12-2008

A New Frontier in Internationalization: Singapore's Gambits in the Middle East

Wilfred Pow Ngee HOW
Singapore Management University, wilfred.how.2003@business.smu.edu.sg

Caroline YEOH
Singapore Management University, carolineyeoh@smu.edu.sg

A New Frontier in Internationalization:
Singapore's Gambits in the Middle East

Wilfred HOW
Singapore Management University

Caroline YEOH
Singapore Management University

Corresponding Author:
Caroline Yeoh
Lee Kong Chian School of Business
Singapore Management University
50 Stamford Road
Singapore 178899

Tel: (65) 6828 0377
Fax: (65) 6828 0777
Email: carolineyeoh@smu.edu.sg

A New Frontier in Internationalization:
Singapore's Gambits in the Middle East

ABSTRACT

Research on Singapore's regionalization stratagems points increasingly towards the influence of both the socio-political environment and the economics of competition in a business environment with an ever-growing number of competitors; to the extent that other forces, particularly political ones, are often sidelined. A more in-depth study of the above two influences is best performed in a context comparatively free of the implicit complex political facets but with sufficiently rich environments to challenge internationalizing firms, and distinct influences to draw pertinent conclusions from. For this purpose, the continually expanding business environments and the unique cultures of the Middle East provide the perfect context in which to further our study. With this paper we extend our research to this groundbreaking region, and present an overview of the state of Singapore's internationalization into the Middle East as the first step in our study; finding that while the economics of competition have yet to pose a significant barrier for most, socio-political issues already begin to stymie efforts to import competencies and business practices.

Key words: Internationalization, globalization, Middle East, socio-political environment

INTRODUCTION

In the course of our R21 research over the past 4-5 years (Yeoh, C. et al, 2005, 2006, 2007; How. W. and Yeoh, C., 2007), we have explored Singapore's regionalization initiatives from a multitude of dimensions, and with a variety of perspectives. These perspectives have included, in the context of the framework of Singapore-styled industrial parks in Indonesia, China, Vietnam, and India, the national-level political, macro-economic, and strategic issues pertaining to the abovementioned industrial park projects, such as the positioning of Singapore as a value-adding bridge for private sector-led regionalization, and the strategic promulgation of initiatives (and incentives) to support these programs; the perspective of the firm, strengthening our conclusions with data gleaned from on-site interviews/questionnaire surveys and case studies of MNCs and PLEs in these industrial parks; and more abstract aspects of public policy, set in the framework of Singapore's state enterprise networks forming the foundation of the R21 initiative. For following iterations, we further extended this theme, continuing our discourse on the government's role in the promotion and/or facilitation of cross-border business operations, adding to our study data from, and comparisons with, competitor parks in the region of each park – finding, increasingly, differences in both economic attractiveness, and in interactions with the surrounding business and political environment.

In this way, over the years, we have examined in greater detail, through the eyes of parks' tenants, the dynamic political/legal, economic, and socio-cultural circumstances facing each park, using both quantitative and qualitative methods, establishing an ever-growing body of data, and refining our conclusions as we examine said data from new perspectives; conclusions on the relevance of internal socio-political environment, in particular, being proximal and pertinent as well to firms outside the boundaries of industrial parks – indeed, to all firms engaged in regionalization and internationalization. At the current time, however, the development and environments of these industrial parks is now largely mature and stable; challenges remain on the horizon, but will, in all likelihood, take another several years for their effects to become apparent. To further the study of regionalization and internationalization, therefore, a new environment – one rich in both business prospects and socio-political forces – must be examined.

This paper, therefore, steps away from industrial parks, towards the bustling business environment of the Middle East; the Singapore companies which have, or intend to, exploit their core business competencies to the Gulf states; and the influence of the internal socio-political environment thereupon. This region is uniquely suited to the advancement of our study for a number of reasons; the lucrative business environments and rich – and, to some, bewildering – cultures of the Middle East blend to create a context in which the varying but inexorable pressures of the internal socio-political environment on international and regional investments may be examined, especially with regards to Singapore firms in the unfamiliar socio-political environment of the Middle East. Too, while not as prominent as in our previous object of study, neither is the political dimension totally absent; the presence of government-linked companies among these internationalizing firms, and the presence of a number of incentives and support programs made available to Singapore firms in the Middle East, maintain the relevance of a discussion of political aims and influences in the context of this study.

In the following section, we outline the political and historical backgrounds of the regions of the Middle East entered into by the companies covered in this paper, namely Bahrain and the United Arab Emirates (UAE). Thereafter, we present an overview of Singapore companies, government-linked or no, that have ventured into the abovementioned regions, and discuss the various issues and challenges faced by these companies with reference to more specific case studies; and finally conclude with our preliminary conclusions on the state of Singapore internationalization into the Middle East, along with areas of further research it is possible for us, and we therefore intend, to look into.

