

DOING BUSINESS IN THE MENA REGION

Insights from the EFMD
Case Writing Competition

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Case Writing Competition

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FOREWORD AND ACKNOWLEDGMENTS

All cases included in this volume have been entered and chosen as the best in the EFMD Case Writing Competition and its special track on MENA business cases. It is sponsored by HEC Paris in Qatar.

The past few years have been marked by an acceleration of the trend towards rebalancing the global economy, with the long dominant West being challenged by development in the East and the South. There has been a focus on the rise of China and India as two potential economic superpowers of tomorrow.

The MENA Business Cases category focuses on another geographical area that shares common roots with the West, that is experiencing rapid development, and whose prospects are promising. Simultaneously, there have been few excellent cases for executive education on the MENA region: the Middle East and North Africa. This case competition aims to bring about change.

The purpose with this category is to stimulate the development of teaching material relating to the main issues that characterizing the region without being exhaustive:

- The development, gradual globalization, and opening of family businesses, with the associated successorship, governance, and financing issues
- The attempted diversification out of oil and gas into both heavily energy-intensive industries and a service-oriented knowledge-based economy

- The expansion of the energy industry into renewables and the new focus on sustainability in construction and urban planning
- The strategies of large government-owned corporations and the development of their capital base and their governance
- The development of the financial system, the public and private equity markets, and Islamic finance
- Entrepreneurial issues, leadership, and the evolving role of women in business.

This book would not have been possible without the diligent research efforts and creativity of the case authors. We acknowledge and thank them for their efforts. We acknowledge the support of Ivey Publishing and are thankful for the opportunity to reprint cases.

We are also thankful to Emerald Group Publishing for the opportunity to cooperate on this book. Emerald Group Publishing has been supporting the academic community and innovative as well excellent management development for a number of years, another initiative being the Emerald Best International Symposium Awards or the Emerald Best International Dissertation Awards at the Academy of Management. We are also thankful to Ivey Publishing for the granted reprinting rights for three cases (AUB, Michel Nassif, and Diamond Developers). HEC Paris in Qatar is especially thankful for the tremendous support it has received from Qatar Foundation under the leadership of Her Highness Sheikha Moza bint Nasser.

Laoucine Kerbache

Wolfgang Amann

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Editors

Paris, Qatar, and Brussels, September, 2017

INTRODUCTION

Laoucine Kerbache, Wolfgang Amann and
Nadine Burquel

PURPOSE OF THE BOOK

There are many reasons for companies to globalize, and therefore for business schools to prepare graduates of all program types for a globalizing world. Companies can gain access to new markets and customers, inoperative or cheaper technologies, more skilled or affordable HR, additional learning opportunities, or mere scale effects when venturing abroad. Yet, as Ghemawat¹ (2011) notes, we are still in the early stages of globalization. Most people on the planet still grow up and retire in the same place. Most equity is owned domestically. Export to GDP ratios globally confirm that international trade still only represents a small part of our businesses and trade still occurs mostly with adjacent countries, former colonies, or same-language economies.

We have not yet experienced full-blown globalization. In spite of enabling information technology and communication technologies, decreasing logistics costs in the growing number of countries in free trade zones, the world clearly has not become flat, as per the exaggeration by Thomas Friedman² (2007). The rise of nationalist movements in many countries also calls into question whether the speed of internationalization and (semi-)globalization

will continue to be as high in the future as it was in the past decades.

In a spikier world, regions and their idiosyncrasies ought to receive more attention. The likelihood exists that many leadership-related and management-related aspects of doing business continue to be rather culture-bound than culture-free. This book follows this train of thought and sheds light on the MENA region: the Middle East and North Africa.

Extending the semantics, we acknowledge the eurocentricity when referring to the Middle East, which is why other labels have referred to the same region as WANA (West Asia and North Africa) or less commonly as NAWA (North Africa and West Asia). Usually, the following countries are included under the MENA label: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen. The Middle East is also often referred to as the “cradle of civilization,” since three of the world’s major religions originated there. The MENA region has been understood somewhat more broadly in the context of this book to include Turkey. The country not only shares borders with Iraq and Syria, its multidimensional influence in the region cannot be denied. It is frequently counted amongst the non-Arab Middle Eastern countries although it connects to Europe geographically.

Epistemologically, we compile fresh insights and learning opportunities about this region with the help of the very best cases of the EFMD Global Case Competition and its specialized track on the MENA region. HEC Paris in Qatar, which serves the Middle Eastern region, and the European Foundation for Management Development have been partnering for a number of years on this track – with HEC Paris professors experienced with and immersed in the region serving as jury members in a blind review process.

