Board 87: Global Marketplace and American Companies in the Middle East and North Africa (MENA)

Dr. Gholam Ali Shaykhian, Florida Institute of Technology

Gholam Shaykhian has received a Master of Science (M.S.) degree in Computer Systems from University of Central Florida and a second M.S. degree in Operations Research from the same university and has earned a Ph.D. in Operations Research from Florida Institute of Technology. His research interests include knowledge management, data mining, object-oriented methodologies, design patterns, software safety, genetic and optimization algorithms and data mining. Dr. Shaykhian is a professional member of the American Society for Engineering Education (ASEE).

Dr. Jinan Ziade,

Jinan Ziade, PhD, holds a doctorate of management in Organizational Leadership and information systems technologies from the University of Phoenix (UOPX), also A Graduate Executive Certificate in Strategic Diversity & Inclusion Management from Georgetown University Institute for Transformational Leadership. Dr. Ziade is an Assistant Professor and a member of the Diversity and Inclusion committee at Westcliff University. She provides innovative strategies to promote accountability and awareness around diversity and inclusion, drive employee engagement, and lead organizational change. Additionally, Dr. Ziade is a postdoc research fellow and a member of the Center of Entrepreneurship and Innovation Research at UOPX. Dr. Ziade has published a number of journal articles that were presented at conferences (ASEE and ISCB). Dr. Ziade’s research includes examination of cultural differences and leadership practices within global organizations. She also co-authored papers exploring MENA business culture. Dr. Ziade is serving as a Parliamentary Chair, also served as Program Chair of Guild volunteer at St. Jude Medical Center. Dr. Ziade developed a leadership practices model that provides a suitable framework and salient business strategy component for corporations seeking to expand successfully.

Dr. Mohd Abdelgadir Khairi, Najran University

I, Mohamed Khairi, my bachelor degree in computer science. I did my Masters in system science from University of Ottawa, Canada. My PH.D was in ”Master Data Management” from University of Phoenix. I have over 20 years of experience in IT industry - ten of them with Microsoft in Redmond, WA. Currently I’m assistant professor at University of Najran. In addition of teaching and Research I’m coordinator of graduation projects and field training for computer and information system college.
Global Marketplace and American Companies in the Middle East and North Africa (MENA)

Abstract
In a globalized business environment with (a) increased flow of people across national borders, (b) demographic changes, and (c) a culturally diverse environment, cultural competence has become a critical asset for corporations to operate and compete globally [48]. Conducted a study to examine the role of cultural competence as a precondition for cultural diversity management. The study focused on 405 expatriate employees with international experience. The authors concluded that intercultural competence is a precondition for cultural diversity management, but development of cross-cultural competencies can improve employees’ performance and enhance organizational competitiveness. Holt and Seki [25] concurred that cross-cultural competence helps reduce conflict, improve communications, and increase tolerance for ambiguity. Researchers have revealed the benefits of engaging educators and professionals in innovative strategies to increase cultural awareness and competency skills [1]. Numerous studies contain evidence that organizations with effective understanding of different business cultures in different countries have the capacity to transform business practices. The changes lead to distinctive commercial practices as demonstrated by the broad international presence of Coca-Cola, Starbucks, and McDonald's corporations [9][25][43][49]. Business leaders lacking cultural understanding are less likely to survive as indicated by the failure of Walmart expansion in Germany [35]. This paper discusses American role in globalization; specifically, how cultural understanding influence business success in the Middle East and North Africa (MENA).

Introduction: The term globalization is commonly used but definitions vary and attempts to define the term have been partly successful [4]. The approach of this study reflected the definition proposed by Al-Rodhan [4] in which globalization is a dynamic, inclusive and interconnected multi-cultural exchange of product services and communication. Al-Rodhan’s perspective on globalization focuses on the interrelationship among various cultures, people, and economic productions and exchanges. With increased interrelationship, the world is shrinking and globalization is transforming the world market by homogenizing and decentralizing [17]. Authors such as Chang and Lee [11], Narula [41] and Scholte [52] view the expansion of cross-national distribution of manufacturing production foreign direct investment (FDI), the introduction and innovation of technologies, and the global expansion of companies to other countries and new markets as catalysts of globalization.

