

International Business in the Middle East North Africa

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Editor's Commentary

GIVEN THE RECENT DEVELOPMENTS in the Middle East and North Africa (MENA), arguably set off in 2010 by an ongoing wave of demonstrations and protests across the region, *AIB Insights* is publishing a special issue on MENA. The region has experienced tremendous political, institutional, and cultural changes with significant implications for international business research, teaching, and practice.

The articles in this issue address some of these implications. Geert Hofstede's article continues the discussion of methodology issues in cross-cultural research from issue 4 of 2012. He specifically addresses the failure to employ matched samples in comparative, cross-cultural studies, based on a Middle Eastern context, and so illustrates how to properly examine cultural differences in the region. Next, Dina Abdelzaher and Amanda Bullough present personal reflections on perceptions of gender issues in the MENA region. In the third article, Tim Rogmans provides valuable advice on risk management in the region.

The editors' comments are short to provide space for a commentary on the relevance and importance of this special issue by Melodena Stephens Balakrishnan of the University of Wollongong in Dubai, UAE, the president and founder of the AIB MENA Chapter. We thank our authors for their valuable contributions to this special issue and invite our readers to comment on these articles and submit additional contributions about the MENA region for a potential follow-up issue on the topic.



Romie Frederick Littrell, *Editor*
Auckland University of
Technology, New Zealand



Daniel Rottig, *Associate Editor*
Lutgart College of Business
Florida Gulf Coast University, USA

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Cover Art: An ornate Hamsa, a universal symbol of protection, regarded as a sacred symbol in many religions. In Islam, it represents the hand of Prophet Muhammad's daughter Fatima, and is a symbol of patience, loyalty, faith and resistance against difficulties, see http://www.hamsameaning.com/hamsa_islam.html. A wide ranging discussion of the symbol is available at Wikipedia: <http://en.wikipedia.org/wiki/Hamsa>

Featured Commentary: Special Issue on the Middle East North Africa Region

Melodena Stephens Balakrishnan, University of Wollongong in Dubai, United Arab Emirates

THE MENA REGION IS FILLED with contrasts. Though some of the oldest civilizations exist here, there are still geographical boundaries that are undefined, such as Palestine (home to 10 million people). The Arab Spring, which began at the end of 2010, has led to mass migration of over 1 million people from Tunisia, Libya, and Syria that surged to neighbouring countries in Africa, Asia, and Europe, creating a humanitarian crisis. Relevance of aid, NGOs and their internationalization and reach, public diplomacy, and emergence of social entrepreneurship are all possible topics that should gain more importance for the IB community. Migration and impact on culture are other areas of study.

Though some countries in the MENA region have among the world's highest per capita GDPs, 19 percent of the regional population lives on less than US\$2 a day (Kouame, 2009). MENA has the highest rate of unemployed youth aged 15–24 (over 25 percent), though it also has one of the youngest populations in the world (45 percent under the age of 15). While some countries like the UAE are empowering their women, MENA—with a total population of 315 million—also has a female unemployment rate of 32 percent (World Bank, 2007; see Kabbani & Kothari, 2005, for details; Population Reference Bureau, 2001). The oil-rich Gulf Cooperation Council (GCC) labour markets are getting saturated, and the quandary is that these governments cannot afford to employ many more citizens, but by 2025 there will be another 160 million adults of working age waiting to be employed—this will impact expatriation and nationalization policies (Rodenbeck, 2000; Williamson & Yousef, 2002). IB can focus on nationalization and implication of knowledge flows, talent management in the face of crisis and mobility, gender empowerment, entrepreneurship facilitation, culture dilution and preservation, and easternization versus westernization trends.

MENA has resource-rich countries, e.g., OPEC members, but the fact remains that in the Gulf up to 10 percent of all oil export revenue is spent on food (Hakimian, 2003). Water scarcity in MENA, one of the most arid regions in the world, will increase by another 50 percent by 2050 as population increases (World Bank 2011); 20 percent of the world's armed conflicts occur in the MENA region (Ibrahim, 2000). The benefits of aid continue to be questioned as seen by the economic and political crisis facing Egypt. More studies are needed on the ripple effects of this crisis and the value of a consumption economy. Sustainability, urbanization, health management, education, and supply chain management will continue to evolve as key topics for the future.

MENA Sovereign Wealth Funds (SWFs), which accounted for 57 percent of all funds and 75 percent of the aggregate assets of SWFs (Hedge Fund Marketing, 2010), are now being reinvested in MENA and more often used as hedge funds to manage risk. The re-emergence of the South-South and South-East trade routes will impact the global economy. The reinvestment in infrastructure is changing the trade routes of the world! IB policy makers can look at the role of SWFs and their impact on policy, and the role of tourism and bidding for events like the FIFA World Cup, World Expo, and Olympics on the economy and nation image of countries in the region. As the retail industry evolves and more emerging market brands explode into the global market space, research can look at globalisation from the emerging market point of view. With a common GCC currency being considered, lessons from the EU may be transferable.

In short, there is a need to redefine the boundaries of IB from an emerging market context and look at new topics as globalisation, not internationalisation, will drive the world! This special issue highlights some important research areas that need to be addressed, and we hope the momentum will continue, especially as research on this region accounts for less than 1 percent of all globally published research in business, management, and accounting (SCImagojr.com, 2011; Robertson et al., 2001).

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Melodena Balakrishnan has over 16 years of corporate and academic experience. She has a multicultural background having lived in India, USA, Taiwan and now UAE. Her corporate experience was in marketing, product development, and joint venture negotiations. In academia, she has been involved in strategic planning, accreditations, course development and industry outreach. Her areas of research are place branding, social entrepreneurship, crisis management, and loyalty studies. She has published and also won several competitive research grants and recognitions in these areas. As fonder the Academy of International Business – MENA chapter (AIBMENA), she has contributed to the visibility of the region in education and research by the organization of 3 international conferences which brought together over 200 participants, produced 4 books, 35 teaching cases and 2 special academic journal issues. AIBMENA has been recognized by the Dubai Conventions Bureau as Brand Ambassadors for Dubai.

