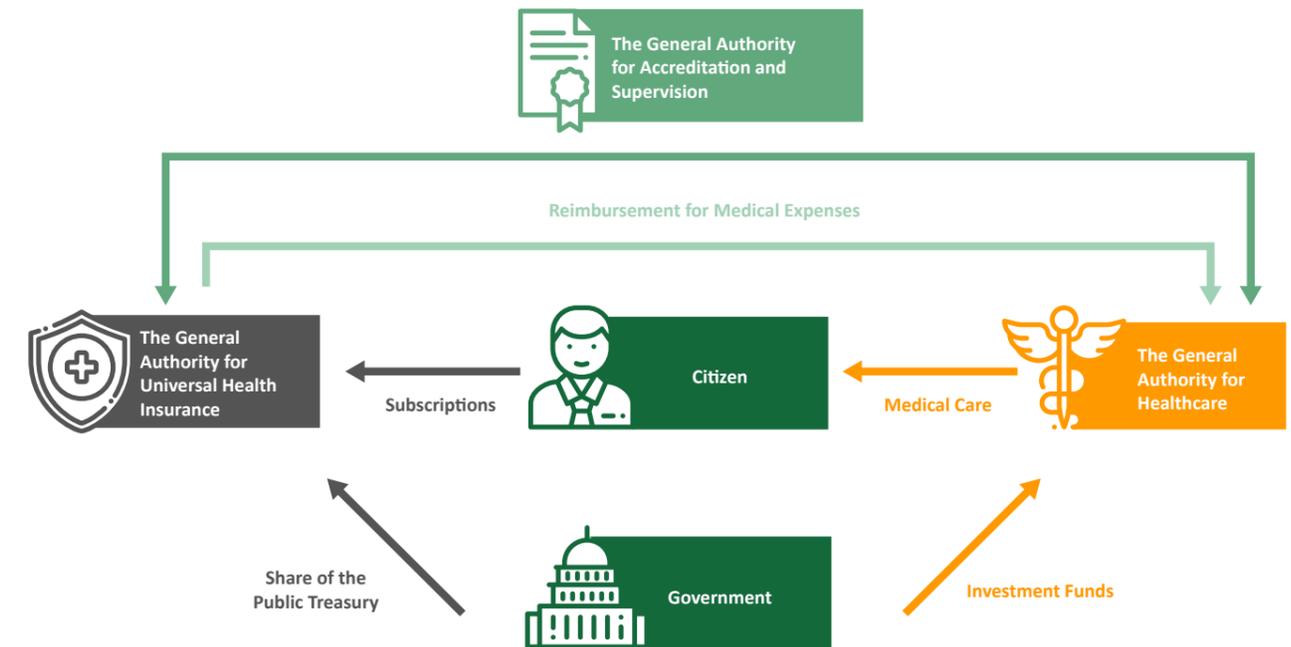
Individuals are expected to pay between 1300 EGP and 4000 EGP a year, excluding those under the minimum wage.

**Estimates of the total cost of implementing the new law vary, but media reports indicate that it may cost up to 600 billion EGP by the year 2032.**

Companies will be expected to make a social contribution to the UHA amounting to 0.0025% tax on revenues. Other taxes will be levied on individuals applying for or renewing car and driving licenses, as toll fees on certain highways, on tobacco manufacturers (a 10% tax on all tobacco products except cigarettes) and a 0.75 EGP tax on all cigarette packs sold, and on doctors and pharmacists when applying for a license to open a clinic or a hospital (as a fee of between 1000 EGP and 15,000 EGP). Hospitals will also pay a tax of 1000 EGP for every bed they have.

## Newly established authorities under the universal healthcare act

The proposed act will introduce 3 new bodies: the General Authority for Universal Health Insurance, the General Authority for Healthcare, and the General Authority for Health Accreditation and Supervision.<sup>4</sup>



### THE GENERAL AUTHORITY FOR UNIVERSAL HEALTH INSURANCE

This authority will replace the current General Authority for Health Insurance and will be under the authority of the Prime Minister. **It will be responsible for managing and financing the system and will have the power to invest funds in safe investments in accordance with investment strategies specified in the law.** It will also set up local offices across the country to serve insured people, determine the level of service each patient should receive, and collect subscription fees.

### THE GENERAL AUTHORITY FOR HEALTHCARE

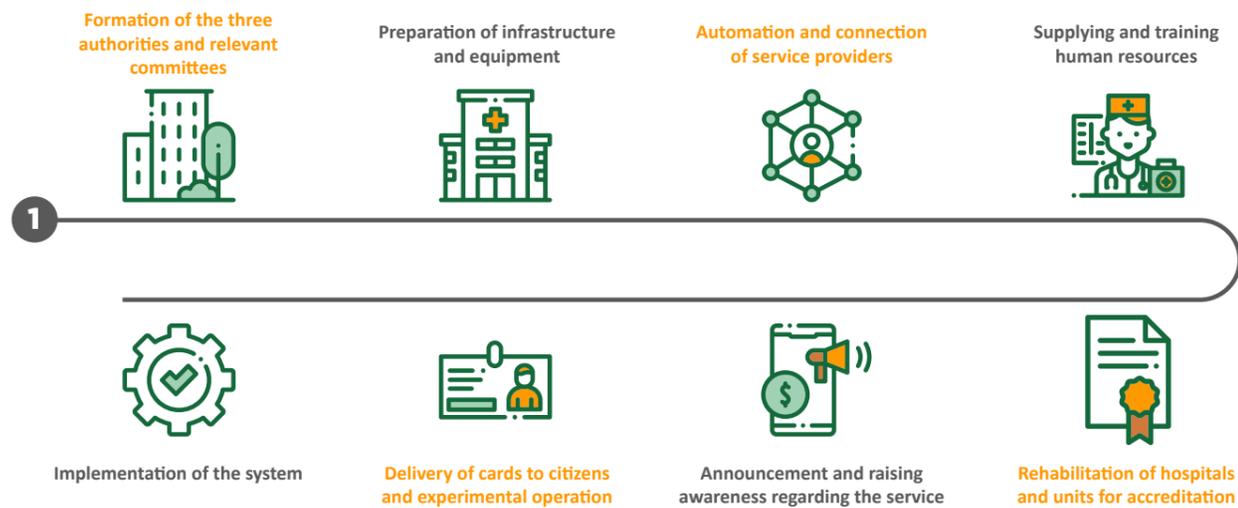
This authority will operate under the supervision of the Minister of Health and will serve as **the main body responsible for regulating the health services provided.** It will also provide health and therapeutic services to all insured people through its outlets. The General Authority for Healthcare will oversee hospitals operated by the Health Insurance Organization, the

Ministry of Health, the Curative Care Organization, the Teaching Hospitals and Institutes Organization, and the Ministry of Higher Education.

### THE GENERAL AUTHORITY FOR HEALTH ACCREDITATION AND SUPERVISION

This authority will operate under the supervision of the President and will oversee the quality of health services. **It will set quality standards for health services and ensure the accreditation and registration of medical facilities and medical professionals.** These measures will be implemented to guarantee compliance with quality standards, efficiency within the system, and transparency of activities. The authority will also have the power to charge for accreditation and registration certificates and for the services provided, in accordance with the law. A central committee for disputes settlement will be established within the General Authority for Health Accreditation and Supervision.