GROWTH AREAS OF THE MIDDLE EAST

A fairly recent phenomenon, the current prominence of the Middle East in terms of business in general, and property in particular, has been the direct result of a pace of construction nothing short of breakneck and a scale of investment only describable as overwhelmingly immense. Driven, popular knowledge claims, primarily by surges in oil prices and consumption in the late 1990s to early 2000s, this increased focus on the development of infrastructure, tourism, and industrial and educational foundations in the less troubled parts of the Middle East was born from the realization that oil could not continue to be the main and only relevant revenue stream of the region. To achieve these aims, there was arguably a need to strongly push the promotion of the region, to overcome a measure of international ignorance owing to the tendency of the popular media to focus on the unstable elements of the Middle East, and exacerbated by the terrorist activities of 2001. The result of the above, then, has been the plethora of mega-projects completed or being undertaken across the region, ranging from the highly publicized The World artificial islands in Dubai to relatively smaller, but still immense, construction projects from malls to sports complexes, from arts villages to (literally) towering office and residential buildings, that have served as the poster children for the development of the various countries of the Middle East. The two countries (or, more precisely, three regions) which we have chosen for our initial study are no exception.

Bahrain

Name	Bahrain
Capital	Al Manama
Total Area	665 sq. km.
Total Population	1,046,814
Population Density	1454/sq. km.
GDP Estimate	$19.75 billion
Sovereign/Leader	King Hamad ibn Isa A Al Khalifah

Data from various sources

A constitutional monarchy under King Hamad ibn Isa Al Khalifah, the Kingdom of Bahrain's current political landscape is, in many ways, a relatively nascent entity; much of it shaped from sweeping reforms instituted by the current monarch following his succession to the throne in 1999. Probably most well-known among these reforms are the institution of elections for parliamentary candidates, and concurrently the allowance of the right to vote to female citizens of Bahrain; measures which both served to improve the reputation of the kingdom internationally, as well as settle sporadic skirmishes, both verbal and physical, with various other religiously- and politically-motivated groups by providing a legal and open ground for opposition and the voicing of contrary and dissenting views. The result of this has been a fairly large proportion of religiously-based political parties with representatives in government; at this time, however, this does not seem to have had the negative effects that many in other countries would expect and fear (or, worse, have already experienced) from the same in said countries. The mechanisms of state in Bahrain, by and large, appear to function both smoothly and efficiently.

Economically, Bahrain has for many years been in a state of constant competition with the two large economic blocs that Saudi Arabia and Qatar comprise to the nation's west and south. Nonetheless, the kingdom has been rising in prominence since the oil boom in the 1970s, having reduced their losses in the inevitable downturn by diversification of the economy. As a matter of fact, in the same period, the country took on the mantle of the financial hub of the Middle East, though this owed more to the acute loss of relevance of Beirut, the former financial hub, in the wake of the Lebanese civil war.

Today, the combination of liberalization in both the aforementioned political level and the economic level, in the form of the Middle East-ubiquitous tax-free policy in addition to the active promotion of free trade, has gained Bahrain numerous accolades across the globe; in 2006, it was estimated to have both the freest and fastest-growing economy in the Middle East. Possessing a highly developed communication and transport infrastructure and an effective education programme, the kingdom is host to a variety of multinational companies (MNCs) and has successfully created healthy and expanding finance, retail, and service sectors; like the UAE, as well, tourism has bloomed into a rich and prodigious sector of the economy. At the same time, however, it faces the problem of a slowly depleting oil supply; a significant cause for worry, given that despite diversification of its economy, oil and petroleum products still provide over 30% of GDP and 60% of government revenue. Challenges from other rapidly developing areas, such as the UAE, are also an issue, especially given the meteoric growth of Dubai and Abu Dhabi in recent years.

Socially, Bahrain is, as mentioned previously, far more liberal than many other areas of the Middle East; certainly more than its close neighbour, Saudi Arabia. Religion remains a sensitive point, especially with a sizeable population of both Shia and Sunni Muslims in the same country, but has interestingly been detached somewhat from everyday life by the very fact of its politicization. Gender equality is by and large the norm, and topics often considered taboo even in more developed parts of the globe find open forums of discussion in the kingdom. Also, similar to many other nations in the region, a sizeable part of the population is comprised of immigrants and foreign nationals; only an estimated 50% of the population is native Bahraini. Whether this contributes to the kingdom's liberalization, or is merely a natural result of said liberalization and economic growth, is an issue for other academics to discuss.

United Arab Emirates (UAE)

Comprised of seven distinct and largely separately governed emirates, the political makeup of the UAE is a rather different beast than most are probably used to dealing with; while united under a common international entity and possessed of an overall legislative body, the Federal National Council (FNC), each emirate has its own governance, practices, priorities, and distinct social character. Owing partially to a difference in natural resources (referring to the most part, of course, to oil) and partially to dissimilarities in leadership and policy direction, the emirates are further separated by a gulf in prosperity and development status. As such, it is generally easier to mentally depict the seven emirates as distinct city-states situated in the midst of a vast desert; some of which, at the current time, are rapidly expanding into said desert.