Replicating and Extending Cross-National Value Studies: Rewards and Pitfalls – An Example from Middle East Studies

Geert Hofstede, Emeritus, University of Maastricht, Netherlands

MY 1980 MONOGRAPH CULTURE'S CONSEQUENCES

demonstrated how differences between the cultures of nations could be meaningfully described as relative positions on a limited number of measurable “dimensions.” These dimensions were empirically based on anthropologically meaningful personal values dominant in the respective nations, measured through questionnaires. This “dimension paradigm” turned out to appeal strongly to practicing managers and management scholars. In the 1980s I used the same paradigm – with different dimensions – for describing differences between the cultures of organizations and corporations within countries (Hofstede, 1991). In the 1990s and 2000s, several other researchers undertook developing their own cross-national dimension frameworks, the best known being Shalom Schwartz (1994) from Israel and Robert J. House with the GLOBE team (2004) from the United States.

Even before the publication of my 1980 book, colleagues and students had asked for copies of the research instrument used. Hesitatingly I sent them a list, with the warning that the interpretation of the answers might depend upon the nature of their respondent population. My hesitation about uncontrolled use of the instrument has never disappeared. Comparing national cultures is basically complex anthropological research, not something for amateurs. I regularly receive and still answer questions which make me doubt the competence for this task of the correspondent.

Sometimes erroneous conclusions based on naïve uses of one of the versions of my instrument even pass the filter of peer-reviewed journals. This present note discusses an example, one of many, selected due to it being the most recent to come to my attention, not only of false conclusions drawn but also of valid conclusions missed. The case is a Brief Report by Oliver Fischer and Ahmad Al-Issa in the September 2012 issue of the respectable *International Journal of Intercultural Relations*. A recent overview of my work in *AIB Insights* (Littrell, 2012) suggested this to be an effective medium to reach potential users of my survey instrument.

The Essence of Cross-National Survey Studies: The Need for Matched Samples

In his recent guide to the methodology of cross-cultural analysis, Minkov (2013) lists and describes 26 large-scale studies of cultural dimensions

across modern nations that appeared between 1980 and 2011. What all have in common is collecting their data from matched national samples of individuals. “Matched” means similar in all measurable respects except their nationality. Thus, my 1980 monograph used employees in seven occupational categories within 40 national subsidiaries of the same global company to show nationality-based differences in work-related values, while keeping corporate culture constant. Schwartz (1994) surveyed basic values of school teachers and university students from 38 nations. Project GLOBE (House et al., 2004) surveyed middle managers in local organizations in food processing, financial services, and telecom services from 62 societies, in order to understand their views on leadership. The World Values Survey (ongoing) uses public opinion poll methods to compare samples from the adult population in more than 100 societies. Valid cross-cultural studies compare apples with apples across countries; basing a country comparison upon apples in one country versus oranges in another (or even in the same) country or countries produces fruit salad.

On Using the VSM

The term Values Survey Module (VSM) first appeared in Hofstede (1980). “Module” stands for a set of questions that can be inserted into cross-cultural surveys as a way of replicating and extending the country comparisons in my book. On the basis of an analysis of the first results, an improved version was issued in 1982, the VSM82. The most extensive application of the VSM82 is found in a PhD study by Hoppe (1990), comparing values of elites from 19 countries, who had attended courses in the Salzburg Seminar of American Studies. Hoppe’s experience together with some of the other replications allowed issuing a third version of the questionnaire, the VSM94. In the meantime, the research of Michael Harris Bond from Hong Kong with the Chinese Value Survey (The Chinese Culture Connection, 1987) had led to the identification of a fifth dimension: Long-term vs. Short-term Orientation (Hofstede & Bond, 1988). In the VSM94, this dimension was added to the other four.

The VSM94 questionnaire and a corresponding 10-page Manual for users can be found on my home website www.geerthofstede.eu (not to be confused with websites of licensees and pirates that use my name). In 2008, a fourth version of the questionnaire was issued, the VSM08, which is shown, with a new Manual, on the same website. Besides the English originals, the website contains translations of both versions into

a number of languages, made available by users. The website stresses that the responsibility for the accuracy of these translations lies with the users.

In March 2006, Fischer and Al-Issa contributed an Arabic translation of the VSM94, the one presently on the above-mentioned website. With this translation they collected data from 329 male and female students attending the University of Sharjah, United Arab Emirates (UAE), from seven Arab societies: Egypt, Jordan, Lebanon, Palestine, Saudi Arabia, Syria, and UAE. They used the formulas in the VSM94 Manual to compute scores for the five dimensions per country and across their total respondent population. When Fischer emailed me in June 2006 that they had successfully used their translated questionnaire, I answered, "I hope you have matched groups in other countries to compare your Arab students with? See the Manual! Yours, GH." The Manual stresses the need for basing comparisons on matched samples only, comparing apples with apples, not with oranges. Therefore studies using the VSM on new populations cannot be expected to replicate the country scores in my publications. They usually do replicate the differences between country scores.

The results of Fischer and Al-Issa's 2006 study were nonetheless published six years later in their brief report in the *International Journal of Intercultural Relations*, September 2012. The report does not include any matched groups of students from outside the Arab region. Instead, the authors compare the dimension scores for their Sharjah University population with the scores for the Arabic-speaking region of my global company (IBM), collected around 1970. These scores (first four dimensions only) were based on the answers of IBM employees in Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, and United Arab Emirates: a total of 79 respondents in 1967–1969, and 62 more in 1971–1973 (Hofstede, 2001: 482). Contrary to what Fischer and Al-Issa wrote in their article, these surveys used Arabic translations of the IBM questionnaire, not the English original (Hofstede, 2001: 44). Because of too small samples per country, the Arab country data were not used in the 1980 edition of my book *Culture's Consequences*. In later publications, the data were bundled into an Arabic-speaking region. In terms of occupational categories, they were matched with the other countries and regions in the corporation. Among 53 countries

“As they were comparing apples with oranges, their surprise would only have been justified if the scores had been similar.”

and regions in IBM, the Arab region scored high on Power Distance (rank 7 out of 53), average on Uncertainty Avoidance (rank 27) and Individualism (rank 26–27), and just above average on Masculinity (rank 23; Hofstede, 2001: 500).