Each case has been carefully reviewed by several professors, while all author-identifying information has been removed from

the files so that the competition can be implemented in a fair way. The best cases of the past three years were selected and included in this volume on the MENA region to allow for rich descriptions of the local contexts. Adopting a *problem-based learning* approach, the cases usually present the reader with clear-cut challenges embedded in (hopefully) sufficient local information to take well-informed decisions, work out solutions, and prepare for effective implementation.

Our selection of cases has been guided, first and foremost, by their excellence; only the best have been considered. In turn, this might well mean that we could not include cases on all MENA countries. We will provide a rich description of a variety of industries, ranging from retail, trading, construction, medical education and services, furniture, transportation to white goods. We include companies of several sizes. Some were older, and others very younger organizations. The dilemmas presented in these cases range from strategy and governance to marketing and financial repercussions. Some of the issues are one-dimensional, and others (e.g., on global value chains) much more interrelated.

In this sense, this book is best understood as a start of a learning journey on MENA economies and the richly various population of companies and organizations in them. It is too ambitious to seek to mirror the entire region at once in a book. The region is highly diverse. It includes impressively dynamic economies, such as Qatar, which has evolved into the richest country on the planet in GDP per capita. Yet, the average per capita GDP in the region amounts to a mere US \$2,000, roughly double the sum of developing countries.³

Inspired by the Qatar National Vision 2030, catalyzed by key events such as 2022 FIFA World Cup Qatar™ and infrastructure projects worth many billions, more progress is certain. Interestingly enough, respecting and conserving culture and sustainability form part of this vision. Thus, Qatar does not repeat the mistakes many previous countries have made to first foster

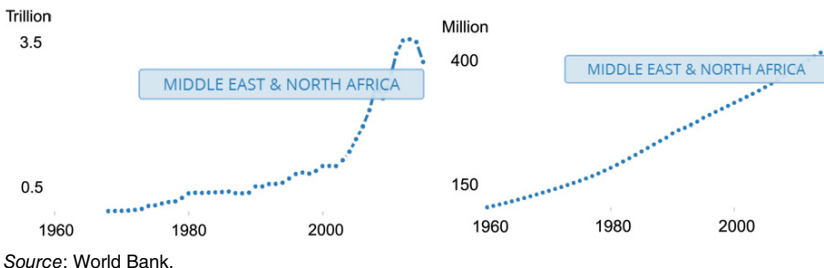
economic development and shifting priorities to sustainability (too) late.

Other MENA countries have drastically different profiles. This not only concerns a much lower household income, but also political and social stability. Sadly, a number of countries – such as Syria, Iraq, Libya, and Yemen – are dogged by civil war. The economic outlooks of other countries – such as Jordan, Lebanon, Djibouti, and Tunisia – have contributed to the increasing number of international refugees, which is rising, creating the largest refugee crisis since the WWII.

Life expectancies, wellbeing, markets, and consumption patterns diverge across the MENA region. Understandably, governments in transitioning countries such as Egypt, Jordan, Morocco, and Tunisia emphasize political goals such as security rather than fostering economic growth.⁴ Other countries, such as Iran and Saudi Arabia, face more fundamental conflicts concerning religion, with no short-term solution or conflict resolution in sight. In addition, the countries' interests in exporting energy-related natural resources and foster their regional influence are too similar.

At the same time and in spite of its many difficulties, the MENA region represents a region with upwards of 380 million citizens (even excluding Turkey's 80 citizens), or 6% of the world's population, as outlined in [Exhibit 1](#). The MENA region's

Exhibit 1. GDP of the MENA Region (in US\$ trillion) and Population Growth since 1960.



GDP is expected to grow by 4% in 2017 and 2018.⁵ Strong population growth can be linked to favorable consumption patterns once economic conditions improve. **Exhibit 1** also indicates that GDP numbers of MENA countries, even with the recent dip, have developed very positively over the past five decades.

Many economies show substantive economic potential, especially concerning the surprisingly low intra-region trade. Further, entrepreneurship has not yet spread throughout the region. While in high-income countries, four new companies are formed per 1000 people of working age (15–65 years), MENA's rate is as low as 0.63, barely ahead of sub-Saharan Africa.⁶ Because a number of the countries need to be built up after crises, this can create and sustain market dynamics.

Others, owing to their richness in oil and gas, accumulated such wealth that they already represent interesting markets. The MENA region has roughly 60% of the world's known oil and 45% of its gas reserves. Eight out of 12 OPEC nations are in the MENA region. Powering the world depends on this region.