Epoch II, The First Global Century, began in 1820 and ended in 1913. According to Williamson [62], epoch II witnessed evolution of the world economy with significant shifts toward liberal policy (e.g., dismantling mercantilism). This period marked the start of a world regime of globalization and free-trading European countries. Between 1913 and 1950, Williamson characterized world trade as “beating an anti-global retreat” (p. 4). The complete dismantling of the globalized world marks this period. High tariffs and other non-tariff barriers choked off gains from trade. The global marketplace shifted again between 1950 and 2002, when the world started to see the blossoming of globalization after World War II, which Williamson termed the second global century. Globalization opened many opportunities for migration of skilled workers. Increasing competition due to outsourcing, international
transportation improvements, and trade-liberalizing policies invigorated and intensified international economic exchanges. Similarly, Hopkins [26] supported the view that globalization took four different forms over the past four centuries. Prior to 1600, the archaic era preceded any form of modern industrialization and a period of proto-industrialization expanded from 1600 to 1800. The modern era started in 1800 characterized by industrialization and the rise of the nation-state. The last period is the post-colonial era, occurring from the 1950s to the present.

**Globalization:** Globalization is not a new phenomenon as it stretches out over thousands of years [34][47] [53][62]. Kwaja, as cited in Kwaja [34] identified five eras of globalization:

- The mercantilist period stretched from 1450 to 1800,
- The global free trade expanded between 1830 and 1870,
- The monopolist and colonialist period emerged in the late 19th century through the early 20th century,
- The economic renaissance surged in developing countries for the decade 1960 to 1970,
- The globalization of software application enterprises surfaced from the 1970s to today.

Williamson’s [62] view of the development of globalization somewhat coincides with Kwaja’s identification of eras. Williamson identified two pro-global and two anti-global epochs. Epoch I, the Anti-Global Mercantilist Restriction began in 1492 with the Voyages of Discovery and continued through 1820. The epoch included global commodity market integration and transport productivity improvement through travel, trade, migration, spread of cultural influences and the transfer of technology. As a period of global integration, Epoch I had an impact on GDP per capita, making a boom period for world trade.

Globalization has affected international relations and increased interdependency in transforming role of businesses into global ones. Regional integration operates with shared rules of trade and business relations in which distinct societies function together as a unified single society. Understanding such processes may help decision makers understand the culture and focus of how countries and people interact. Such understanding may facilitate movement of organizations from non-cooperative communities of individuals and national economies to cooperative relations in a collectivist manner and an international economy to increase exchanges of consumer goods among nations [19]. Globalization has linked cultures and international relations on a variety of different economic, political, and social levels and therefore created opportunities of access to technological innovations, proximity to local markets, and availability of human resources. Other opportunities include diversity in educational systems, cultural backgrounds, and motivations [13]. According to the World Trade Organization (WTO), international trade matured by 6.2% a year between 1988 and 2007, and the world’s GDP grew at nearly half that pace 3.7% [39].

For most of the 20 years between 1990 and 2010, globalization had reached its golden era and trends in commerce led GDP of the world’s economy to grow by 3.5% in 2006, and trade to grow at 8% per year [50]. Miks [39] explained that since 2010, globalization has slowed, dropping the global trade GDP growth rate. Grossman and Meissner [20] and Miks [39] compared the slower rate of global trade to similar circumstances during the Great Depression period of the 1930s when the United States government imposed high duties for gold of nearly 60%. With most of the world’s economies linked or committed to the dollar standard policy, at the same time, the price of gold is related to the value of the U.S. dollar, fluctuation in the price
of gold caused banks to fail due to loss of gold reserves. Increased trade barriers led to inevitable consequences: spreading the Great Depression around the world, reducing opportunities for global economic expansion, and causing global financial crises, including banking failures [54]. Grossman and Meissner [20] and Skidelsky [54] observed the same problem repeated during the 2007-2008 financial crisis and linked globalization to the cause of the trade and banking collapse of the Great Depression and the 2007-2008 United States’ financial crisis.