Fischer and Al-Issa called their article "In for a surprise," because their average scores for the Arab-speaking region did not equal mine. As they were comparing apples with oranges, their surprise would only have been justified if the scores had been similar.

Analyzing the Fischer and Al-Issa Database

Fischer and Al-Issa's misdirected surprise does not mean that their research has been useless. The comparison among the seven Arab societies in their sample is more or less valid, as their student samples were matched and of sufficient size (between 24 and 89 respondents per country). The scores Fischer and Al-Issa published do show some significant differences among their seven countries on the four original Hofstede dimensions. Scores on the fifth dimension varied much less, and are left aside. The differences between their dimension scores for the seven countries are relevant in view of the different ways in which the present "Arab Spring" has affected these countries.

Power Distance

Power distance describes the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede, Hofstede, & Minkov, 2010: 61). Students from Syria scored the largest and from Egypt the smallest on Power Distance. Large PD societies tend to be unable to resolve power struggles peacefully; the smaller the Power Distance, the greater the likelihood of a compromise.

Uncertainty Avoidance

Uncertainty avoidance is the extent to which the members of a culture feel threatened by ambiguous or unknown situations (Hofstede et al., 2010: 191). Students from Egypt scored the strongest and from Lebanon the weakest on Uncertainty Avoidance. Strong UA societies tend to be intolerant of people with different religions and convictions; in weak UA societies, different religions and convictions can exist side by side.

Individualism versus Collectivism

Individualism describes a society in which the ties between individuals are loose (everyone is expected to look after him or herself and his or her immediate family) versus Collectivism, which describes a society in which individuals from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty (Hofstede et al., 2010: 92). In-groups by their very nature oppose out-groups. Students from the United Arab Emirates and from Palestine scored relatively collectivist, their classmates from Egypt, Syria and Lebanon scored relatively individualist. Individualism tends to increase with modernity; in the seven emirates that make up the UAE the old tribal links make

the survival of collectivism understandable; in Palestine, the continuous external threat supports the importance of one's in-group as the only truly reliable source of protection.

Masculinity versus Femininity

Masculinity describes a society in which emotional gender roles are clearly distinct – men are supposed to be assertive, tough and focused on material success, women are supposed to be more modest, tender and concerned with the quality of life – versus Femininity, a society in which emotional gender roles overlap – both men and women are supposed to be modest, tender, and concerned with the quality of life (Hofstede et al., 2010: 140). Students from Egypt and Syria tended to score more masculine; those from Lebanon more feminine. Fischer and Al-Issa do not specify the gender composition of their national samples. The Masculinity/Femininity dimension is the only one of the four in which gender affects the scores: women on average score higher in Femininity than men, which could influence the scores, but as they stand they explain the antagonisms in Egypt and Syria, and the traditional compromises in Lebanon.

This brief analysis shows potential implications of Fischer and Al-Issa's findings for their seven Arab nations. Insiders more familiar with the cultures of these nations may find more or different clues. The Sharjah student database was a treasure which the authors in their 2012 article overlooked. They went in for the wrong surprise.

Conclusion

The message many PhD research program supervisors send to their candidates is that if you don't collect your own data, you're not really engaged in research. However, in the modern world collecting data includes more than hunting and gathering among respondents. Social science researchers certainly should always familiarize themselves with the realities of their respondents' situation. But for the quantitative part of cross-cultural studies, students will only rarely have the resources and access for collecting suitable samples from matched populations of respondents across nations. In this case, hunting and gathering in the literature and in the increasing number of professional data bases from the Web deserves to be accepted as valid research.

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Geert Hofstede is Professor Emeritus of Organizational Anthropology and International Management from the University of Maastricht in his native Netherlands. He had a varied career both in industry and in academia. Since the publication of his book *Culture's Consequences* (1980, 2001) he has been a pioneer of comparative intercultural research; his ideas are used worldwide.

Personal Experiences of Oppression of Women Stereotypes in the Middle East: Both East and West are Guilty

Dina M. Abdelzaher, University of Houston Clear Lake, USA

Amanda Bullough, Thunderbird School of Global Management, USA

THE MIDDLE EAST HAS ALWAYS BEEN filled with unique happenings that are worthy of research, and the region is now more than ever under a research spotlight. In international business research we have witnessed the significant impact of cultural values on both firms and markets. Therefore, we seek to emphasize the importance of pursuing culturally accurate research. We argue that if we really seek to understand the impact of culture and societies in the Middle East as scholars, it is important that we revisit some assumptions or generalizations to ensure that we compensate or control for our own biases. This may be easier said than done, as how we perceive the world will always be guided by what we have seen, experienced, heard, or not. But as many notable researchers conclude, as much as we try to control for our own bias, the personal lens through which we see life when doing research is often more influential than we like to admit (Morrow, 2005; Stiles, 1993). Bias can be difficult to recognize because our thoughts are a product of what we have previously learned. Scholars have long argued that researchers need to recognize that these potential fallacies exist in order to improve the quality of our research in foreign regions and bridge the gaps in levels of understanding between cultures.