Among the most prominent of these seven 'city-states', insofar as

Name	Dubai
Capital	Dubai City
Total Area	4,114 sq. km. (1,287.4 sq. km. city)
Total Population	2,261,995
Population Density	408.18/sq. km.
GDP Estimate	$61 billion (2008)
Sovereign/Leader	Emir Mohammed bin Rashid Al Maktoum

Data from various sources

international recognition goes, is the emirate of **Dubai**, well-known around the world for reasons both enviable – its meteoric pace of development, for instance, and its famed construction projects such as the Burj Dubai and The World islands – and those less so – most notably alleged human rights abuses infringements regarding foreign workers imported at a rapid pace to work on, among other things, the abovementioned famed construction projects. Having experienced immense growth – both literally and in fortunes – since the 1990s, enthusiasm is high in the emirate, with admiration for the sovereign of Dubai, Emir Mohammed bin Rashid Al Maktoum, running just as high. As such, no serious political opposition currently exists in Dubai, nor is there any real degree of political instability – the latter probably owing in part to the low percentage of actual native Emiratis among the population. Being the second largest emirate, Dubai occupies a prominent place on the FNC; Emir Mohammed bin Rashid Al Maktoum currently also occupies the position of the Prime Minister of the UAE, and the emirate appoints 8 members to the FNC. Interestingly, despite being in such a position of importance on this legislative body, Dubai is oddly independent of it; together with Abu Dhabi, it is one of only two emirates to hold veto power in the FNC, and together with Ras al Khaimah is one of only two emirates to not conform to the federal judicial system of the UAE.

Economically, the emirate continues to experience substantial growth year on year, as investors flock both to this well-known name in a region rising in economic prominence, and to the immense amounts of capital the emirate itself seems willing to invest. With an estimated GDP of some US$37 billion in 2005, the emirate is in good shape for the years yet to come, despite the imminent depletion of its oil reserves; as it stands, the oil and petroleum industries supply just 6% of the emirate's GDP, with trade, manufacturing, and financial services instead supplying much of the remainder, and tourism and property development both steadily creeping up the number tree. The Dubai economy is so diversified as to be a virtual smorgasbord of industries in various states of development, many with 'free zones' of their own demarcated and all but constructed by the government of the emirate; of which the Dubai Internet City and Dubai Media City are counted amongst. Almost certainly a purposeful endeavour, the heavy-duty diversification of Dubai provides myriad opportunities for investment and entrepreneurship; the question remains, however, as to the sustainability of said industries and, indeed, of the rapid growth of the city itself; an issue brought swiftly home to any who experience the traffic congestion created as a result of an infrastructure straining to keep up, and exacerbated by the view of ever more housing projects under construction while existing developments are far from fully occupied.

In social terms, Dubai is, perhaps, the most liberal area in the entirety of the Middle East at the current time; gender equality is barely an issue, and religious conflicts are all but non-existent. While maintaining a distinctly Middle Eastern cultural flavour – to be expected given the pride Arabic peoples take in their history and culture, and certainly enough for tourists to swallow – Dubai is otherwise so cosmopolitan as to be almost Western; a fact that fails to surprise when one realizes that only some 15% of the population is native Emirati, with the remainder being almost entirely foreign nationals, and substantial chunks of that remainder being composed of Americans, Chinese, Singaporeans, Japanese, British, Russians, and a glut of other nationalities native to no land in the Middle East. Business travelers quickly find themselves quite at home, which no doubt contributes further towards the economic growth of the emirate; few, however, seem to stay long, with many spending only a number of years working in the emirate before leaving for their home countries. Similar to the situation in other parts of the Middle East, however, significant advantages, both financial and social, are extended to native Emiratis, from cash subsidies to preferred entry into universities. Furthermore, cosmopolitanism appears to have brought a number of its vices along with its advantages; famous for its nightlife, Dubai is also infamous in certain circles for the vices, chief among them prostitution, that can allegedly be bought in its shadier quarters.

Name	Abu Dhabi
Capital	Abu Dhabi City
Total Area	67,340 sq. km.
Total Population	1,463,491
Population Density	293.94/sq. km.
GDP Estimate	$105 billion (2008)
Sovereign/Leader	Sheikh Khalifah bin Zayed Al Nahyan

Data from various sources

Abu Dhabi, on the other hand, takes on a more family-friendly identity, seeking perhaps to draw more permanent residents to its shores. The capital of the UAE and the largest of the emirates by far, Abu Dhabi was the founding force behind the UAE and therefore shares a large amount of its wealth and influence. Astonishing numbers abound in this emirate; from an estimated GDP per capita of some US$63,000 in 2006, to the sheer size of the Abu Dhabi Investment Authority, the emirate's sovereign wealth fund, at some US$875 billion (estimated to be the largest in the world), every indication is of a booming economy; certainly indication enough to attract hosts of investors to the main city of Abu Dhabi. The emirate also occupies a place of premier prominence in the politics of the UAE, with its leader, Sheikh Khalifah bin Zayed Al Nahyan, being the president of the UAE and the direct descendant of the de facto founder of the UAE, Sheikh Zayed bin Sultan Al Nahyan, and being one of only two emirates, together with Dubai (q.v.) to hold veto power in the FNC. This position of power, the respect due to the leader and to his predecessor, and the continuing economic success of the region – and the accompanying affluence of the natives – leave little room for disgruntlement among the people; and the relatively liberal environment of the emirate (again, as in Dubai's case, due partially to the low proportion of actual native Emiratis) further promotes cordial relations with much of the world community. In recent years, however, with the rise of the emirate's old rival Dubai, a slowly sharpening sense of competition has once more developed between the two emirates; and while large-scale and flashy projects are by no means the exclusive province of the UAE, the rate at which both Abu Dhabi and Dubai appear to be beginning such projects may speak somewhat, to the proverbially uninterested observer, of one-upsmanship.