Combining population and natural resources for clustering the MENA countries, three groups can be identified⁷:

- *Resource-rich, labor-abundant countries*, including Algeria, Iraq, Syria,⁸ and Yemen, which produce and export. These countries have a largely native population.
- *Resource-rich, labor-importing countries* that are able to produce and export energy-related resources while relying heavily on foreign or expatriate residents. This group consists of the Gulf Cooperation Council (GCC) members – including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, along with Libya.
- *Resource-poor countries* that are smaller producers or even importers of oil and gas, such as Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Tunisia, and Palestine.

What does this mean for companies, business schools, and management development? Such economies with great potential in all market segments, from the bottom of the pyramid, to the middle-class and even the luxury segment of the ultra-high net worth individuals need to be well understood. One effective tool to accomplish this is well-written case studies, such as the ones we have included here. We will now introduce these cases before allowing the reader to choose selectively which country and which industry seem to be most appealing.

OVERVIEW OF THE CASES

The best cases, including these global case writing award winners, offer rich descriptions of their national and organizational settings. In our final chapter, we will distil key lessons.

A Tragedy in the Red Sea: Al-Salam 98

Our case collection kicks off with a very dramatic case with which the reader can link the various theoretical perspectives in ethical theories to concrete events in Egypt. There might well be additional ethical challenges and local particularities in developing countries; this case sheds light on them. A professor teaching business ethics can use this case to discuss the various levels of ethical decision-making in reasonably complex situations. Representatives from corporations will enjoy learning more about the interrelatedness of business conduct and the political, economic, and cultural contexts of a developing society. The case deals with a tragedy that unfolds in two parts.

First, the Al-Salam 98 Ferry was on its way and at sea when a fire broke out. The crew erroneously thought they had extinguished it, while this was not so. After a chain of events, the ferry

sank off the eastern coast of Egypt, causing the death of more than 1,100 people.

Second, the ensuing legal case in the Egyptian courts, along with the behaviors of corporate owners in the aftermath of this tragic event, were equally tragic. The reader can explore aspects of corruption, the repercussions of networks, and ethical misconduct in detail. These local factors are not uncommon in developing countries. Besides getting descriptions of situational factors, the reader is encouraged to critically reflect on the misbehaviors at various stages of the case. This case also serves as an opportunity to study risk and country factors as inputs for internationalization strategies or leadership development programs.

The Booming GCC Retail Sector: Prospects for the Online Fashion Retailers

The next chapter in this book allows the reader to explore the retail sector in the GCC along with the increasingly important e-commerce trend. Organizational leaders must evaluate the attractiveness of industries – those of classic fashion retail on the one hand and e-tailers across the region. Once they are better understood, growth options must be evaluated and decided upon. The case is situated in the GCC – a more favorable set up for expansion given the richness concerning natural resources in the oil and gas sector. Shopping has become a favorite pastime in light of the fact that for many months of the year, climate conditions do not allow for outdoor activities.

In addition to this clearly identifiable societal trend, this case is also best understood in light of national diversification vision and strategies, as governments want to move away from their over-dependencies on the oil and gas sector. The service sector – including tourism, hospitality, and retail – represent an important pillar of such diversification strategies. The spreading wealth in the GCC owing to higher oil and gas prices in the past catalyzes

this development. The region's malls have become world-famous. Gondola rides are possible in the Villagio Mall, and ice-skating in Qatar's City Center Mall. It is not uncommon for malls to have indoor amusement parks. The Mall of the Emirates even offers ski facilities.

This case sheds light on additional idiosyncrasies. Global brands in the fashion business need to partner with a strong local groups and family businesses in order to open shops. Also, Internet and mobile phone penetration rates here are among the highest in the world, with even children frequently getting mobile phones from the age of four. It is uncommon to see a local without a mobile phone. With such connectivity, there are e-commerce opportunities worth exploring for global brands entering the region or local players designing single-channel or multichannel strategies.

AUB Medical Center: Achieving 20/20 Vision

Our next case offers the opportunity to study yet another industry. AUBMC enjoys a high-end reputation as a key teaching medical center in the Middle East. Both the external and internal environments are very volatile, and the reader can study how the recruitment of the new Dean and thus a change in leadership can make all the difference – or not. This is a case on strategy, leadership, governance, and change management in a rather turbulent environment, which is not uncommon for the MENA region. The dynamics are fostered by economic and political reasons. Internal inefficiencies, silos between departments, and patient dissatisfaction cause the adversity that leaders need to cope with.