### Executive Measures for the Implementation of the Healthcare Act

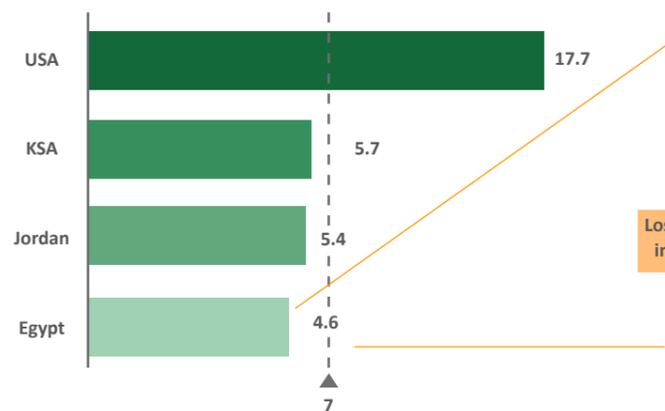


## CURRENT SITUATION

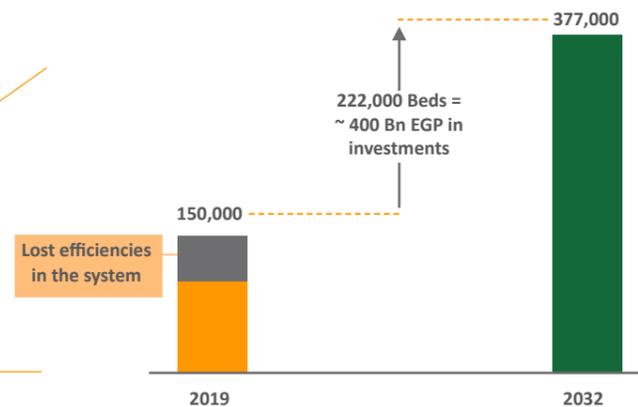
As of 2014, Egypt's expenditure on healthcare as a percentage of GDP and its health expenditure per capita have been 5.6% and USD 178, respectively. Total expenditure on healthcare is estimated to be around USD 16 billion. The world average of expenditure on healthcare as a percentage of GDP is around 6.7% and health expenditure per capita is USD 1000, and so Egypt must expend considerable efforts to bridge the gap. Currently, the private sector receives the majority share of healthcare expenses, accounting for 62% of all transactions.

Out-of-pocket, uninsured expenditure comprises 90% of those transactions.<sup>5</sup> In 2014, the number of people covered by the old healthcare scheme by the Health Insurance Organization (HIO) reached 50.2 million. The main difference between the new system and the existing one is that the existing system accommodates children in schools and younger as well as employees of the state administrative system, while the new system accommodates all groups of society in return for payment.

Beds per 1000 population



Required investments to bridge gap in beds



The figure above was calculated under the following assumptions:  
 Population growth of 2% year on year  
 An average cost per bed of 2 mil EGP  
 A world average of 2.9 beds per 1000 population

**The main difference between the new system & the existing one is that the existing system accommodates children in schools & younger as well as employees of the state administrative system, while the new system accommodates all groups of society in return for payment.**

### Private versus public sector

The private and public sectors operate on different levels of bed capacity. **While 68% of hospitals in Egypt are privately-run, the public sector is in possession of 75% of the bed count.** Parastatal hospitals – which include the Teaching Hospitals and Institutes Organization, the Health Insurance Organization, and the Curative Care Organization – operate 57,000 beds, the government sector operates 41,000 beds and the private sector operates 33,000 beds, making for a grand total of around 130,000 beds in Egypt. The varying capacities and quality of services between the sectors dictate that they target different classes of society.

### Bed distribution & hospital types

As it currently stands, **more than 80% of private hospitals have less than 25 beds, while governmental hospitals have a range of 100 - 450 beds.** In order to achieve efficiency, hospitals must not be so small that they are unable to benefit from economies of scale nor too large to manage. Experts indicate that as a rule of thumb, hospitals should have between 80-300 beds. Currently, Egypt has around 1.5 beds per 1,000 population, which is low compared to the world average of 2.9 beds per 1,000 population<sup>8</sup>. In order for Egypt to improve both the quality and quantity of its healthcare services, it needs to increase its bed per population ratio from 1.5 to 2.9 in order to be in alignment with global standards. This will require that the country acquire 200,000 more beds to reach the global average and to keep up with population growth. **The estimated cost of the needed beds will hover around EGP 400bn.**

It is important to note that the current utilization level of beds in hospitals is so low that the figure needed is likely to be higher than 200,000 beds if service providers do not amend their operational schemes to improve their efficiency. If the appropriate regulation systems are implemented, then utilization rates will increase, thus allowing the country to achieve higher levels of efficiency with a lower number of beds. This system-wide change will force public and private operators alike to amend their strategy and operation schemes.

### Healthcare as a platform in Egypt

**A platform is defined as the space in which a number of parties with equal agency interact.** The advantage of such a setup is that no one party possesses the upper hand in determining the course of events; all have an equal say. However, to treat a hospital as a platform would allocate physicians as much power and sway as the administration. This may result in conflicts and inefficiencies as physicians may prioritize their individual work over the hospital's overall operations.

The status quo in Egypt reflects such an instance of organizational immaturity as the existing healthcare system places physicians at its core. This intensified focus on medical practitioners has resulted in low efficiency rates and has hindered healthcare centers' ability to thrive to their fullest capabilities. **To develop a sustainable environment of operational excellence, hospitals should not be interactive platforms, but tightly-governed entities that abide by codes and regulations geared towards maximizing the utility of patients, physicians, and payers simultaneously.**

In Egypt's private sector, physicians perform a vast array of administrative and strategic functions alongside their medical practice. They exercise influence through their roles as shareholders, board members and owners of healthcare facilities and their impact manifests in the facilities' strategic decisions. This uniformity of thought has detrimental effects as hospitals' strategies cannot be centered on medical considerations and goals alone; business factors such as project feasibility, prospective markets, and competition must also be taken into account. Central to the success of this vision is ensuring that the hospital's management includes both medical practitioners and business professionals to strike a balance between technical and financial visions.

#### Administrative staff:

It is also important to note that in Egypt, physicians are the main factor that influences where people choose to receive medical care. Thus, hospitals focus on retaining them at the expense of non-clinical functions. An implication of this physician-centered approach is lack of attention to the administrative side of hospitals' operations, which usually comprises the bulk of any hospital's budget. **Hospitals need well equipped non-medical staff with specialized knowledge in operations to function efficiently.** The functions of these personnel include finance, patient records management, procurement of medical supplies, etc. Several of these functions are not within the line of expertise of medical professionals, so it is important to include business specialists in hospitals' administration to ensure the proper fulfillment of these roles.

**To treat a hospital as a platform would allocate physicians as much power and sway as the administration. This may result in conflicts and inefficiencies as physicians may prioritize their individual work over the hospital's overall operations.**

#### Nursing Staff:

Another problem that Egypt's healthcare sector faces lies in the nursing staff. Not only does the quality of nursing staff require improvement, but there is also a shortage of nurses in the country compared to the population. There are 3.3 nurses per 1,000 people compared to Western countries that have an average of 11 nurses per 1,000 people. The private sector combatted this problem by hiring highly-qualified foreign nurses to make up for the lack of reliable domestic nurses. **In order to compete for the scarce availability of highly-skilled and reliable clinical staff, healthcare facilities must provide competitive packages and a welcoming working environment to hire and retain staff.** Another possible solution to the problem is to improve existing nursing schools or establish new ones to ensure the existence of a pool of qualified nurses.

## EXPECTED MARKET CHANGES

The universal healthcare act is expected to impact four main areas of business. Service providers must adapt to these anticipated changes in order to remain competitive players in the market.