The numbers in the previous section should be clear enough indication of the massive economic power of Abu Dhabi; power built up gradually but surely over the past few decades on the back of oil revenues, which continue to provide a good percentage of the emirate's revenues, even with recent price surges in the vital resource notwithstanding. Unlike Dubai, Abu Dhabi's oilfields show no indication of running dry any time soon; diversification efforts, therefore, are not on the level of Dubai's splash pattern approach. Nonetheless, deep inroads have been made into other industries in recent years, most notably in the field of financial services. Tourism, too, is a good source of income for the emirate, which has positioned itself as the artistic and cultural centre of the area, being home to a bevy of cultural institutions, and being the site of the planned and infamously extravagant 'cultural district' on Saadiyat Island, which will include tens of immense and eclectically designed museums, theaters, and art halls by a number of famed architects. These include the partially-underwater Maritime Museum, the vaguely organic and amazingly huge Performing Arts Centre, and the avant-garde newest addition to the Guggenheim Museums; all funded and backed fully by the government and the ruler of the emirate. This cultural focus, together with a focus on education and a generally more family-friendly environment, seem calculated, unlike neighbouring Dubai, to attract residents (mostly businessmen, but also otherwise) on a rather more permanent basis. Perhaps because of this, the city grows slower than said neighbour; the title of 'capital city' notwithstanding, Dubai overtook Abu Dhabi as the largest and most populous city some years ago. While this may speak of more controlled – and therefore possibly more sustainable – growth, it does not seem to have spared Abu Dhabi, a city originally built to accommodate some 600,000 people, from many of the same logistical and infrastructural problems that plague the larger city. Endemic traffic congestion, a stuttering public transport system, and a confusing and often inaccurate addressing system are all glaring issues that the smaller city grapples with at the current time.

Sufficiently liberal in both business and social aspects as to almost pass for a Western nation, like its sister emirate, Abu Dhabi has little to no issues of gender equality or religion forming distractions for the people. Again like Dubai, the overwhelming majority of its population is comprised of foreign nationals; slightly over 20% of the populace is native Emirati, a figure that, while larger than Dubai's own percentage of the same, would still be shockingly small to most of the world. While Dubai has only relatively recently begun settling the crosshairs on education, however, and has taken measures mostly on the university level (most probably with an eye on foreign students), Abu Dhabi has long promoted education on all levels, with both a host of schools – sometimes catering to select groups of foreign nationals – at the primary to pre-university levels, and a number of universities with high standards of education, many of which of a science and technology bent. In an effort, presumably, to be more 'moral' and family-friendly, the emirate also appears to have actively kept itself from becoming *too* socially liberal; many of the alleged vices which its fellow emirate Dubai takes flak for are virtually unknown in Abu Dhabi, at least insofar as international attention is concerned.

SINGAPORE IN THE MIDDLE EAST

As noted above, a good number of the Singapore firms that have made the internationalizing journey to the Middle East fall into several convenient classifications; with **GLCs** leading the way into this relatively (to Singapore) new frontier of investment and internationalization, but with **non-GLCs** following close behind, relying for the most part on their own business acumen and strategies, but taking advantage of support from both Singapore governmental entities and from independent institutions, such as the Singapore Business Federation, which takes a keen interest in internationalization efforts in the region. Furthermore, while the vast majority of GLCs expanding into the region are involved in **property and development**, with the attendant issues of scale mentioned in the previous section, non-GLCs in the region can be further categorized into those also involved in property and development, and those involved in smaller-scale **food & beverage** operations.

As such, case studies have been selected to reflect both abovementioned dichotomies:

Company A: Non-government linked company in the food & beverage industry

A company that operations chains of low- to medium-priced restaurants selling pasta and other ostensibly Italian foods on a pure franchise basis, Company A is a relatively recent entrant into the Middle East, and currently has operations only in the UAE, in Dubai in particular. Now relatively well-established in the malls and districts of the fast-growing city, interviews and research however point to a substantial number of changes made to Company A's business model in the UAE, as opposed to its original business model and competencies in Singapore.

Differences in affluence and appetite influence one of these changes. A combination of the increases in these two factors, which necessary enlarge spending on food, place the Company's franchises firmly in the lower-cost bracket, despite a 30% increase in prices due to higher rent in the UAE. Also, in Dubai is mostly absent the 'independent small-scale operator' form of food court tenant that is endemic in Singapore, and instead the role of food court tenant is played by chain and fast food 'restaurants', including such household names as KFC and McDonalds – and the exact same bracket to which Company A, with its 'lower-cost' offerings and franchise business model, is relegated to. Consequently, Company A's franchises in the UAE must operate significantly differently from their restaurants in Singapore; décor and service become less important (although *speed* of service, thanks to the food court business model, becomes more critical), and food preparation facilities are limited to a smaller floor area. Company A has adapted, optimizing service time and business processes; still, it finds itself and its franchisees using a significantly different set of competencies than in Singapore.