Despite benefits such as economic growth and global business expansion, globalization has brought many challenges and disadvantages. Increased interdependence between markets, increased dependence on foreign commerce, and the role of Internet computer networks in globalization are some of the disadvantages identified [43]. Disadvantages of a more interconnected and interdependent business environment require reform policies and structural adjustments in companies to create a permanently controlled environment conducive to maximizing benefits and minimizing disadvantages. Okoro [43] suggested leaders weigh the disadvantages in the benefit-trade off analysis to determine the wisdom of moving operations to other countries, termed offshoring, on an organization’s operations and decision-making as well as profitability and success. Outsourcing has resulted in another disadvantage: displacing jobs of American employees considered one of the biggest causes of workers’ dislocation and unemployment. Davis, Ein-Dor, King and Torkzadeh [15] reported that more than 50% of American entrepreneurs expected to deploy information technology (IT) services to outsource service providers in 2006. The transfer of knowledge through global IT outsourcing may cause disruption to an organization’s cultural climate and affect employees’ roles in the organization [7]. The transition to outsourcing may affect global governance, creating a need to align the IT department with the organization’s business goals [3].

The growing global business environment places organizations and employees under pressure to interact with different cultures and take into consideration the requirements of those cultures. Shen and Lang [53] revealed that in approximately 40% of worldwide corporations leaders do not emphasize the need for coaching necessary for international assignments. Among United States multinationals, 50% to 60% do not engage managers with the requirement to attend international culture training programs to enhance employees’ existing business skills. Failure to implement adequate cultural training leads to cultural mistakes and wasted resources in personnel who lack the necessary level of cultural proficiency [21]. Organizational mistakes arise from inadequate international culture training programs and the lack of a proper selection process causing loss in profits, loss of market share, and missed business opportunities.

**American Role in Globalization:** Globalization has universalized American values and grown to encompass other countries of the globe influenced by American popular culture [46][60]. The United States has orchestrated globalization, which plays an influential and dominant role [46][60]. The existence of westernization in the global media and the diffusion of American cultural practices, especially after World War II, established and promoted other nations to adopt American ways and embrace American pop culture. Abyad [2] explained the evolution of technology, innovation in the global economy, the English language as a universal language of business, and other elements of American culture as factors that influenced the globalization. Significant growth in global technology helped bring the world closer together and changed patterns of economic activity to become increasingly homogeneous in global business practices and culture.
For example, globalization has provided an immense overseas market potential for companies such as McDonald’s that designed its products to local taste by adjusting with locally appropriate buns, bags, and business practices. Other companies that took into account cultural differences, such as Starbucks, Coca-Cola, and Walmart in certain countries, have addressed local market preferences effectively. Such companies found strong management opportunities as leaders looked for ways to attain global market share. Developing leaders with cultural sensitivity and knowledge ranks among the most strategic effort organizations can make to benefit from global opportunities. McDonald’s controls a major share of worldwide beef and chicken production and Wal-Mart’s tactics transformed the company into a global business to become the world’s largest retailer. The home improvement and construction retailer Home Depot is the largest single purchaser of wood that certified forest workers harvested from sustainable sources. The iconic Coca-Cola Company expanded its business globally and has six largely autonomous regional groups (North America, Latin America, Europe, Africa, Asia, and the Pacific) selling its products in over 200 countries. Historically, successful American businesses have been operating globally and have teams in overseas offices that are prepared to manage and operate in local workplace. For example, Nike, a multinational sports shoe giant, is operating in Indonesia and Vietnam. The Gap clothing establishment expanded to Canada, France, Germany, Great Britain, and Japan [43].

Okoro [43] attributed successful performance of General Electric, McDonalds, and Boeing to each organizations’ competitive strategies of (a) aligning the company vision with the local host-country employees, (b) incorporating a cross-cultural communication framework, and (c) providing sensitivity training for overseas management employees. Such strategies promoted effective collaboration and effectiveness to manage a diverse workforce [43]. As collaboration is a vital skill in an increasingly global business environment, Schuh [53] explained how collaboration and maintaining good relationships has become a major concern for managers in industrial companies. Leaders at Rockwell International, a maker of avionics and automation equipment for manufacturing, have focused on improving individual leaders’ skills and abilities in collaboration and developing new approaches to collaboration. Their shift in focus is in response to an increasingly global workforce expanding Rockwell’s business internationally [45].