### *The Formation of Health Systems*

The implementation of the UHA is expected to bring to light inefficiencies within the healthcare sector in Egypt. **Changing dynamics will reveal that some hospitals are too big to operate efficiently while others are too small to achieve economies of scale.** Amongst the projected challenges are claim reimbursement rates which will place a considerable strain on hospitals and health systems and will force them to contain their costs. In such a climate, large, integrated health systems will be formed to overcome the challenges that the UHA will prompt.

**In the short term,** the implementation of the UHA will create an attractive investment environment that will encourage many private healthcare equities, both local and foreign, to enter the Egyptian market. Increased flow of patients from different economic backgrounds due to the reformulated pricing strategy of the insurance coverage scheme will bolster the healthcare industry and motivate a flow of investments into both public and private healthcare facilities. **Private equities are expected to purchase either partially or in-full private hospitals and clinics and work on improving their operational efficiency, upgrading their assets, training personnel and adding new revenue streams.** We also expect divestitures to take place, which entail that private equities break down hospitals into specialized units and/or clinics to be run by others in exchange for revenue or profit shares.

**In the long term,** the healthcare landscape is expected to witness the formation of conglomerates and hospital groups to achieve efficiency, cost control, sustainability and a larger footprint in the market. One way to accomplish this goal is for hospitals to engage in mergers and acquisitions with other hospitals and for healthcare facilities to extend the list of services they provide. Moreover, hospitals can conduct upstream acquisitions specifically in clinics to expand their catchment area and extend the list

**In such a climate, large, integrated health systems will be formed to overcome the challenges that the UHC will prompt.**

of services they provide. This move **towards vertical integration will enable providers to work their way back in the value chain by acquiring, partnering or establishing primary centers within considerable distance from their headquarters to attract and self-refer patients to their hospital.**

**Providers will seek to join larger organizations or add more providers to their network to gain a better understanding of the patient's entire healthcare journey.** Amongst the benefits of economies of scale and shared resources is the unification of functions such as information technology, supply chain, purchased services, and human resource management.

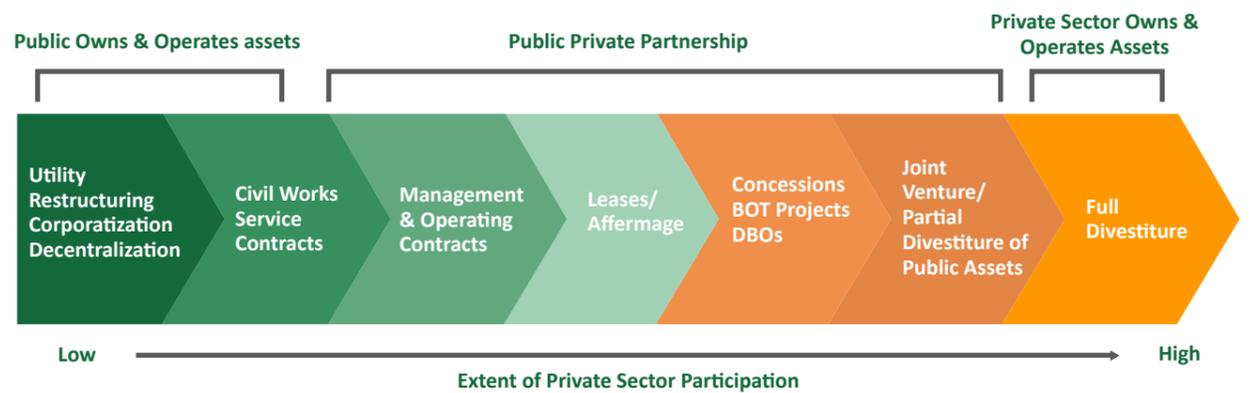
### *Public Private Partnership (PPP)*

**Public Private Partnerships (PPP) are collaborations between the public and private sectors that facilitate the achievement of common goals by overcoming logistical and management limitations.** In most, if not all, countries that have applied the UHA the public sector had to partially rely on the private sector for funds and for managerial support in order to better utilize its resources. Private partners can deliver services through increased investment, solid governance systems, trained personnel and focused strategies.

PPPs differ from other forms of government-private contracts by the long-term nature of the contract (typically 15+ years), the shared nature of the investment, and the transfer of risk from the public to the private sector. Some examples of this include leasing a section of a public hospital to the private sector to operate, the private sector financing the construction of a public hospital and operating it for a number of years, or the private sector building a hospital that will be run by the public sector.

PPPs proved pivotal in Turkey's Healthcare Transformation Program and enabled them to enhance the accessibility and quality of healthcare services to

all citizens.<sup>9</sup> The program included initiatives aimed at modernizing hospitals and healthcare services by upgrading infrastructure and implementing IT systems and expanding access to high-quality health care by increasing the number of hospital beds around the country. Moreover, investments were used to increase the number and quality of highly specialized healthcare services, such as oncology, rehabilitation, woman and child health, and cardiology. In Egypt's case, the projected EGP 400 bn that is required to fund the universal healthcare act will need to be raised in part through PPPs.



### Specialized Integrated Facilities

#### Polyclinics:

Independent clinics run by physicians will become increasingly prone to disruption following the implementation of the UHA. Since economies of scale will become the name of the game in the new health system, clinics are expected to merge into polyclinics to ensure their survival and growth. The safest and most successful course of action for clinics will be to offer many services under one roof for outpatient services. The low operational expenditures of outpatient clinics require low-to-moderate investments in medical technology and devices. Furthermore, the operating model is a sustainable and profitable one as it caters to a wide variety of consumer demands. **Polyclinics operate as a one stop-shop for all outpatient services and provide ease and convenience to customers.** They can be a promising profit-generator and self-referral center for all primary care services, diagnostic services, and specialty clinics.

#### Center of Excellence:

For new providers entering the market, investing in a center of excellence (COE) is a promising investment. **COEs are "specialized programs within healthcare institutions which supply exceptionally high concentrations of expertise and related resources centered on particular medical areas and delivered in a comprehensive, interdisciplinary fashion"**. Their increased focus on a specific area of healthcare, such as cardiology, orthopedics, oncology, ophthalmology and neurology, guarantees them a portion of the market. As it currently stands, Egypt is an attractive site for investment as its market is not saturated with specialized providers. Centers of Excellence (COE) should be created according to expertise, accreditation, and proximity to other similar COEs to satisfy demand and to ensure equal distribution of care to the population.

### General Practitioners

General practitioners (GPs) are set to be the first line of healthcare access further than primary care. Referral to a secondary, tertiary or diagnostic center must be made through a GP. Each family will be assigned a GP according to location, and GPs will be responsible for providing care to a set number of patients. If a patient deems their GP unfit to care for them, they will have the freedom to choose another provider. GPs who lose patients due to a dissatisfactory quality of service will be penalized. This system is designed to incentivize GPs, hold them to a high standard of service and make them accountable for the provision of care to their patients.

Egypt is expected to suffer from a severe deficit of general practitioners (GPs) with the launching of the healthcare act in the second quarter of 2019. Limited accessibility to GPs can lead to the deterioration of patients' health status and complications in treatment plans. Furthermore, long waiting periods for healthcare impel patients to seek out emergency facilities for nonemergency care. This is due to the fact that ERs are not allowed to deny anyone the right to care. Situations such as this create an influx of patients visiting emergency rooms without there being a pressing need for it simply to avoid waiting for long periods of time.