It seems obvious that bias might enter the research lens when dealing with cultures with large cognitive, cultural, or physical distances from the researchers. What is less obvious is when biases or assumptions are made from individuals from relatively close societies, in terms of physical, religious, or cultural proximity. The issue of bias can be especially relevant when dealing with women in the Middle East (Saadawi, 2007). This article seeks to shed some light on potential stereotypes that exist about Middle Eastern women (Moghadam, 2003). We focus on the concept of oppression of women to illustrate some of these unintended assumptions, which we argue can be a significant impediment to truth-seeking cultural research.

We aim to show in this article interesting examples of gender stereotyping by individuals coming from cultures that may appear quite similar in many ways, at least from an outsider's point of view. Our insights are driven by a discovery made while conducting research with Afghan and Saudi Arabian women on the role of family and collectivism in entrepreneurial success and intention. Although oppression of women was not a direct focus of this research, reflection on our interviews revealed variations of the concept of women's oppression

from multiple perspectives: how individuals in the Middle East might perceive other Middle Eastern cultures, how the individual perceives his or her own culture, and how individuals in the West perceive the Middle East. These insights were revealed when we integrated the perspectives of Saudi and Afghan women on the degree of women's oppression and their respective roles in the business environment. We derive our judgements from interviews of women in the Middle East by both authors.

Interesting Insights Revealed

This is a story of interaction between Afghan women entrepreneurs and a Saudi Arabian, female MBA student studying in the US. It began with the Saudi student's exposure to culture in Afghanistan through a business plan consulting class. In the class, her team was partnered with an Afghan woman entrepreneur. The student team was charged with working very closely with their client to help research and revise her business model and plan. Toward the conclusion of the class, the Saudi student had an interesting conversation with her professor and shared that she was surprised by how many similarities she found between Afghan women and women in her own country. She was shocked because she always thought of Afghanistan as being so poor and disadvantaged, especially with regard to women, compared to her own country's vast wealth and opportunity. While she recognized the challenges that women in Saudi Arabia face vis-à-vis men, she never thought there would be so many similarities with a culture like Afghanistan. The US-American professor always recognized the similarities beyond the economic differences as quite obvious from her perspective, and she was intrigued by the revelation from her Saudi student.

The story continues early in the next semester with a business training program for Afghan women entrepreneurs on campus in the US. The same Saudi female student is the child of an Iranian mother and a Saudi father, a unique marriage by Saudi Arabian standards that exposed her to more cultural differences growing up than is typical there. She speaks fluent Farsi and volunteered to assist with interpreting and translations while the Afghan women were visiting (the Afghan language of Dari is very similar to Farsi). Throughout the two weeks that the Afghan women

were on campus, they bonded with the Saudi student and spent time getting to know each other and one another's cultures. Toward the end of the experience, one of the Afghan women expressed to the Saudi woman, in a sympathetic tone, how sorry she was for her because of the oppression that Saudi woman face. The Saudi woman was again surprised, and even more so this time. She thought of Afghan women as oppressed and couldn't believe that they would pity her because of the oppression they perceived of Saudi women. She had always recognized Saudi woman as having to fight for gender equality and facing strong gender biases in the workplace, but she had never thought of Saudi woman as "oppressed," and certainly not by Afghan standards. She had spent five years living and studying in the US, and no one had ever used that word when referring to women in her country, although compared to US women, many would say this is so. US-Americans had asked her about cultural issues, like why women are not allowed to drive, which in the US is seen in many ways as a rite of passage and a means of freedom. She always explained that it's not that big of a deal, women do just fine without driving, and there are bigger issues to worry about. It never occurred to her that US-Americans might have thought of Saudi women as oppressed. This word, *oppressed*, represented a powerful revelation for her. She began to wonder, "Are women in Saudi Arabia really oppressed? Is this how the world sees it?"

What is interesting is the discovered difference of perspective between women from two Middle Eastern countries. The irony is that although many in the US may think of Saudi women as oppressed, no one had ever used that word with her, maybe simply out of being polite. An informal interview with a second Saudi Arabian woman revealed that she also did not see Saudi women as oppressed at all, except she was aware of the stereotype. She was nonetheless convinced that Saudi Arabia's government attention to the development of women has been demonstrated in many of their initiatives.

Here we have two countries in the Middle East, speaking different languages, yet both rooted in Islamic heritage, whereby religious principles are not separated from everyday practices. The countries lie at extreme ends of economic development, with Afghanistan being one of the poorest countries in the world and Saudi Arabia being one of the richer in terms of per capita GDP. Yet people from around the world may categorize both as countries where women are oppressed, and where men, and perhaps women, need liberation of thought. It appears that these assumptions are not only made by individuals in the West about individuals in the East, as is most notably discussed, but they are also made by individuals in the East about their neighbors in the East. Assumptions, stereotypes, biases, and generalizations are made by individuals all over the world with relation to societies that are different from their own.

The Word Oppression

If *oppression* is the term being used in this context, then is it defined in the same way in the East as in the West, or even among societies? Do

our definitions fit other cultures? What levels of oppression are likely to impact the business environment of women entrepreneurs? Who is best equipped to recognize this? What economic aspects are affected by this oppression? Does it matter that people within a society don't view themselves as oppressed, when outsiders do? Is *oppression* even the right term to use?

While many would agree that women face obstacles in conducting business in different parts of the world, it is important that we seek to understand these differences and the nuances between them in the Middle East region.

What Can We as Scholars Learn from This?

While scholars know to be careful of letting biased assumptions enter their research frame (Hunter & Schmidt, 2004), the human brain is fallible and driven by forming shortcuts to process large amounts of information, like selective perception (Beyer et al., 1997), based on the perceiver's background, experiences, and attitudes; stereotypes (Hilton & von Hippel, 1996), attributing qualities to a person based on the perception of a group; profiling (Robbins & Judge, 2008), judging a group of individuals based on one characteristic that we have been exposed to either through media or personal accounts and experiences. Generalizations are means through which the brain naturally processes large amounts of information, but they become a problem when we pass judgment or build new thought patterns based on potentially inaccurate information (Robbins & Judge, 2008). While this is part of human nature, it is most dangerous when scholars subconsciously bring these stereotypes into their approach to research. In this article, we remind researchers and journal reviewers to dig deep and question our assumptions before we design studies and make recommendations.