Other key differences in the social makeup of Dubai necessitate a similar reordering of priorities. In Singapore, among what Company A considered to be its competencies was an ability to appeal to its target market in intangible ways, such as 'better understanding' its customers by hiring 100% local employees in its restaurants. (Boardrooms, on the other hand, were a different issue.) This same approach, simply, cannot apply in Dubai – not when 'locals' comprise a mere 15% of the populace, said 'locals' are largely affluent enough due to benefits from the government as to almost universally fail to consider such a job, and the smorgasbord of ethnic nationalities of Dubai's population renders the 'understanding its customers' ostensible benefit of this practice largely moot anyway. Thus Company A reverts, in Dubai, to more mainstream personnel selection in its franchises. In much the same vein, arguably more sedentary dietary habits of the population of Dubai have necessitated a fundamental change in the focus of operations of Company A in Dubai. Customers in Singapore were largely in-store consumers, as a result of endemic 'food browsing' (so to speak) and the greater willingness of Singaporeans to leave the house for meals; delivery services in Singapore were minor and rarely used, with even call-in takeout orders generating more business than said delivery services. Not so in Dubai, where home delivery in the maze of streets and overloaded infrastructure than forms Dubai City creates some 50% of Company A's total business. Consequently, Company A has had to invest much in refining its delivery operations, especially given the challenges posed by Dubai's abovementioned infrastructural issues. Company A's experience in Dubai, it seems, has had rather more to do with adaptation than transference of core competencies.

Company B: Non-government linked company in the development and hospitality industry

In the business of constructing, managing, and operating site-intensive spas, hotels, and specialty resorts, Company B is a long-time entrant in the Middle East, having made its presence felt for nearly a decade with initial resorts in Bahrain and Oman; as such, it has made little to no use of Singapore government or organizational support, having been established long before the island-state's attention turned fully to the region. In more recent years, however, Company B has taken its expansion in the region to aggressive and explosive levels concurrent with its entrance into the UAE, and is projected to more than double the number of its resort and spa sites as compared to 2005 by the year 2010. This unprecedented pace of expansion appears to be fed by the equally unrepressed mushrooming of the region itself, most notably, of course, Dubai and Abu Dhabi. If this is the case, as Company B claims, then there are few worries about sustainability in the short-term, especially given the large amounts of capital Emirati partners are willing to sink into developments of this nature; the real issue is of long-term sustainability, and inextricably tied to the question of the long-term sustainability of the rate of growth of Dubai and Abu Dhabi themselves.

Company B's operations in Bahrain and Dubai, by all accounts, are built to capitalize on the natural landscapes and sceneries of the Middle Eastern environment, and have largely been constructed with architecture in the Middle Eastern style, on much the same basis. Despite this, however, management of these spas and resorts is still very much Asian in concept and flavour, a purportedly 'signature exotic and reclusive character' with excellent and unobtrusive service – in other words, much the same as in Company B's developments in other countries. In this case, it appears that the very nature of Company B's brand and industry – selling 'Asian hospitality', as it were – allows it to have transferred its core competencies over to the Middle East nearly intact; indeed, the staff and management at its resorts in the region are supplied and replenished from the same training centres in Asia as all of its other developments around the world. It probably also helps that among these core competencies are a focus on people management and handling cultural differences, both subjects covered extensively during staff training; a set of skills at its core naturally adaptive in nature, and well-suited to the challenges of internationalization. The business model behind their resorts is also positioned to cushion the pressures of new frontiers; limited joint ventures with the actual owners of the land via management contracts engage the efforts of local landowners to smooth the transition. Company B has, in effect, had to make few changes at all to their practices and competencies to take root in this new region; the only real challenges raised stemmed from learning the nuances of negotiation with Emirati landowners and from growing competition from similar resort management operators attracted to the massive property growth of Dubai and Abu Dhabi. Even the plague of overstressed infrastructure is of little impact to Company B, given that its resorts are located away from the city centre, and its spa facilities make use of existing buildings instead of being constructed from scratch, which is where many other firms in more general property and development suffer. One further possible issue is that much of Company B's seeming imperviousness to socio-political forces is reliant to a great extent on the strength of its brand; should said brand wane in popularity, Company B may suddenly find the going a lot closer to the rocky mountainsides of some of its resorts than that of the smooth desert dunes of others.

Company C: Non-government linked company in the property and development industry

A more traditional property development company focusing on architectural design and construction, Company C is one of the premier firms of its type based in Singapore, and has international offices in much of Southeast Asia and in major development spots such as China and India. Given this fact, it is rather unsurprising that Company C would seek to expand into the Middle East – specifically Dubai – in an attempt to profit from the property boom in the fast-growing emirate. Currently in de facto partnership with a major property developer of Dubai thanks to personal connections, Company C however made its entry into the emirate only in 2003; among the first of its Singapore peers to do so, but very much a late mover among internationally acclaimed firms with operations in the design and construction industry. Taking this, as well as other factors mentioned later, into account, it is quite probable that Company C owes its strategic position in Dubai largely to its abovementioned partnership with one of the major property developers of the emirate. Nonetheless, thanks or not to this partnership, Company C is currently involved in the design and construction of one of the many immense and iconic structures nearing completion in Dubai. This project is slated for completion this very year.