## WHAT BUSINESSES NEED TO DO

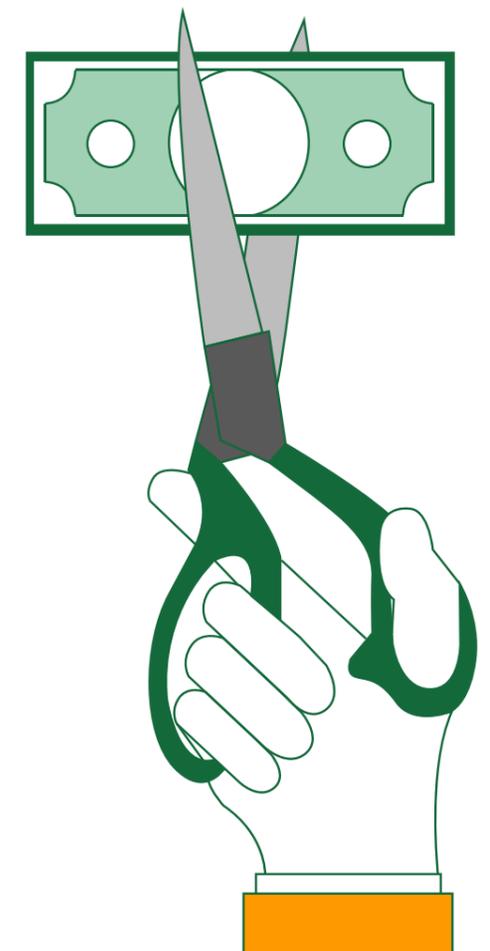
The implementation stage of the universal healthcare law will be carried out over the next 15 years. This provides organizations with ample time to prepare for anticipated changes. Organizations need to concentrate their efforts on five core business areas in order to not only survive following the expected changes, but to thrive as well.

### Operational Excellence

The first step in preparing an organization for a structural change is to focus on operational excellence. This involves executing strategy consistently and streamlining business processes. Operational excellence is evidenced by results and serves two goals: cost reduction and patient satisfaction.

#### Cost Optimization:

Most healthcare facilities in Egypt have high fixed and running costs due to lack of standardization and inefficient processes. Cutting unnecessary costs allows for a greater profit margin. Concentrated efforts must be made to optimize operations and design a framework within which different functions can coordinate their efforts and resources to yield not only optimal patient results, but also lower costs. **An important part of cutting future costs is to make capital investments in the present to improve the organization.** Such investments include an integrated health information management system and facility upgrades, etc. Although the initial investment will be considerable, it will be a rewarding move due to increased efficiency.



**Existing private players in the market should pool their funds into refining their standard operating procedures (SOPs), building their management capacities, enhancing their bed utilization rates, and shortening lengths of stay.** In order to cut costs efficiently, essential functions such as supply chain systems that can affect the overall operations management of a hospital must be allotted ample attention and integrated on a hospital information management system (HIMS) to standardize the system. This also ensures the availability of critical medical supplies for patients while maintaining low inventory costs.

#### Patient Satisfaction:

An additional motivator for improving the efficiency of healthcare facilities is patient satisfaction. **The patient-centric healthcare model calls for healthcare providers to start considering patient satisfaction as a business-success factor.** Under the UHA, healthcare centers will be rated according to a number of factors that are of importance to patients during their visit or treatment at the center. Healthcare centers need to take into consideration cleanliness, time for admissions and discharges, patient satisfaction rates and accessibility to care as some of the factors that can attract or deter patients.



### *Corporate and Clinical governance*

**Healthcare organizations should aim to have a complete governance structure to establish synergy between business and medical operations.** This approach will result in value creation for both patients and stakeholders as having a solid governance model stabilizes the organization and allows it to operate in a manner that facilitates the cascading of strategic plans. Healthcare organizations, be they public or private, should prioritize the establishment of a complete governance model and retire the traditional management approach that has been holding back Egyptian facilities from achieving their full potential. The aim is to bridge the gap between the social and humanitarian mission of the hospital on one side and its organizational nature on the other side.

**Corporate governance** assures a professional governance framework that incorporates a professional board and committees that supports the organization through giving the right direction and oversight to the organization, incorporates audit, control and risk management functions, supports information management and disclosure practices in order to enhance transparency, and protects the rights of owners and shareholders by ensuring organizational sustainability and prosperity. Healthcare facilities require an additional form of governance that is clinical in nature to safeguard the health of patients.

**The aim is to bridge the gap between the social and humanitarian mission of the hospital on one side and its organizational nature on the other side.**

**Clinical governance** covers all activities, policies and procedures that help improve and sustain high standards of care to grant patients the best treatment possible. It includes processes of quality improvement, identifying and prioritizing education and development of staff to ensure a skilled workforce, installing systems to support evidence-based practice, ensuring that learning from complaints, information, litigation and claims is systematically analyzed and disseminated throughout the healthcare facility. A dual approach that allocates equal attention to clinical and corporate governance is needed to achieve efficiency within the healthcare facility.

### *Organizational Development*

**Considerable emphasis should be placed on the organizational structure to ensure that the strategy of the organization is reflected on its structure, span of control, reporting and supervision, and value chain.** Organizations have to fill the missing functions that are essential to the clinical organization's operations. In the case of Egyptian healthcare facilities, this involves placing equal importance on administrative staff and physicians to strike a balance and improve efficiency. To achieve this goal, human resource management will play a big role in organizations' successful adaptation to the universal healthcare act. **With the support of human resource experts, employee waste can be identified and a performance management system can be established to ensure that the hospital's strategy is implementable in real life.**



## Digital transformation

Healthcare is one of the industries most prone to digital disruption – it also stands to gain the most if it embraces this new age of digitization. **Digital transformation could create a dynamic ecosystem focused on patients and their families through the utilization of personalized, intuitive and predictive technologies.** Medical and social caregivers could be integrated into the ecosystem to ensure the delivery of the right type and amount of care, in the right setting, at the right time. Digital transformation facilitates efficiency, accessibility, accountability and financial transparency. **It streamlines physicians' work, optimizes systems, improves patient outcomes, reduces human error, and lowers costs.** The benefits of implementing a health-information system exceed the initial capital expenditure, which will provide a greater ROI in the future if used to its full potential. A thorough analysis will facilitate linking functions to create a complete IT integrated system for the optimization of both clinical and nonclinical operations and for the maximization of patient benefit.



## Positioning

### Business Model

**Hospitals need to redesign their business model to accommodate the changes in payments, competition, digitization and customer trends.** A new strategy will need to be applied to remain competitive, relevant, and compliant with national laws. Changing a business model does not take place overnight as local market conditions, the investment climate, and previous strategies implemented by the entity must be taken into consideration first and studied extensively. This holistic view, which takes into account historical and future factors, allows for a more reliable decision-making process.

### Unconventional Services

**Considerable business opportunities lie in the healthcare sector as it requires both medical and nonmedical support.** This provides private businesses with the chance to enter the market as providers of non-clinical services, such as consulting, training, and digital transformation. An example of such an innovative tactic took place in India where members of the private sector entered the market not only as healthcare providers, but also as providers of strategic purchasing, capacity building, and skills development services. For traditional healthcare providers, outsourcing those unconventional services might serve as a good option to maintain strategic focus and reduce operational cost.

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<sup>1</sup>“Egypt Builds its Health: 100 Million Healthy Lives”, World Youth Forum, October 2018.

<sup>2</sup>Hamdi, Amgad. “Egypt’s Universal Health Insurance System”. Egyptian Institute for Studies, December 2018.

<sup>3</sup>“Egypt Builds its Health: 100 Million Healthy Lives”.

<sup>4</sup>Ibid.

<sup>5</sup>“Egypt Healthcare”, *The Pulse* (Colliers International), ed.7, September 2017.

<sup>6</sup>“Current Health Expenditure (% of GDP)”, The World Bank, 2017.

<sup>7</sup>“Price Range Prospectus”, *Cleopatra Hospital*, May 2016.