While research has highlighted that women face different sets of obstacles in economic life (e.g., Muravyev, Talavera, & Schäfer, 2009; Prasad, 2009), the question is, can we accurately describe these obstacles through Western institutionalized lenses? When reflecting on some of these insights, a series of potential research questions comes to mind. We summarize below some of these insights and raise some questions that could potentially guide future cultural research questions within the context of women in emerging economies, particularly those of the Middle Eastern region.

Revisiting Western-Based Assumptions

Are Women in Muslim Countries Oppressed?

Many would say yes. But if so, how do we know? What would it take for us to recognize true oppression? Are we getting too caught up in cultural indicators, like women not driving? What if women weren't allowed to drive because society viewed it as protecting and taking care of women by driving for them? Would that change the perception of oppression?

By asking these questions, do we lose sight of other angles that we can study to help us really understand how women live their lives and the hidden barriers and facilitators of engaging in the business environment? Once oppression is clearly defined, how is this likely to affect how women become successful business leaders and entrepreneurs? What are the differences across Middle Eastern countries and across female segments of the same country? How do we best measure the impact of oppression on the economic and leadership activities of women in the Middle East?

Who Is Best to Identify Oppression?

Does it exist if the person described as oppressed doesn't recognize it as oppression? Or, does it become real when others bring it to the attention of an unsuspecting subject that she might in fact be oppressed. Which is more accurate? Can someone accept that they are oppressed when they do not feel that way? Or is oppression something that is so embedded in a culture that the person being oppressed cannot recognize it? The label could be a real eye-opener for the individual, or incredibly insulting. In other words, are we doing the person a favor by describing and maybe even convincing them that they are oppressed? By doing so, are we simply passing on the labels and stereotype we have and transferring these ideas across boundaries? Is this the most effective way for us to better understand other cultures? Or is this moving us even further away from understanding other societies? Perhaps the value assigned to a word like *oppression* is at play, with some cultures thinking it has a more suggestive connotation than others.

Revisiting Eastern-Based Assumptions

How Do Middle Easterners Perceive Oppression?

When asking women from other Middle Eastern countries if they think that Saudi women are oppressed, it might be surprising to learn that many Middle Easterners would not agree. While some aspects of social life may seem oppressive, if they are an accepted part of the local culture, they are the accepted norm. If that is the case, is there evidence of oppression? In other words, if the person has accepted these social norms, is it fair to call this person oppressed? Is acceptance of social norms a choice? If we were to ask Middle Eastern women if Western women are oppressed, they might come up with very interesting insights depending on how they define oppression. We've learned here that there is variation among how different cultures view oppression. Even among Muslim countries we are finding different perspectives of oppression, which are likely to differ in accordance with the individual's home country. It matters how we define oppression and whether the definition we use is accurate for reflecting reality in all of the Middle East.

What drives women of the same region and faith, who may be described by the world as oppressed, to see these differences among one another? Are these differences real or again a stereotype existing in this region of Middle Eastern countries? Are the women possibly observing

differences that other distant observers may not be aware of? Can we researchers identify the factors behind these differences to better understand the cultural variations among women in Middle Eastern countries?

Why was the Saudi woman never told that Saudi Arabia was oppressive before meeting the Afghan women? Was it because individuals in the US were being polite, or was it because her Western friends and colleagues over the years would have used a different word? Was it possible that many US-Americans she came in contact with simply never gave it more thought beyond their simple observations, like Saudi women not driving? Or was it because they did not find her opinions, attitudes, beliefs and behaviors to fit the stereotype of "oppressed" Saudi Arabian women.

Why is the lack of women driving such a salient indicator of oppression in Saudi Arabia among individuals in the US? Another Saudi woman explained that most families have drivers that reside on the premises. It is customary in that culture that the driver will take you where you need to go. Many women would love the idea of having someone to drive them places, freeing them to busy themselves in the car with other tasks. In a country like the US, driving is a means of physical freedom and hired drivers are cost prohibitive. Only among the extremely wealthy or in business interactions will one find a hired driver, and then it is a status symbol. For US-Americans, the issue of women driving in Saudi Arabia relates to the fact that, because women are not allowed to have driving licenses, driving is therefore illegal. Perhaps it's the illegality that strikes foreigners as oppressive. Afghan women don't drive either, although the restriction is cultural, not legal.

Which women related factors are culture-driven and which ones are religion-based? Are the citizens of these countries aware of such variation? Does such awareness impact their behaviors? What factors are behind the variation between the religious vs. culture scale that exists in the region and impacts behaviors? For example, the Saudi Arabian law on women driving is not presented as prescribed by Islam, it is the law of that country. As researchers, it is important that we make such a distinction to understand the roots, depth, embeddedness, and possibility of change of various social phenomena. The Islamic faith prohibits all forms of oppression but makes the distinction that men and women are equal but play different roles. What does this really mean and what are the business implications of this principle?

Conclusions

From a research standpoint, some work has been done to better understand culture-women and culture-Middle East relationships, although very little. As international business scholars, if we want to further business in the Middle East region, we need to make much more concerted efforts to conduct high quality, empirical research on culture in the region. In a recent conversation, an Afghan woman said:

Culture is ingrained in everything from the day you're born.

In fact, it affects a woman's life in particular even before she's born, even before she's conceived. The marriages of her mother's children can be determined when her mother's marriage is being arranged, long before she is even pregnant with those children. This shows how much culture plays into the control one has over her life.