Global Marketplace and American Companies in the Middle East: In the century’s first decade, a shift in political and economic power has attracted foreign direct investors to invest in MENA region. The flow of FDI in MENA economies increased over 100% in the GCC and the broader MENA region between 2002 and 2008 [58] as investors focused on emerging markets [18]. Some countries in the region suffered high unemployment exceeding 40% for young adults, causing the region’s investment promotion agencies to develop policies to stimulate FDI that would increase employment. The aim of such policies, as described by OECD [44] analysts, is to (a) develop skills that match business needs, (b) change overly rigid labor market regulations, (c) integrate more women in the labor force, (d) foster business linkages between foreign investors and local suppliers, (e) target high value-added sectors, and (f) reduce corruption and promote responsible business conduct. Policies that stimulate employment are more likely to encourage beneficial FDI flows to bring constructive contributions and provide international investment.

Since 1971, the Overseas Private Investment Corporation (OPIC), an agency of the United States government, has promoted national economic interests by finding and securing
viable new international markets including opportunities in MENA. The organization has assisted American investors to solve critical development challenges and provide financial services, political risk insurance, and support for private equity investment funds. United States corporations can obtain cross-border deals that catalyze earnings and profits, stimulate job creation, careers, and growth opportunities to obtain important concessions for investments in MENA. To date, OPIC invested in projects that reached an estimated $76 billion in United States exports and supported more than 278,000 American jobs both at home and abroad (OPIC, 2015). In 2011, the United States government addressed some concerns for deeper economic integration and global engagement with MENA countries and President Obama announced the MENA Trade and Investment Partnership Initiative (MENA-TIP) [42].

From the perspective of energy geopolitics, the Middle East contains the world’s biggest oil reserves at about 60% of the total. It is important for the United States military to protect USA energy interest in the region [10]. The United States dominates the MENA region in part to ensure the free flow of oil from the Middle East and to ensure primacy in the international world [10]. Middle East history is rife with conflict, tension, patterns of intervention, and continuous intercultural friction between the region and the Western world. Battles fought over access to essential natural resources, lands, and domination of important oil fields in MENA characterize the existential struggle between the Eastern and Western countries.

Territories that represent economic and geopolitical assets become strategically important to other countries that impose a national field of influence [10]. Through the end of the 20th century, increased demand for natural resources and raw materials had significantly contributed to the importance of MENA as a strategic objective for the United States, which tried to impose itself in front of other countries [10]. The United States imported 17% of its oil from the Middle East in 1985, which rose to 26% in 2001 and remained fairly stable through 2003 [16]. Motivated by the September 11, 2001 attacks, United States oil importers engaged in a successful effort to lower the nation’s dependence on Middle East oil [27]. In 2012, the Middle East Gulf region was supplying 28% of United States oil [8].

**Global leadership role and leadership development:** Globalization and adoption of sophisticated technology transforms the way multicultural decision makers communicate and manage relationships in operating the organization [14]. The technology revolution has increased corporations’ dependence on technology to operate the business, creating a need for learning organizations. Advances in technology provided new solutions to problems [28]. Cohen [14] explained how business leaders adopt algorithmic decision-making techniques and take advantage of highly sophisticated technological software to improve company operations, efficiencies, and profits in the global market place. Organizational ability to use efficient and innovative capabilities allow companies to move from a skill that creates a competitive advantage to more sophisticated opportunities for operating a global business [14].

As organizations expand into new markets, the global workforce imposes the necessity for leaders to adopt a global mindset to manage effectively. Harmon [22] stressed the diffusion of innovation and its effect on decision makers’ acceptance of the new technology and the overall organizational performance. Numerous countries are slow to adopt technological advancements and strengthen governance due to limited resources, which retards technological development resulting in less advanced technology compared to the United States. Other contributing factors of the slow pace of technological advancements are citizens’ lack of education and incapability to pursue economic development and technological advancement [6].
Technology and globalization have continued on a growth path, increasing the extent of competition. PepsiCo, Coca-Cola, McDonalds, Burger King, Starbucks, El Torrito, Red Lobster, and ICT providers including IBM, Oracle, Cisco, Apple, HP, Google, Amazon, Dell, Xerox, and Yahoo [56] are a few of the United States organizations that found the Middle East region to be a commercial destination for investment capital [56]. There are still opportunities for business expansion. Soft drink consumption has increased in the region and sales doubled between 2002 and 2012; the soft drink companies grossed over $850 million in 2003 [5].