<sup>8</sup>“Current Health Expenditure”, The World Bank.

<sup>9</sup>“Turkish Health Transformation Program and Beyond”, The World Bank, April 2018.

<sup>10</sup>“PPP Arrangements”, Public Private Partnership Legal Resource Center, World Bank Group

<sup>11</sup> Singhal, Shubham and Stephanie Carlton. “The Era of Exponential Improvement in Healthcare”. McKinsey & Company. May 2019. <https://healthcare.mckinsey.com/era-exponential-improvement-healthcare>

	<b>INNOVATIVE SOLUTIONS</b>	<p><b>Artificial intelligence (AI):</b> Analytical insights facilitate diagnosis and improve predictive medical intervention</p> <p><b>Personalized medicine:</b> Tailor drug therapies that are unique to the patient's genetic makeup.</p>
	<b>DATA CAPITALIZATION</b>	<p><b>Unified electronic health record:</b> Platform to document, view and store patient information</p> <p><b>Blockchain:</b> Decentralized digital ledger technology to allow secure transactions and confidential data sharing</p>
	<b>PROCESS FACILITATION</b>	<p><b>Intrahospital communication:</b> Software to allow communication between hospital staff</p> <p><b>E-referrals:</b> Referral and discharge information forwarded to the next doctor in the patient's journey</p> <p><b>E-prescribing:</b> Digital version of drug prescription that can be sent to pharmacies</p>
	<b>REMOTE UTILIZATIONS</b>	<p><b>Nurse mobile connectivity:</b> Access to patient information for in-home care staff</p> <p><b>E-booking:</b> Online platforms for scheduling medical appointments</p> <p><b>Vital parameter tracking:</b> Remote monitoring of intensive care unit patients' vital signs</p>



# The Executive Committee:

## A key player for board success

Who keeps track of the company's operations and its adherence to strategy? Although the Board of Directors is the entity that first comes to mind, they do not meet often enough to supervise day-to-day operations and respond to daily matters. Thus, companies form Executive Committees (ExCom) featuring a number of directors and upper management.

*The ExCom is the organizational cabinet of executives accountable to the CEO for collective executive decisions and assignments.*

**This article will answer the following questions:**

1. Why do organizations need an ExCom?
2. What is the structure and composition of the ExCom?
3. What are the roles and responsibilities of the ExCom?
4. What are the barriers to effective ExCom meetings?

**Why do organizations need an ExCom?**

- To ensure that different organizational functions are aligned to achieve the organization's strategy and to monitor its progress on a regular basis
- To enable a structured communication process for critical organizational matters to the Board
- To integrate a formal process for collaborative decision making at the execution level

ExCom members should work as one unit. During meetings, members are required to set their departmental challenges aside and collectively think of means of accomplishing the company's strategic directions. In this framework, the CEO's leadership comes into play as he is the one member fully informed of the Board's priorities. The CEO leads the discussion, prioritizes the topics and guides the decision-making process.



The Executive Committee is the "Engine Room" of any organization. Hence, its crew selection, responsibilities and roles are of great importance to the achievement of the company's strategic directions. The Board of Directors relies on the ExCom for their decision-making process therefore, the accuracy and comprehensiveness of the ExCom's quarterly reports to the Board is of fundamental importance.

### What are the roles and responsibilities of the ExCom?

- To monitor the progress of the strategic initiatives, identify obstacles of implementation and decide on corrective actions
- To discuss the company's Risk Map & ensure the implementation of the potential risks mitigation plans
- To manage the implementation of the actions identified by the Internal Auditor to ensure on-going improvement of the company's policies and compliance levels
- To monitor the overall working environment and implement initiatives that sustain a healthy working culture
- To plan and monitor the progress of the C-1 succession plans.

### What are the barriers to effective Executive Committees?

- Poor reporting
- Lack of information
- Discussing urgent topics rather than important ones
- Poor decision-making mechanism
- Poor follow up on decisions made
- Lack of a meeting agenda / Unstructured meetings
- Conflicts and politics prevail the meeting

### What is the structure and composition of the ExCom?

The ExCom is led by the CEO who reports to the Board of Directors, which makes him the link between both sides. Usually, heads of departments are represented on the ExCom. Departmental representation has to cover the organization's core, support and commercial functions. Such functions may differ from one company to the other depending on the industry. It is worth noting that the number of ExCom members must not exceed 9, including the CEO, to ensure effective meetings.

## TIPS FOR EFFECTIVE EXECUTIVE COMMITTEE MEETINGS



Focus on decisions, not on discussions, in a timely manner



Remember the Board is waiting



Adopt common decision-making standards & procedures



Measure the real value of every topic on the agenda & prioritize it accordingly



Lay realistic choices on the table



Affirm the decisions being made

# The Race for Talent

by Amira El Deeb

SENIOR PARTNER

ORGANIZATION DEVELOPMENT PRACTICE HEAD

## WHAT ARE EGYPTIAN COMPANIES LOOKING FOR & WHY ARE THEY NOT ATTAINING IT?

The modern business world is in the grips of a scramble for talent as companies rush to hire high potentials or **HiPos: individuals whose outstanding performance is triggered by a potential for growth**. The search for talent is fueled by the belief that in an increasingly volatile world, human capital that is agile, innovative and committed is capable of elevating the organization to new heights and of weathering unexpected crises and challenges. However, few companies take the time to define talent, identify what is required of

them and figure out how to acquire and retain them. **To dive headlong into the world of talent without a set definition and strategy results in a waste of effort and resources and may even drive away existing talents due to mismanagement.**

The state of disorganization in talent management is regrettably prominent in most Egyptian companies where **actions are not based on a rigorous assessment of the company's strategic requirements, the formulation of an employee value proposition or the outlining of the talent's career path**. Actions are more reactionary than they are proactive and little planning is involved. Thus, HR teams and Department Managers rush to fill vacancies, retain employees regardless of their performance, and utilize development budgets in a scattered manner. These pressures result in a number of haphazard decisions and recruitment methods that yield disappointing results. As a consequence of the unstructured talent management process, **Egyptian companies typically experience six core challenges.**

**1 The first problem cited by Egyptian organizations is that they are not perceived as talent magnets by the labor supply.** This perception challenges the talent acquisition process before it begins. It also becomes a self-fulfilling prophecy as talents in the job market are wary of a company that is not an attractive employer to HiPos. Studies indicate that companies that are not talent magnets must pay a 20% premium on salaries in order to obtain talents at the same rate as their talent-magnet competitors. Thus, the company's reputation impacts its recruitment process. This problem primarily affects local Egyptian companies that lack a competitive edge in the market in comparison to multinationals.

**2 Companies sustain a large number of regrettable losses when they do not provide an appealing career path and supportive environment to talents within the organization.** This problem is indicative of internal shortcomings within the company. Talents require a particular environment in order to thrive and reach their full potential. This involves a clear career path, challenging tasks to stimulate their abilities, the support and guidance of superiors, and a development plan. If a company puts little emphasis on such elements, it will suffer great losses as both identified and unidentified talented individuals leave and mediocre performers remain.

**3 Budgets dedicated to training and development are underutilized.** Before a company attempts to remedy its talent leakages with training and development programs, it must first identify the development requirements of individuals and create tailored programs for them. Egyptian companies, however, state that they face difficulties identifying these individuals and knowing the kinds of programs and development tracks that would be beneficial to them. The lack of development plans or their existence in an unstudied form causes major demotivation, especially to HiPos, which results in a high rate of regrettable losses. This is due to the fact that learning and development is one of the main motivators of talented employees and may even surpass other factors, such as compensation, company location and nature of the job, in importance.