With a major local partner as a buffer for socio-political and economic forces even before actual entry into Dubai, Company C had a rather more sheltered experience than most, and has continued to capitalize on local contacts to, so to speak, deal with the local context, by adopting the strategy of hiring local consultants to handle procedures unfamiliar to the highly Singaporean management of Company C, among other sub-contracts. Part of this is intelligent practicality, but just as much of it is necessity, stemming largely from two reasons. The first of these reasons is Company C's management system, where decision-making authority is heavily concentrated in the company's central office in Singapore, a global strategy which ostensibly allows for greater potential economies of scale. Staff from the main office, together with funds and limited authority of agency, is dispersed to local offices to help 'customize products' to the specific needs of the client. In practice, however, despite the smoother processes engendered by the close incorporation of the local office into Company C's corporate structure, factors both physical and mental often create unnecessary delays and place strains on the company's operations. The physical factors are obvious – a five hour time zone difference between Dubai and Singapore, and the odd and rather fluid schedules of some Emirati clients, unavoidably create periods of time where responsiveness and decision-making is not, to say the least, at its peak. Mental factors are equally apparent – the large amount of Singaporean staff in the Dubai office, combined with the necessity to communicate with the home office on major decisions, creates unignorably significant opportunities for miscommunication and wrong-footing, a problem only exacerbated by the disconnect between the home office and local conditions that is symptomatic of similar organizational systems. The aid of local consultants – and of their local partners – has been invaluable thus far in avoiding any significant slip-ups of this nature; it remains to be seen whether these will be enough in the future.

The second reason why the abovementioned aid is a very real necessity for Company C, however, is a simple matter of scale. Dubai does not do half-measures, and its full measures are decidedly larger than those of most other countries, including those of pretty much everywhere Company C does business; and with its home office in Singapore, an island-state with an overall land mass smaller than some of Dubai's single construction projects, the sheer difference in scale goes beyond 'daunting' and creeps into 'unfathomable' – and indeed, with abundant local help or not, it is to Company C's credit that they have encountered few major issues with the iconic project they are involved with. It remains a mystery, though, that Company C's office in Dubai remains relatively small, with a staff count of only some 80 members; given the manpower requirements that even an average one of Dubai's large-scale developments requires, this trim and cost-saving staff count does not really seem to be doing Company C any favours. And such cost-reducing measures do indeed seem to be on the collective mind of the company; interviews indicate an incremental approach to staff increases and the transfer of master planning processes and products, for the lower commitment level and lighter sunk investment required. That such endemically Singaporean thought processes continue to rule the company's strategy at, perhaps, the expense of more practical business concerns should, it is felt, be a matter of concern for Company C. Some competencies do not transfer well, if at all.

Company D: Government linked company in the property and development industry

Among the largest and oldest players in Singapore's property and development industry through the dual advantages of government links and a deep and stable capital pool with a proven and well-known international track record, Company D finds itself in much the opposite position in the Middle East; a rather late entrant which, by a measure of scale, finds itself a half-magnitude or so below some of the major players in the region. Nor is the company competing, as yet, in the home city of many of the abovementioned major local players, the ubiquitous Dubai; instead the company has placed its recent 2005 entries in Bahrain and Abu Dhabi, which both have the same deep pockets but lack the degree of overcrowding seen in Dubai, and which are, apparently, not yet ‘mature markets’, at least in the property and development industry. Certainly the springboard potential of these two locations were a factor as well – Bahrain for its financial hub status across the entire region, and Abu Dhabi as the second most convenient location to infiltrate the UAE market. The trigger for entry in both cases, however, appears to have been the same – an invitation by local firms to enter into a partnership for particular projects, in much the same way Company C entered Dubai. No such convenient invitation from Dubai appears to have materialized for Company D as yet.

Similar to Company C, the local partners in both Bahrain and Abu Dhabi play the role of liaison and buffer, having brought Company D into their respective markets and shielding it from socio-political forces. For the ostensible sake of coordinating efforts with said local partners, Company D, which technically has four arms to its property and development business, has chosen in both cases to bring only its real estate expertise to the table, unwilling, it seems, to extend its product line to corporate offices (this being partially, though, a function of the nature of the developments it is involved in), nor finding it necessary to provide financial services when such a deep and ready pool of capital already lies in the region. Again like Company C, the projects Company D are undertaking in both Bahrain and Abu Dhabi are iconic and immense structures, of which the company is responsible for the construction of a good percentage thereof; in other words, projects which can make or break the company’s foray into the region. Unlike Company C, however, Company D seems somewhat better prepared to tackle the sheer scale of these projects, and not just because of a greater wealth of experience with large-scale projects. Perhaps due to the government links of the company, and the consequent ability to fish for staff experienced with the region from government branches, Company D has fewer reservations with making a significant staff and capital commitment to its operations in Bahrain and Abu Dhabi; its Bahrain operations are even funded by a *shariah*-compliant fund with capital of over US$350 million, invested expressly for this venture, whereas interviews reveal a far greater willingness than most to glut staff counts when necessary. This staff complement, however, is still – or perhaps, even more – strongly Singaporean-dominated, owing to the company’s GLC status; and while these regional offices enjoy a far greater degree of autonomy, the representatives of these offices reveal a worrying amount of competitive focus on competitors in the home region (i.e. from around Singapore) rather than on major international players in the same market, many of whom (as previously noted) already glut Dubai, extend feelers into Abu Dhabi, and are far from being unknown in Bahrain. Perhaps the company believes it has time to establish a brand name and solid market presence before it has to truly deal with such competitors in its markets of choice; this researcher, however, would take no bets either way.