The case is a wonderful opportunity to study how leaders do not accept that this is a fatalistic situation and that, into the future, AUBMC will be a loss-making set of cost centers. Over time, new buildings and centers of excellence as well as a new leadership culture can pave the way to a very different future, in

which top-notch doctors contribute significantly to delighted patients. In light of an ambitious vision and expansion plan, the reader is encouraged to critically reflect on the success factors needed for sound implementation of endeavors.

Michel Nassif et Fils: Succeeding Generations

The next chapter again focuses on family businesses, which play a dominant role in the Middle East. Generational transitions are often messy and risky. Alignment family interests are often challenging. There are many paradoxes to handle. Again, family leaders did not perceive the situation as a fatalistic one, and began to strategize and professionalize governance in order to remain profitable and keep the family legacy alive. After all, this family business is more than 100 years old. The company grew by distributing a diverse product set. The reader is allowed in on the emotions, priorities, and planning processes for keeping the company in family control and, simultaneously, optimizing succession. The reader can critically analyze whether the management in place suffices, or what options are best and need to be implemented. Again, the case does not necessarily provide ready answers, since this would allow for too little learning.

Aura: Designing Strategy and Status in Saudi Arabia

Our next chapter takes the reader to Saudi Arabia. The case presents the situation of a female CEO of furniture retailer Aura, Noura Abdullah, and her quest to lead her middle-market furniture and home goods store to success. Her business was on the radar of many high-level Saudi wedding planners and media outlets. Many store visitors would even place orders. Mouth-to-mouth marketing was the name of the game, not foot traffic. There is ambiguity in the case with regards to what really causes her success. If it is organizational status and image, that is, being

affiliated with high-end events only, would this be harmful? Would this deter additional clients? The reader is encouraged to work out an answer so as to continue the growth journey in Saudi Arabia and the Middle East.

Arçelik Grows in Advanced and Emerging Economies

This book includes a case study on Arçelik as part of the multibillion dollar Koc Group from Turkey. Arçelik has evolved into a leading manufacturer of household appliances, so-called *white goods*, and employs more than 23,000 people. Its products began to dominate certain segments in Western Europe, Eastern Europe, and the Middle East. The case invites the reader to work on a number of competitive challenges concerning further internationalization as well as strategies in different markets.

Core questions include: How does one deal with its brand image (which is not at the level of BSH or Miele)? How does one take on strong local players and overcome entry barriers in future markets such as India? Not only does the internationalization path need to be clarified, but also that of how to build a truly global value chain. Arçelik will be one of the key players in the white goods industry, similar to Haier from China; learning more about its background, challenges, and success factors can help to create a better understanding of the industry's future.

Measuring Sustainability at the Sustainable City in Dubai

The final case in our collection on the MENA region addresses the challenges of Diamond Developers, which is seeking to establish Dubai's first major Sustainable City mixed-use community. This case emphasizes that the region does not necessarily lag behind concerning sustainable solutions. Diamond Developers is seeking to establish new standards in environmental sustainability in the Middle East and beyond. However, a key question focuses on the

very methodology with which sustainability can be measured in a reliable and valid way. Sustainability in both general and environmental sustainability are rather complex and multidimensional constructs. There is an established sustainability rating called LEED. But it is not without its opponents, partly due to the at times rough, hot climate in the desert surrounding Dubai. In this sense, this is a decision-making case that presents top management with two options:

- Option A: Adopt an established way to operationalize and measure sustainability.
- Option B: Innovate and develop a separate approach that is more suitable to the local context.

Diamond Developers presents the reader with a wonderful case that sustainability as a new philosophy of conducting business is often relevant in the local context. In this sense, adhering to the principles of sustainability emerges as a fairly culture-free expectation. Companies in Dubai and beyond need to figure out how to establish, measure, and control progress on sustainability.

There is another general and cross-culturally valid insight that can be discussed based on Diamond Developers. As Steger⁹ (2004) outlined, the business case and solutions for sustainability cannot merely be found; they must be constructed. Diamond Developers' leaders – and the reader – need to reflect on ideal ways of measuring sustainability before a decision can be taken. This raises the questions of what sustainability dimensions matter, how measurable they are, which stakeholders are relevant, and what actual priorities are.

The book continues with the full cases summarized above, before outlined key insights and conclusions. The book's editors are available for further questions and discussions. If faculty members are interested in screening teaching notes for these cases and to purchase the rights to use the cases in classroom settings, we

would like to refer them to the established case clearing houses (e.g., TheCaseCentre.org). If readers are interested in sharing their cases with us, we are looking forward to hearing from them! We also refer readers to future generations of the EFMD Case Writing Competition on a variety of tracks and on the MENA region (<https://www.efmd.org/business-schools/case-competition>).

NOTES

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