**Effective business leadership in a multinational environment:** A growing number of today’s global business leaders may need to look into new and different perspectives of leadership and implications for creating an effective global business environment [25]. Important leadership skills include sharing visions and influencing others, building alliances, setting directions for change, and a willingness to manage people with different cultural backgrounds and diverse cultural values. The new perspectives of leadership capabilities are not only the concerns of leaders of some of the world’s largest global companies but are essential for the establishment of sustainable business development and constitute a departure of business strategies from business leadership in years past [25].

Culture has a potential influence on boundary spanning. For example, based on Hofstede’s [24] five cultural dimensions, individualism is associated with the early-phase and creative aspects of innovation, while collectivism introduces greater benefit to the development phase of innovation. Similarly, cultures demonstrating low uncertainty avoidance are more prone to creative ideas, yet less likely to bring such ideas to fruition as valuable products and services [24]. Creating a culture of innovation in business appears to be a contextual factor of globally dispersed innovation teams that significantly relate to the success of any organization [59].

Cultural distance is another major challenge for United States companies in managing the company’s sustainability. Technological innovations in communication, transportation, and the internationalization of national markets have led leaders of corporations of all sizes to increase interconnectedness and relationships within all aspects of life [32][36][37][55], but cultural distance can thwart such efforts. A related challenge is the state of unskilled workers and the derived low productivity that may hamper intercultural capabilities because of weak educational achievement [40][61]. Inadequate inclusion of culturally diverse leaders in businesses and organizations in the United States is significant, and leadership commitment, respect, and dignity are characteristics that can improve diversity [38].

Leaders lack understanding of how to manage the integration of people from different backgrounds and nationalities [30][57] and specifically differences between Western individualistic culture and collectivist cultures in MENA. There is insufficient reliable data for understanding cultural competence needs among United States business managers to develop strategies to address barriers and challenges to improve the cultural competencies in American business leaders, thereby improving efficiency and performance of multinational corporations operating in MENA. This study will seek to address the gap in the literature by examining how expatriates and local employees in host countries perceive cultural diversity and the skills needed to engage with culturally diverse individuals. According to Abyad [2][31][33][51], American business leaders lack ability to recognize cultural differences when conducting business in the Middle East.
**Summary:** Understanding cultural differences may help organizational leaders in global businesses successfully improve operations, efficiencies, and profits. Limited literature exists pertaining to understanding the perceptions of leaders’ international cultural competence, cross-cultural experience and the relationship to business strategies of United States global corporations operating in MENA. Leaders of corporations based in the United States have devoted minimal resources to conducting research to evaluate successful ways of cultivating a global mindset in the organization [29]. MENA nationals consider history an extremely important force in every Middle Eastern community, and throughout history, a large number of ancient civilizations have occupied the region. Migrating populations have brought various cultural dimensions, including empires of the Assyrians, Persians, Egyptians, Macedonians, Phoenicians, Arabs, Mongols, and Ottomans. Composition of the present culture in the Middle East is a mixture of unique and old cultures and very young nations that add a unique identity and culture.

Because the world is increasingly interdependent due to globalization, businesses increasingly demand that leaders understand the culture in which the company conducts business. Each country has a unique business and social culture. Leaders of United States businesses may not have sufficient knowledge of individual differences between particular countries, and it is essential for American organizations to develop cross-cultural competencies to strengthen connectivity and interdependence with the world market. Discovering world cultures, cultural awareness, language capability, and technological sustainability improves cultural sensitivity [12][30][57]. Awareness, language skill, and sustainable technology are associated with global structures to develop a competitive advantage in global markets [63]. The risk of not possessing the appropriate organizational capability could lead United States international businesses to frequent confrontations, and often failure [25]. Leaders are finding it imperative to have experience in the global marketplace and to adopt a global mindset in order to operate successful multinational corporations across cultures. In the review of current literature, findings are associated with the benefits of implementing the most effective strategies in global organizations.

**References**

18. Gavín, J. (2013). Safe havens to draw more investors. MEED: Middle East Economic Digest, 57(47), 32-33


60. Turner & H. Khondker (Eds.), Globalization east and west. (Chapter 13, pp. 188-203). http://dx.doi.org/10.4135/9781446251089.n13