**Studies indicate that companies that are not talent magnets must pay a 20% premium on salaries.**

**Identify the development requirements of individuals and create tailored programs for them.**

## SIX CORE CHALLENGES OF TALENT MANAGEMENT



Companies are not perceived as talent magnets



Regrettable losses



Waste of development funds



Undefined target for talent percentage in the company



Lack of capable successors



Strategic initiatives are not accomplished

4

**Companies do not know what percentage of their employees are “talent potentials”.** Egyptian companies often assume that the majority of their staff need to be talents. However, LOGIC intelligence indicates that talents in local companies usually make up around 7-10% of the entire employee base, while the number may hover around 12-15% for multinationals. This does not mean that the rest of the employees need not be competent high achievers. It simply indicates that the estimated percentage of the identified talent pool are individuals who combine high performance along with leadership capabilities - even if they are in junior positions - and an evident potentiality for growth in the organization. Misidentifying the talent pool may waste HR's effort in the fruitless recruitment of additional talent rather than the development of existing ones within the entity.

5

**Companies fear that they do not have a pipeline of qualified calibers to succeed to senior positions.** Executives in Egyptian companies have cited concerns regarding the sustainability of their leadership model in the absence of a pool of attractive candidates to choose future leaders from. They face difficulties formulating succession plans since their talent pool is dry. The absence of an effective succession plan could lead to the loss of organizational memory and could impede the smooth flow of operations.

6

Finally, **Egyptian companies often suffer from slow growth and lack of agility because their aspirations are stronger than the muscle they possess for implementation.** This specific problem was cited by an executive at a leading cosmetics company in Egypt who felt that her growth strategies were not being executed as there were no “Star Performers” to see them through. The company's management had outlined several plans for expansion, but the lack of talent didn't allow such aspirations to see the light of day. Companies lag in their growth when their ideas and financial resources are not matched by their human capital. That said, talents act as a catalyst for growth and improvement.

**Talents in local companies usually make up around 7-10% of the entire employee base,**

**Companies lag in their growth when their ideas and financial capital are not matched by their human capital.**

## BREAKING DOWN TALENT

Although the talent profile differs from one company to another, the principal definition is the same. Talent is the combination of potential, achievement and engagement that enables individuals to rise within organizations and make impactful contributions. The vehicle that enables companies to harness talents is talent management, which is defined as “the systematic attraction, identification, development, retention and deployment of those individuals with high potential who are of particular value to the organization”.

In order to determine the type of talent it needs, a company must breakdown the meaning of talent and formulate criteria with respect to its unique organization, mission and vision. The one-size-fits-all approach should not be applied to talent as each company has a specific set of requirements that service its overarching strategy. Companies in the financial sector may prioritize individuals with advanced analytical skills and identify them as their targeted talent pool, whereas architecture firms may choose to focus on individuals with creative capacities. The objective is not to amass as many talents as possible but to acquire and nurture the ones the company needs. It is worth noting that talents possess not only superior technical skills, but also communication and people-related competencies, savviness to learn and potentiality to overachieve.

**At the core of Egyptian companies' talent management struggles is their inability to distinguish between talents (HiPos) and high performers.**

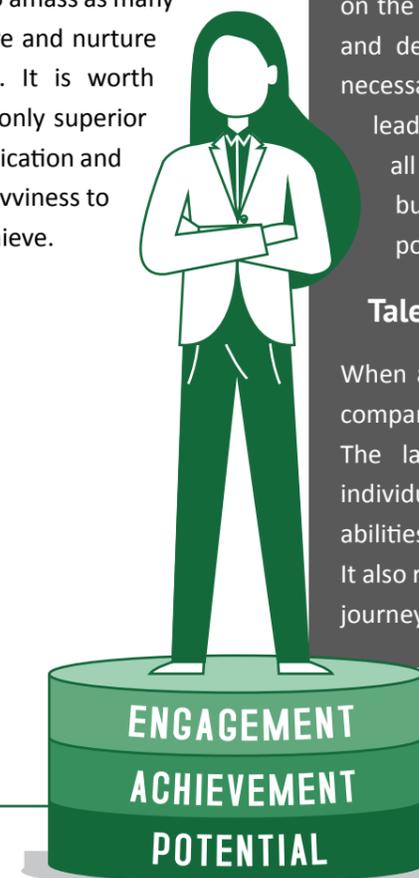
### Editor's Note:

#### High Potentials (HiPos) vs High Performers:

High potentials are talents whose outstanding performance is complimented with a potential for growth. High performers, on the other hand, execute their tasks well and demonstrate consistency but do not necessarily possess the aspiration to rise to leadership and critical roles. In summary, all high potentials are high performers, but not all high performers are high potentials.

#### Talent vs Talent Potential

When a talent is first identified within the company, he is titled a “talent potential”. The label highlights the fact that the individual still has to demonstrate their abilities and worthiness of the title “talent”. It also reinforces the notion that the talent's journey is an ongoing one and does not end when he is identified as such.





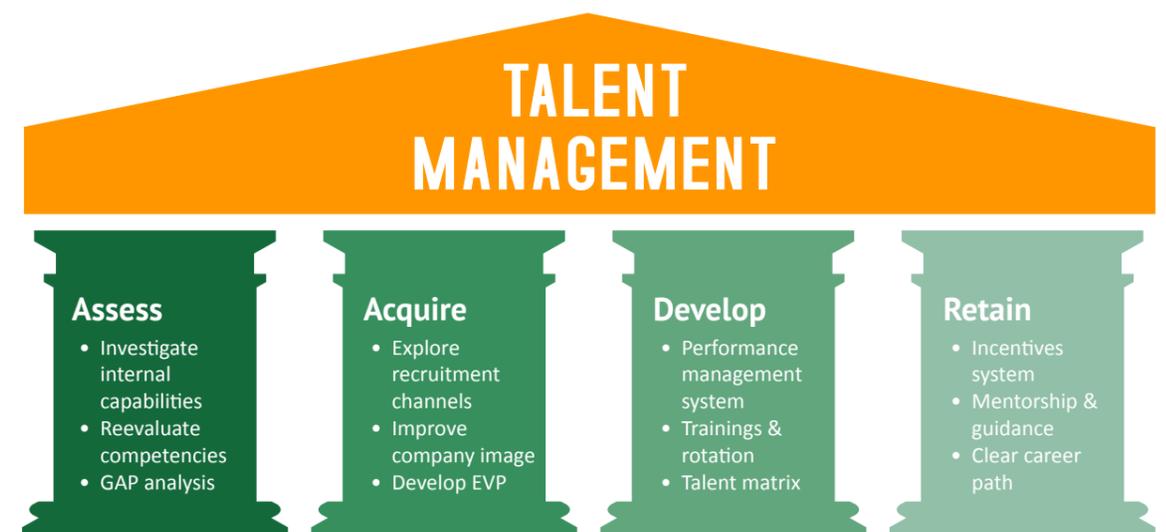
## THE TALENT JOURNEY: A RACE FOR EXCELLENCE

The first step of Talent Management is aligning the talent strategy to the business strategy. The organization's strategic and operational goals and objectives must inform the type of talents HR pursues. Individuals who are well-suited to executing specific business strategies save the company considerable time and effort and ensure the achievement of objectives. Additional benefits of aligning the talent strategy to the business strategy include boosts in morale, lower turnover, increased productivity & heightened capacity for innovation.

The alignment process begins by breaking down the business strategy to critical business processes, strategic plans and differentiating factors that set the organization apart from competitors. This is followed by constructing a tailored profile of employee competencies that services the strategies of the company. Adhering to conventional HR recruitment methods without the input of company specific information is an outdated practice that stifles progress and achievement.