The purpose of this article is not to make the case that women in Middle Eastern countries are not at all oppressed, or that they all are and may not know it. Like in all cultures, including in the West, there are likely to be different segments of women that are subjected to different forms of oppression. We need to seek to understand this within Middle Eastern cultures, regardless of what region we come from. Perhaps the greatest value in conducting cross-cultural research is to discover the intricacies regarding what is unique about constructs like oppression across countries in the same region.

Beyond oppression, we need to expand our perspectives to account for recent developments in the Middle East. Significant changes can present opportunities for the role that women play in society. Many government initiatives have demonstrated their support for women to become more active economic contributors, as economic resources become scarcer. This changing role is very much driven by economic pressures that have compelled women to start working and share in family financial support. Perhaps it is because of this that we are seeing men become more accepting of sharing the workplace with women. Even though, as the Saudi student in our story admits, there is a lot of work yet to be done for gender equality.

This short paper seeks to highlight the importance of being aware of our stereotypes, which can emerge from both the West and within the East, and revisit these assumptions. In doing so, scholars and policy makers together can arrive at more effective and appropriate developmental tools for helping women enhance their economic and leadership contributions to the prosperity of their nations.

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Dina Abdelzاهر is an Assistant Professor at University of Houston Clear Lake. She earned her Doctoral degree from Florida International University. Her research is mainly in the area of Global Strategy, with specific interests in corporate social/environmental issues and global entrepreneurship. She is widely published in prestigious national and international conferences and journals. Dr. Abdelzاهر's research was awarded the "Kauffman Doctoral Assistant Grant Award 2011" on the examination of the relationships between global mindsets, entrepreneurship orientation, and individual innovation, and also received the "William J. Ziegler Award 2009" at AIB-Southeast. She worked for leading multinational corporations in the Middle East (Egypt) for several years in market research and corporate consulting.

Amanda Bullough is an Assistant Professor of Entrepreneurship and Leadership at Thunderbird School for Global Management in Glendale, Arizona. Her widely published research spans entrepreneurship, leadership, cross-cultural management, and international development. She presents on Leadership and Entrepreneurship at numerous international business and management conferences. She won the WAIB Best Paper award for Increased Gender Awareness in International Business Research at the AIB conference in 2009. Recent streams of research include entrepreneurship in war zones and under adverse conditions, and global mindset and leadership in teams. Dr. Bullough is also the Academic Director for the Goldman Sachs 10,000 Women Entrepreneurship training programs in Afghanistan and Peru.

Building Political Risk Management Skills in the Middle East

Tim J. Rogmans, Zayed University, United Arab Emirates

GLOBAL MARKETS ARE INCREASINGLY characterized by political risk¹ and uncertainty, nowhere more so than in the Middle East North Africa (MENA) region. Since 2010, governments have been overturned in Tunisia, Libya, Egypt, and Yemen, while Syria, Lebanon, Iraq, and Bahrain are also in turmoil. Meanwhile, the Israeli–Palestinian conflict and the standoff over Iran’s nuclear program are far from settled. These developments have a large impact on business throughout the region, as old trading routes become unviable and investors and tourists seek safe havens.

In this environment, are there any good reasons for companies to invest in the region? What are the entry methods and ownership modes that successful companies use when faced with political turmoil? A number of multinational companies are aware that there are fundamental strengths in the economies in the region that are likely to endure and are taking action to capitalize on the opportunities. These companies don’t accept political risk as a showstopper for their international development but instead are building their own in-house skills to manage political risk.

The Opportunity

Most economies in the MENA region have suffered as a result of the regional political turmoil and the global economic slowdown. Foreign direct investment flows into the region have fallen by over 50 percent from a high of US\$114 billion in 2008 to US\$38 billion in 2012 (UNCTAD, 2009, 2013). Tourists are shying away Egypt, Tunisia, Syria, and Lebanon, and intra-regional trade has stagnated. How do multinational companies survive and prosper in such a challenging environment? First, within any turbulent region there are opportunities in specific markets that continue to thrive. For example, tourism in the UAE has benefited from traffic diverted from higher risk locations. Construction in Saudi Arabia and Qatar continues unabated on the back of high oil prices. The private education sector throughout the region is maintaining its growth as the population expands, and parents are keen to invest in their children’s future. Even within an apparently high-risk country such as Iraq, the Kurdistan region is undergoing rapid economic development. In addition to these specific areas of opportunity, the overall region also offers tremendous potential in the medium term, based on four fundamental drivers of economic growth.

Demographics

Much of the MENA growth story is about demographics. As the Western world ages, the population in the MENA region is projected to grow by 81 percent over the next 40 years, from 217 million people today to 392 million in 2050 (Population Reference Bureau, 2010). A relatively high proportion of the population will be of working age. In parallel, the increasing labor participation of women, higher education levels, and continuing urbanization will put additional pressure on the job creation capabilities of regional economies. Although these trends may lead to social pressures, the impact of demographic trends on economic growth is positive. Markets for anything from consumer goods to healthcare to infrastructure will be supported by these demographic developments.

Improving Business Regulation

Despite political instability, the regulatory environment for doing business in the region is improving steadily, as symbolized by Saudi Arabia’s entry to the WTO in 2005 and as evidenced by the improvement of Arab countries in the various business regulation rankings. This is particularly the case for the six GCC countries (Bahrain, Kuwait, Kuwait, Oman, Saudi Arabia, United Arab Emirates), which all feature among the top 70 countries in the World Bank’s “Doing Business” ranking, with Saudi Arabia at 12th place on the list in 2012 (World Bank, 2012).

Continuing Energy Wealth

Although the energy-rich countries in the region are making serious attempts to diversify their economies beyond oil and gas, the reality is that the region’s energy resources are not going to run out any time soon. At current production rates, Iraq, Kuwait, Saudi Arabia, and the UAE all have more than 70 years’ worth of oil reserves, while Qatar has more than 100 years of gas supply (BP, 2011). These massive resource endowments underpin government budgets and trade balances for decades to come and thereby support continuing outlays on infrastructure, health, education, industry, and housing.