A further issue, in fact, lies in the nature of aforementioned 'brand name'. While it is true that Company D possesses a well-known and positive brand image, much of the goodwill accrued by said brand is predicated upon the conjunction of the various parts of its operations, including all four arms of its property and development business – which, as previously noted, have not all been implanted into its Middle East operations. Also, as far as the general public goes, the company's architectural expertise is far less of an issue than its management practices. Part of its positive brand image, for example, is a function of an advertised and perceived selectiveness to Company D's tenant selection, where said company accepts tenancies only from applicants that meet a certain standard of quality. This will be somewhat hard to achieve, to say the least, when one is not the majority owner of said properties, and will have local politics and tribal allegiances to consider, as is the situation Company D will find itself in Bahrain and Abu Dhabi – and especially when it has not yet even been confirmed that the company will take on management of the development. Strategy, in this case, may very well have spawned a disconnect with competency; and given the scale and iconic status of Company D's initial foray into these two territories, any form of failure may well prove a critical injury to the company's further development in the region.

CONCLUSIONS AND CONTINUATIONS

Our previous research into Singapore's regionalization programmes provides telling evidence towards the critical importance of the socio-political dimension towards the location and eventual performance of international investment, hinted at in the work of Dunning (1997, 1998, 2001) and other modern economists, but not fully explored in the context of the influence of this dimension of forces on the location of investment and on the business derived thereof within the borders of a country or immediate region. The relatively small investment region of the politically stable area of the Middle East nonetheless abounds with a host of variances – minor and major – across socio-political environments, even despite their common identity as primarily Muslim Arab states; most especially in the United Arab Emirates, where even intra-country socio-political environments may vary so deeply (Dubai is much different from Abu Dhabi, as it is from Ras al'Khaimah) as to provide an entirely different set of opportunities and challenges to firms entering these respective areas of the country. As is apparent from the above case studies, these variations have indeed had an impact on strategic decisions such as point of entry. Further theoretical consideration is given rise to by the ramifications of this hands-off (by Singaporean standards) approach to internationalization; given the continuing question of the efficacy and sustainability of the entrepreneurial state, and the quandary of the above in relation to Singapore's historical underdevelopment of indigenous entrepreneurship. (Henry W. C. Y., 1998) The island-state's new approach in the Middle East may very well be interpreted as an attempt to change the above paradigm; if it is, however, it may well be returning mixed results at best, as we will see.

This initial survey of Singapore firms internationalizing into the Middle East reveals a somewhat disturbing, but not altogether unexpected, reliance on local partners and equally local third-party organizations to shield firms – government-linked or otherwise – in the general property and development industry from the reportedly rocky socio-political forces of the region. Unsurprising as it is, evoking as it does echoes of the 'partnerships' with local governments that were the chosen vehicle for Singapore's regionalization initiatives, it is a strategy with obvious limitations – some immediately apparent, such as the possibility of conflicting goals causing friction between partners and threatening to derail the project itself, as seen in the abovementioned regionalization initiatives, and some initially less so; until, quite possibly, some years further in, when said companies find themselves with limited capacity to take on projects *without* a local partner, due to some combination of lack of personal expertise with the region without the buffer provided by local liaisons, and growing irrelevance due to 'local partners' learning from their processes and expertise. The former, at this time, does not seem to be an issue – local partners in the Middle East by and large appear to hold purely business concerns, which is a distinct point in favour of corporate-represented internationalization – but the latter remains a future possibility that companies currently in the Middle East would do well to pay heed to. This concern is especially relevant given that Dubai has recently released many controls on foreign ownership of developments, and that other areas of the Middle East are likely to follow suit; providing an opportunity that, to be grasped, will require the ability to step forward and navigate the paths of Middle East business without a guiding hand. At the current time, it is unknown, and somewhat doubtful, whether many of the Singapore companies in the Middle East will be able to step up to the plate for this challenge, given the abovementioned narrow focus and overly cautious entry shown by some of the studied companies. Most Singapore companies, it seems, have yet to embrace fully a true entrepreneurial mindset in their internationalization efforts.