## HOW TO EXECUTE A SUCCESSFUL TALENT MANAGEMENT PROGRAM

Talent and business strategy alignment is followed by a four-tiered talent management process.



**Updating competency models to account for changing trends in business and in the company's strategy ensures that the company is agile and geared for success.**

**Research indicates higher predictability of performance when a combination of objective assessment measures are applied.**

## ASSESS

Assessment is two-fold as it includes an analysis of the company's human capital skills requirements followed by an assessment of its manpower's skills to identify the gap and devise strategies to bridge it. **The first step is to perform an internal assessment of the company's employee demographics, staff turnover and competencies.** The data generated from this assessment is used to create a macro report that details general statistics as well as information regarding the "employee components" model, which comprises of employees' skills, abilities, and competencies – both behavioral and technical. The second step in this phase is to revisit the various departments' competency requirements and reevaluate them.

As time passes, departments might discover that certain competencies have become obsolete while others have grown in importance. Updating competency models to account for changing trends in business and in the company's strategy ensures that the company is agile and geared for success. An emerging set of skills that employees must possess to cope with the everchanging business landscape includes digital skills, agile thinking, global skills and interpersonal skills. Conducting a gap analysis in a structured way guarantees that the company identifies its areas for development correctly and tackles them effectively. Consistent and clear communication between the departments and HR is imperative to the success of the process to enable learning, amend hiring criteria and perfect the recruitment process.

**The second factor in the assessment phase is choosing tools that are valid, reliable, and relevant to the overarching purpose.** Psychometric tools provide different personality dimensions that give a full understanding of an individual, highlight development areas and identify leadership potential. Different types of assessments, such as personality, ability and competency assessments, are conducted in tandem in order to construct a holistic perspective of the individual's suitability for the role. Research indicates higher predictability of performance when a combination of objective assessment measures are applied.

## SUMMARY OF ASSESSMENT

1

The first step is to perform an internal assessment of the company's employee demographics, staff turnover and competencies.

2

As time passes, departments might discover that certain competencies have become obsolete while others have grown in importance.

3

Companies must choose tools that are valid, reliable, and relevant to the overarching purpose.

4

Research indicates higher predictability of performance when a combination of objective assessment measures are applied.

## ACQUIRE

If a company has a deficit in internal talent, it may look outside its organization for individuals who possess the competencies it requires. **The acquisition process begins with identifying the appropriate channels for finding the desired talents.** The type of recruitment channels a company utilizes depends on the nature of the company itself and on the type of required talent it pursues. Online platforms such as job-posting sites and social networking sites may be appropriate for certain positions, whereas referral programs may be of more use for others. Optimizing talent management revolves around tailoring every step of the process to suit the specific needs of the company and the unique characteristics of the talent.

**The second step of the process involves improving the company's image and becoming a "Talent Magnet".** This strategy serves to cut corners by attracting talent to the company instead of the other way around. It is also a sustainable tactic with proven lasting effects. Becoming a talent magnet necessitates that the company improve both its image and internal processes as the objective is to not only attract talent but to retain them as well. Successful HR management processes are able to transform the objective of becoming a talent magnet into a mission that is central to the organization's success.

Onboarding is the final step of acquisition and is the stage at which the candidate is able to validate his decision to join the company. An overly general onboarding process that does not answer questions or address concerns may result in disengagement. If a candidate feels disconnected from the job during the first few days of employment, he/she is much more likely to leave the organization and the entire recruitment process will have gone to waste.

### Editor's Note:

Companies must develop their employee value proposition (EVP) to become attractive employers. The EVP outlines the relationship between the company and the employee, which is supposed to be built on reciprocal benefit. It outlines the "give and the get", which delves into all aspects of the employment experience – from the organization's mission and values to jobs, culture and colleagues, to the full portfolio of total rewards system.

# 1

The acquisition process begins with identifying the appropriate channels for finding the desired talents.

# 2

The second step of the process involves improving the company's image & becoming a "talent magnet".

## DEVELOP

**The stage of the talent management process that yields the highest return on investment is the development stage.** Providing talent potentials with opportunities to grow such as trainings, challenging assignments and rotations enables them to tap into their potential and exceed expectations. Development delves into technical and interpersonal skills. Furthermore, **it is important that opportunities for growth be coupled with consistent mentorship to ensure that the talent potential feels supported and to allow for the constant modification of the program to yield optimal results.** The aim of development is not to place the talent potential in a constant state of anxiety, but to broaden their horizons.

Development programs begin with the implementation of performance management systems to monitor operations and identify gaps. The performance gap is the difference between actual performance and desired results, and is followed by development tracks that address the technical and behavioral areas for improvement. **Filtering talent potentials through the performance and development gaps yields the company's talent pool and highlights the areas of improvement across employees.**

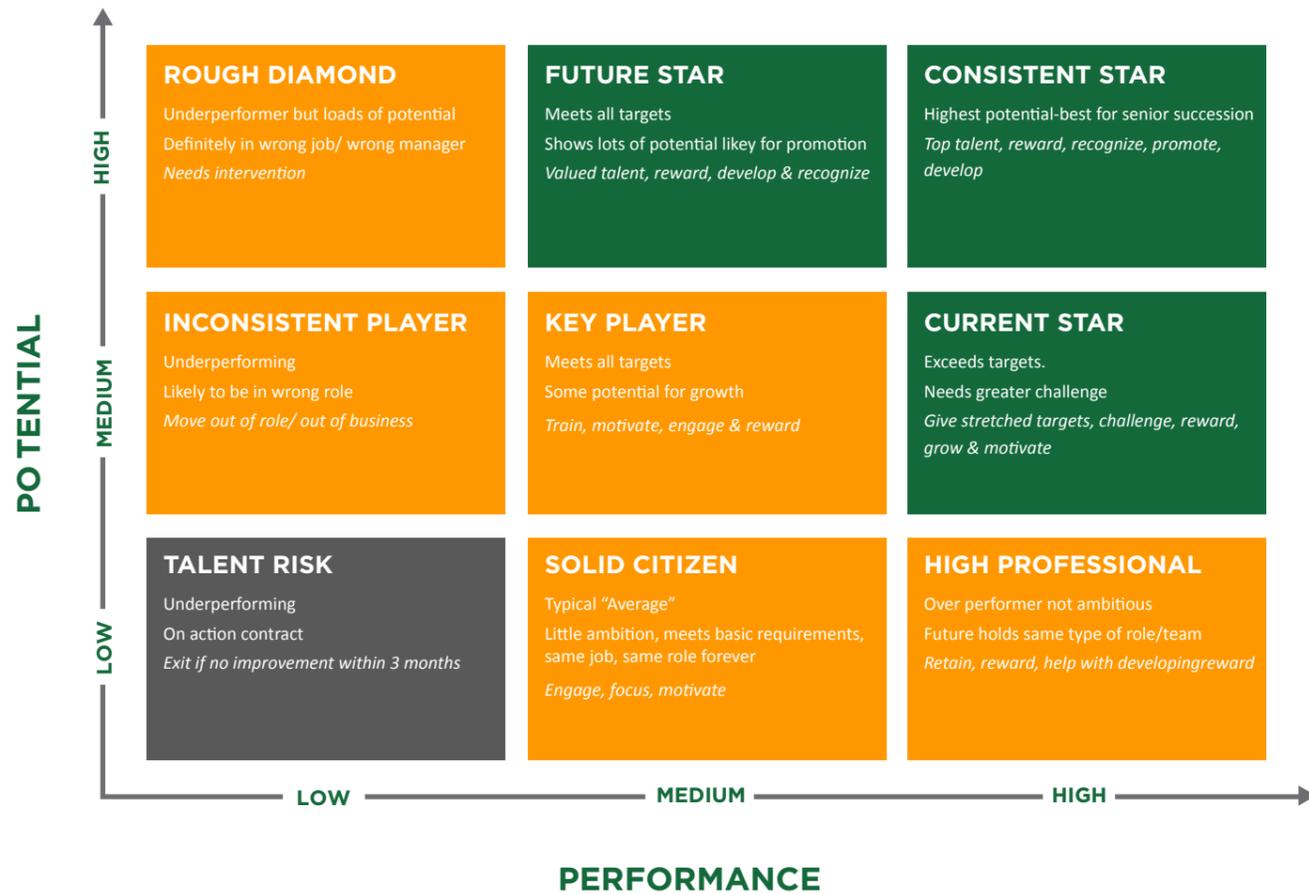
Within the development stage, organizations attempt to determine whether individuals are high potential talents. It is not enough to determine talent based on past and current performance; potentiality constitutes a key talent component. A high potential employee is a proven high performer with three distinguishing attributes that allow them to rise and succeed in more senior positions: aspiration, ability and engagement. Aspiration indicates a desire to rise to senior leadership roles, ability reflects the capacity to perform well under challenging circumstances, and engagement demonstrates commitment to the organization in the face of turbulent situations.