Turning East

The MENA region is strategically located between East and West, allowing airlines and ports to position themselves as global hubs. Hence the region benefits from growth in trade between Asia and commodity rich Africa and Latin America. Bilateral trade and investment links between the MENA region and Asia have grown rapidly, especially between the GCC region and China and India. This development has been referred to as “The New Silk Road,” illustrating a revival of commercial links that have existed for centuries (Simpfendorfer, 2009).

Although these growth drivers are specific to the MENA region, they have relevance to many emerging markets that are experiencing population growth, significant natural resource wealth, and increasing pressure to improve business regulation in order to boost economic growth and facilitate job creation.

Political Risk Management

How do multinational companies plan for success in this potentially promising but turbulent environment? In-depth interviews with senior managers of companies from Europe, the US, and Japan operating in a range of industry sectors across the MENA region have pointed to five key practices that are consistently used by successful international direct investors. These practices all point toward the importance of the in-house development of the skills required to manage political risk and to deal with local authorities. Rather than subcontracting these activities to local partners, multinationals that commit to the region see political risk management skills as a source of competitive advantage.

1. Accept and Manage Political Risk

Experienced foreign investors have learned that political risk is an inherent characteristic of the MENA region and of emerging markets in general, and it is unlikely to go away anytime soon. Therefore, rather than waiting for some indefinite political endgame to materialize, these companies analyze the specific political and regulatory risks they face in various markets and adapt their approach to suit the circumstances. If a market is sufficiently attractive, political risk is rarely a reason not to invest, unless the physical safety of the company’s personnel is at stake.

Identifying political risks goes beyond the consideration of ranking tables of the business environment or competitiveness of countries. These rankings provide a useful first glimpse of a country, but they have now received so much attention in the press that *The Economist* concluded that some countries are now “gaming the system,” i.e., introducing reforms that elevate a country in the ranking without really improving the business environment in a significant way (*The Economist*, 2010). That is why some companies maintain their own risk scoring systems based on their own perception of relevant risk types. Although this is not always necessary, it has the benefit of clarifying the risks that really matter to the specific investment projects under consideration.

2. Avoid Political Partnerships

Companies without direct experience managing in a culturally distant country are often tempted to enter into local partnerships. Especially in countries where the regulatory environment is unknown to the investor or lacks transparency, it may appear attractive to tie up with parties that have close connections to the government. Such reasoning is in line with the view among business scholars that it makes sense to combine capabilities between firms. A foreign firm brings a particular product or service to a market, while a local firm delivers expertise on how to deal with the authorities. In practice, these politically driven partnerships often fail to stand the test of time. In today’s turbulent environment, either the local partner may fall out of favor with the host country government or the government itself may change, making connections with the old regime worthless or even detrimental to a business. In any case, such connections are often only useful during the initial phase of an investment project and become less relevant as a new venture establishes its own roots.

The US Foreign Corrupt Practices Act (FCPA) has given additional impetus to this idea, stipulating that political partnerships are not allowed and that only the foreign investor can speak on its own behalf to the host country authorities. The law prohibits unlawful payments to foreign officials, either directly or made through intermediaries, joint ventures, or agents. Knowledge that an improper payment *may* reach a foreign official is already a breach of the Act. This legislation applies not only to companies of US origin but to the foreign subsidiaries of all companies that operate in the US. The UK Bribery Act operates in a similar way for UK companies.

The most successful foreign investors in the Middle East have formed partnerships only when there are true complementary business capabilities between the parties. In such cases, the local partner may bring specialized knowledge or assets related to the actual business being undertaken. Meanwhile, the foreign investor builds up its own knowledge of a country’s political risk and regulatory framework. If additional expertise is needed to speed up the learning process or to make contacts with the authorities it can be obtained through the use of consultants, the recruitment of local staff and the support of the company’s home country consulate. None of these methods of dealing with local authorities require the sharing of equity between the foreign investor and a local partner.

Of course, some jurisdictions don’t allow for full foreign ownership in all or some sectors of the economy. Even in such cases, when a joint venture structure is a legal requirement, foreign companies should partner with local companies that bring more to the table than a local presence and political connections. The so-called “silent partnerships,” whereby a local partner controls the venture on paper but in practice only receives a fee for providing contacts and administrative services, work well while they last. As soon as a conflict of any kind breaks out, the courts will only consider what is written in the contracts between

the parties, with the usual result that the foreign minority shareholder loses out. Better options for foreign investors are to maintain full ownership, operate through franchisees which it can terminate when the franchisee does not fulfill its contractual commitments or to build a true joint venture with both parties contributing to the success of the operation.

3. Maintain a Flexible Ownership Structure

There are generally two reasons why a company may want to change its ownership arrangements in a foreign market: as a result of experience that has been built up or in the context of changing external circumstances, principally legislative changes that make more ownership modes available to the investor.

The internationalization process model of the firm (Johanson & Vahlne, 1977) suggests that firms gradually increase their commitment in foreign markets as they accumulate experience of working in a country. In this model, firms start their expansion into a foreign market by exporting or through franchising. As they gain more knowledge, the perceived risk of operating in the country diminishes, and firms look to switch to higher equity operation modes such as a joint venture or a wholly owned subsidiary. In addition to the accumulation of experience, changing regulations also change the ownership preferences of foreign investors. As countries increasingly compete to attract FDI, the opportunities for full foreign ownership are steadily expanding across the region. For example, in the UAE the concept of free zones has expanded steadily, enabling foreign investors to maintain full ownership in a variety of industries, as long as they remain within the operating rules of the free zone. In other countries, such as Bahrain, Qatar, and Saudi Arabia, full foreign ownership has become an option in several industry sectors, even in onshore locations. As these legislative changes occur, companies that entered into joint venture arrangements only for the purpose of dealing with licensing requirements are looking for a way out.