Conversant to the above, the transfer of core competencies by these companies to their operations in the Middle East appear to have been, by and large, been performed under the aegis of the same local partnerships, with rather mixed results. In at least one case – that of Company C – the transfer of 'core competencies' has arguably been more hindrance than help, with an organizational structure of ostensible benefit to the company's global operations creating time delays and opportunities for miscommunication, and allowing an endemically Singaporean thought process to carry too much weight in the conducting of business in a distinctly different environment. In other cases – like that of Company D – for strategic, budgetary, or other miscellaneous reasons, not *enough* competencies may have been imported into their operations; certainly not enough to have conclusive, or even inferential, proof as to how effective said competencies may or may not have been. Smaller operations – such as in the food & beverage industry – have found the need to make significant, and sometimes drastic, changes to their operating processes, having to not so much import core competencies as completely craft them anew to adapt to this new socio-political environment, clearly establishing the dominance of the latter over the former in the case of businesses of smaller scale (without, we also note, the shield of local partnerships). By far the best performance of so-called 'core competencies' has been turned in by companies whose very product and very brand have a utility that is unique in nature, and not easily replaced, as with Company B; which is unsurprising in and of itself, given that such unique products generally have some degree of resistance to socio-political factors. With these preliminary findings in mind, companies looking to expand into the Middle East would be well-advised to consider carefully how far to attempt to do things 'as they have always done so before'. Results from further years in the region – especially, in the case of those in the property and development industry, post-completion of their current projects – will no doubt be most enlightening as to the benefits and pitfalls of reliance on what companies like to call their 'core competencies'.

Going forward, the above, of course, is to be one of the main foci of our continuing research into the Middle East in the coming years, along with the aforementioned adaptation of Singapore companies in the Middle East into the necessary entrepreneurial mindset. The field of our research will encompass the regions touched upon in this paper – Bahrain, Abu Dhabi, and Dubai – and expand to include other prominent investment regions, such as Saudi Arabia, Oman, Qatar, and other emirates of the UAE. We intend to examine the relevant firms in these regions primarily by region and by industry, to provide a number of different perspectives on the status and development of Singapore firms in this new frontier. The lessons in internationalization and policy implications, we are certain, will be of interest and pertinence to many parties – certainly to those looking to the Middle East for their own new investment horizons.

REFERENCES

Associated Press, (2005) '9/11 seen as sparking Arab Economic boom', , 27th August 2005

Bartlett, C.A., and S. Ghoshal. (1998) *Managing Across Borders. The Transnational Solution.* Boston: Harvard Business School Press

Chan, C. P. (2007). Opportunities and Challenges for Singapore Companies Going Overseas: Middle East. *Beyond Singapore* .

Corder, R. (2008, March 8). *Dubai's Traffic Pollution Among World's Worst.* ArabianBusiness.com

Dunning, J. (1997) *Alliance Capitalism and Global Business*, Routledge: London and New York.

Dunning, J.H. (1998) 'Location and the multinational enterprise: a neglected factor?' *Journal of International Business Studies*, 29(1): 45-66.

Dunning, J.H. (2001) 'The eclectic (OLI) paradigm of international production: past, present, and future', *International Journal of the Economics of Business*, 8(2): 173-190

Henry W.C.Y. (1998) 'The political economy of transnational corporations: a study of the regionalization of Singaporean firms', *Political Geography,* 17, No. 4, pp. 389-416

Heritage Foundation. (2008). Index of Economic Freedom. Bahrain's Country Page.

How, W. and Yeoh, C. (2007), 'The Internationalization of Singapore's State-Enterprise Networks in the context of Asia's Transborder Industralization: Further Evidence from Indonesia, Vietnam and China', *Journal of Asian Business, Vol. 23, No. 1*

Iyer, E. (2003). Theory of Alliances: Partnership and Partner Characteristics. Journal of Non-profit and Public Sector Marketing. Vol. 11, No. 1, pp. 41-57.

Tan, A. (2005). Singapore Firms Flood into the Middle East. *Straits Times*. June 1st, 2005

UAE Federal e-Government Portal. (2008). *Incorporating Company, Chapter II, Establishing Permanent Presence in the U.A.E. Part A, Incorporating a LLC.*

UAE Ministry of Economy (2007) *Dubai Nominal GDP 2006 Press Release*

Perry, M. and Yeoh, C. (2000) 'Asia's transborder industrialization and Singapore's overseas industrial parks', *Regional Studies*, 4(2): 199-206.

Porter, M. E. (1985). *Competitive Advantage.* New York: Free Press.

Porter M. (2000) 'Locations, clusters, and company strategy', in G. Clark Et Al. (eds.), *The Oxford Handbook of Economic Geography*, Oxford: Oxford University Press, pp. 253-274.

Stopford, J.M. (1999) 'Implications for national governments', in J.H. Dunning (ed.), G*overnments, Globalization, and International Business*, New York: Oxford University Press Inc, pp. 457-480.

Yeoh, C., How, W. and Leong, A.L. (2005) 'Created' enclaves for enterprise: an empirical study of Singapore's industrial parks in Indonesia, Vietnam and China', *Entrepreneurship and Regional Development,* 17: 479-499.

Yeoh, C., How, W. and Sim, V. (2006), 'Re-engineering economic space: the case of Singapore's transborder industrialization 'gambits' in Asia, *Journal of Asia Business Studies, Vol.1 No.1, pp. 34-45.*

Yeoh, C. and How, W. (2007), 'State-led Transborder Industrialization in Asia: A Note on Singapore's Manufacturing Enclaves in Vietnam and China,' *International Review of Business Research Papers, Vol. 3, No.5, November*