In order to determine where an individual falls on the HiPo spectrum HR personnel utilize the talent matrix. Once an individual has been plotted onto the talent matrix, it is relatively easy to determine his areas of development. What follows the identification of HiPos is crucial to the success of talent management. Studies indicate that 55% of identified HiPos will drop out of their program within 5 years if they are not provided with strong guidance, mentorship and incentives.

**It is not enough to determine talent based on past and current performance; potentiality constitutes a key talent component.**

**55% of identified HiPos will drop out of their program within 5 years.**

The McKinsey Talent Matrix



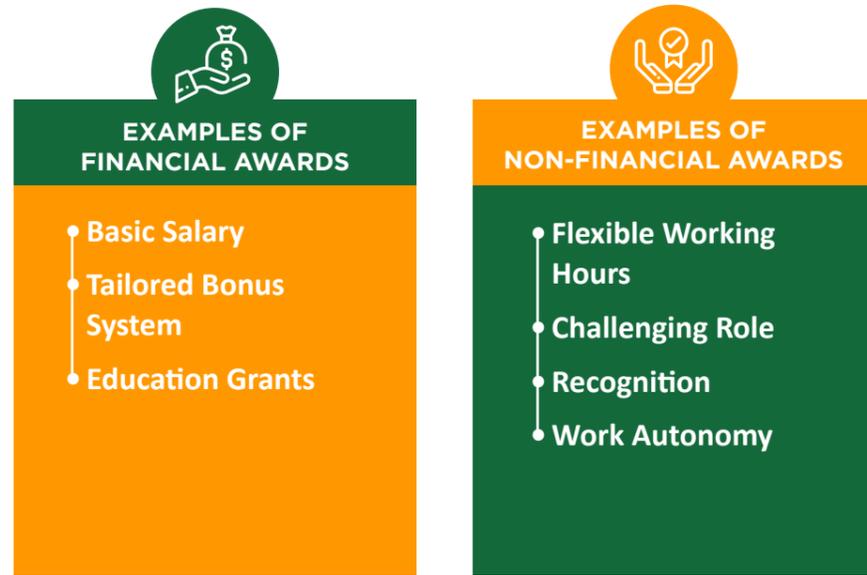
The final stage in development is to launch programs geared towards sparking growth and learning. Development programs can be broken down into six phases.



Development programs enable HiPos to derive more benefit from their employment than just their compensation. Trainings allow HiPos to acquire both theoretical and practical knowledge from experienced professionals and instructors. Senior employees may also deliver on the job training and provide company-specific information that is invaluable and difficult to acquire otherwise. Other development opportunities such as rotational programs serve to increase the HiPo's exposure to the varying functions in the organization and to acquire a variety of skills which enhances their adaptability and mobility. **Talents ultimately care about developing in ways that stretch their capabilities, deploying onto work that engages their heads and hearts and connecting to the people who will help them achieve their objectives.**

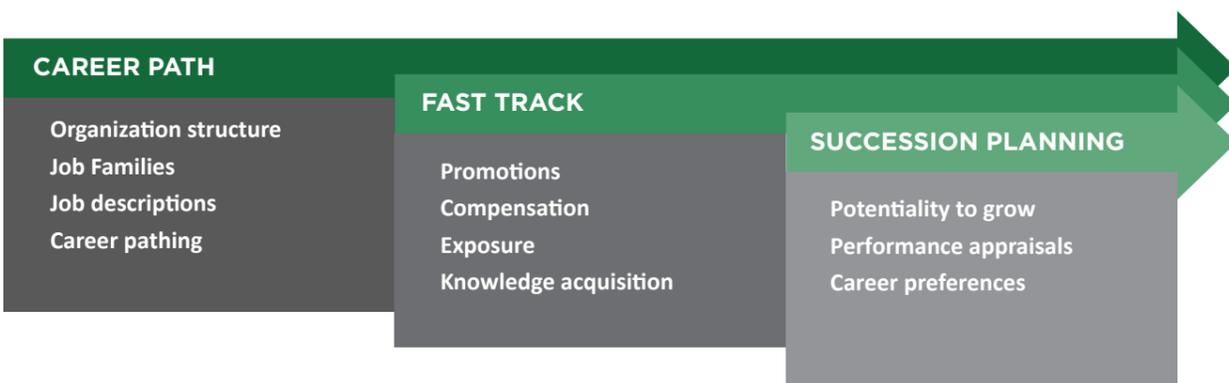
## RETAIN

Retention is the final stage of the talent management process and guarantees that identified HiPos remain in the organization through motivation, engagement and growth. Retention programs should be built on data and on studies of the most effective methods. Exit interviews and routine surveys are useful tools in compiling data regarding retention. Motivational techniques are designed to incentivize HiPos to not only advance in their career but to acquire adequate compensation as well. **A mixture of financial and non-financial rewards is effective in retaining talents as emotional and mental satisfaction alone are not enough to commit an employee to a company.**



The second factor in retention is engagement, which involves using talent intelligently and mobilizing them in alignment with corporate and functional goals. Examples of engagement techniques include assigning early leadership roles and positions of accountable influence; high-value, high-profile assignments; specific profitability improvement projects; and new global roles. Studies indicate that **high-risk high-return assignments with support in case of failure have the maximum impact on HiPo engagement with a 70% success rate.**

**Growth is the final factor in talent retention and is built on three pillars: career path, fast track and succession planning.**



Talents want to understand not only what is expected of them in their present capacity, but also what will be required to move on to the next opportunity.

With regards to career path, modern day professionals are increasingly consumed by the notion of upward mobility. Talents want to understand not only what is expected of them in their present capacity, but also what will be required to move on to the next opportunity. This path is often characterized by intense pressure and competitiveness; it is a fast track up the corporate ladder. It enables and motivates talents to advance rapidly to a higher level in the organization hierarchy based on their performance and evident potentiality for growth. The final component of growth is succession planning, which achieves the main aim for management development. It is the process used through which senior level openings are planned for and eventually filled. It not only safeguards the company against unexpected changes, but also provides a clear target for talents. Succession plans are mostly effective and come to fruition when organizations have Talent Management programs tightly integrated in their DNA.

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**L O G I C**  

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**C O N S U L T I N G**

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