In practice, many companies find it difficult to change their ownership structure in the face of these changing circumstances. If an existing local partner would lose out from exiting an agreement, there are various ways it can make life difficult for the foreign investor. A bitter local partner can negatively impact a foreign investor's reputation among the authorities or with customers and may exploit intellectual property that has been contributed to the venture by the foreign company. If a conflict with a local partner needs to go to arbitration, the party with the majority ownership in the venture (i.e., the local partner) will typically have the upper hand. In addition, changing ownership structure will often also require a company to move offices (for example to a free zone) and to transfer the visas of staff. All these considerations lead to high switching costs.

The need to switch operation modes can be avoided by partnering with companies that bring more to the table than just a local presence. In this case, even if changing regulations make full foreign ownership easier, there will be a business rationale for staying together. On the

other hand, if the partnership is primarily a way to deal with licensing requirements, the parties need to make it clear that this is the case and should agree when and how the partnership is terminated. In this way, surprises are avoided and parties can move on without regret. The challenge in all this is to make sure that any legal documentation accurately reflects the relationship that the partners actually intend to have. As everywhere, when there is litigation, it is the signed contract between the parties that forms the basis for arbitration, rather than any unrecorded conversations that the parties may have had. This applies even in cultures where business is said to be relationship based.

4. Hire Local Staff

There are both demand and supply considerations that make it imperative for companies operating in the Middle East, particularly the Gulf region, to hire more local staff than they have done up to now. With the rapid growth of the local labor force, improvement in education levels in the region, and the fact that government jobs are increasingly hard to obtain, hiring local staff is now easier than before. Hiring local staff is often a cheaper way of obtaining local expertise and potential business contacts than using consultants. The recruitment of local staff also provides more flexibility than a joint venture arrangement. If an employee does not perform, there are ways of dealing with the situation. If a joint venture partner does not live up to expectations, it's more complicated.

Western universities now graduate large numbers of Arabic speakers who can be effective managers for companies operating outside or inside the Middle East. In many successful cases, Arab graduates are recruited into a company in the US or Europe where they start their careers. After several years in the company's home market operations, they return to their country of origin at a senior level and act as an effective bridge between the country operation and the rest of the company. Local universities also increasingly turn out highly qualified bilingual graduates in a variety of disciplines.

The benefit of hiring local staff manifests itself at all levels, from junior staff needing to speak Arabic with customers and suppliers, to senior management and country level board members needing to network with senior clients and authorities. In the near future, companies will probably not have a choice about recruiting local employees as Gulf governments are becoming more serious about sanctions and incentives to encourage the localization of the workforce. It is much better to be proactive about hiring local staff and see it as a business opportunity rather than as a cost of doing business. Usually, lack of experience and negative reports from other investors make companies underestimate the local talent pool. Nearly every company that has made a serious effort in growing its local workforce has done very well out of it.

5. Stay the Course

Once a company has entered a market, its fortunes are affected by

internal and external factors, including market conditions and political developments. Doing business in emerging markets requires flexibility and patience. Investments that look like they are not progressing for years may suddenly pay off and the fact of having been on the ground continuously can contribute to a company's chances of success.

A foreign investor may scale its investment up or down depending on the circumstances. However, if a company is considering exiting a market completely, it needs to realize that it will be extremely difficult to make a successful re-entry. Regulatory authorities and customers tend to have a good memory of who stuck around during difficult time and will reward loyal multinationals. Citibank learned this lesson in Saudi Arabia, where it closed its offices in 2004. When it subsequently wanted to re-enter the market, it found that the regulatory authority had "temporarily halted"² the issuing of new licenses. Therefore, even if a company's commitment to a market decreases, it should keep a minimum legal and physical presence if it is to maximize its chances of success when circumstances become more favorable.

By applying the five practices of investing in countries with political risk, multinational companies can grow with confidence in markets that have great promise over the medium term and at the same time manage their downside risk in the face of political volatility. Companies investing in political risk management skills are able to grow and maintain a competitive advantage over players who see the management of political risk as an issue to be outsourced to local partners.

Endnotes

1. The mostly widely used definition of political risk is by F.R. Root (2010: 130–132), who states that political risk arises from "uncertainty over the continuation of present political conditions and government policies in the foreign host country that are critical to the profitability of an actual or proposed equity/contractual business arrangement." Root distinguishes four main types of political risks to be evaluated by investors: general instability, expropriation risk, operations risk, and transfer risk.
2. A year later after exiting Saudi Arabia, Mohammad Al Shroogi, the Citibank Middle East managing director, called the exit a "mistake" and said the bank was reapplying for a license to operate. The central bank, the Saudi Arabian Monetary Agency (SAMA), "has temporarily halted the issuance of new bank licenses in order to evaluate the many licenses issued so far," he said. As reported by Arabian Business "Bringing it all back home" (2010).

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Tim Rogmans is an Assistant Professor at the College of Business at Zayed University in Dubai, United Arab Emirates, previously worked in Europe as a strategy consultant for LEK Consulting, Gemini Consulting, and as a senior manager with Atradius Credit Insurance. In the Middle East, he has worked as Department Chairman at the Rafik Hariri University and as Director of Zayed University's Executive Education activity. His research is in the areas of Foreign Direct Investment, entry strategies and mergers & acquisitions, with a focus on the Middle East region. He is the author of the book *The Emerging Markets of the Middle East; Strategies for Entry and Growth*. Tim is a board member of the AIB – MENA Chapter. He holds a Bachelors degree from the London School of Economics, an MBA from INSEAD and a PhD from Nyenrode University.

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Academy of International Business
G. Tomas M. Hult, Executive Director
Michigan State University
Eppley Center
645 N Shaw Ln Rm 7
East Lansing, MI 48824 USA

Tel: +1-517-432-1452
Fax: +1-517-432-1009
Email: aib@aib.msu.edu

AIB Insights Editorial Team

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