Managing in a Global Context: The case of a Western oil industry in United Arab Emirates

Dr P. Pantelidis
Technological Educational Institute of Serres
Department of Accounting, Greece

Dr D. Paschaloudis
Technological Educational Institute of Serres
Department of Business Administration, Greece

K. Anastasiadou
Technological Educational Institute of Serres
Department of Business Administration, Greece

A. Anastasiadou
University of Sunderland, Business School U.K

Abstract

This study is based on a Western oil industry which aspires to expand the production to United Arab Emirates (UAE). The main subjects the paper deals with are the factors that the mother company should pay attention to major internationalisation variables as far as the cultural factors, including the Islamic religion and women status prevailing in the United Arab Emirates.

 The decision towards internationalisation is of great importance for the majority of the oil companies (Rundh, 2001), thus ethical issues concerning competition and illegitimately means, bribery, health and safety conditions along with working conditions, become the key features for cross-border success. However, the emergence of another oil industry in the United Arab Emirates market will raise environmental issues as well.

The methodology employed in this research lies on interviews, semi-structured and emailed interviews. The researchers interviewed Western European Oil Industry Experts whose experience and knowledge proved to be valuable for the completion of the particular study.

As a result of the particular survey, the venture of establishing a Western Oil Industry in UAE is proved to be a complex process combining ethical, cultural and environmental issues.

Keywords: oil industry, culture, internationalisation, ethical and environmental issues

Introduction

This paper deals with the way of a western company which wish to expand its operations abroad and particularly in United Arab Emirates (UAE).

Through interviews with experts of the oil industry the researchers concluded that the main factors that should be taken into consideration when a company wishing to internationalise are three: Cultural, Environmental and Ethical Issues.

These three issues triggered the interest of the researchers, since the UAE culture is complex and unique. As far as the environment is concerned, an oil organisation can turned to be harmful for each environment which is already "impaired" such as the UAE. And finally, the ethical issues including all those ethical rules which the company has to comply with due to the intensive competition exists in the Oil Industry.

Methodology

The next stage of this paper is to designate the researcher methodology employed in order to complete the paper, collect information and draw the desirable outcome. In this research, the researchers decided to base their work on interviews structured, semi-structured, telephone interviews as well as personal contacts as a result of the inductive approach (Saunders et al, 2003).

In this paper, interviews represent the main tool of the research, which may occur among two people, having a positive discussion on the issues under examination, (Saunders et al, 2003). Interviews helped the researchers to comprehend in a more efficient way the key issues. The experience of the experts was vital for the formation of the study and assisted to reach the desirable outcome.

The interviews took place among the researchers and representatives of Western Europe leading figures in oil industry, who wished to keep their privacy. However as the situation demanded and for the success of the survey, except for the interviews, the researchers used semi-structured interview where the researchers had the flexibility to add questions for the better flow of the discussion. Moreover, telephone and emailed interviews where employed as well, in cases the researchers though it was necessary. Though, complying with the ethical commands, no identifications or brand names were released.

Culture

It is a very difficult issue to explore culture in depth. It is far difficult and we must be sentient of the effects the dimensions of culture may have on doing or expanding business.

"Exploring culture can be compared to exploring the ocean" argue Schneider et al (2003, p.20), since culture and its impact are very difficult to define as well as to explore.

The scholar Ed Schein define culture as " a set of basic assumptions –shared solutions to universal problems of external adaptation(how to survive) and internal integration (how to stay together)-which have evolved over time and are handed down from one generation to the next" (cited in Schneider et al, 2003, p.22).

Hofstede cultural dimensions

In order to penetrate deeper and understand a culture Hofstede identified 4 dimensions, which are distinctive characteristics of each culture. These four dimensions are Power distance, Uncertainty avoidance, Individualism/Collectivism and Masculinity/Femininity (Schneider et al 2003)

Power distance is a reflection of the extent to which people are able to cope with the allocation (equal or unequal) of the power within the organizations. (Lane et al 2003)

Uncertainty avoidance depicts the degree to which people are conciliated with uncertain situations and how they can cope with, and if they desire more certain and predictable situations. (Lane et al 2003)

Individualism/Collectivism depicts the degree to which people are concerned about the general benefit of the group but in contrast if they do care only about their personal benefit. (Schneider et al 2003)

Masculinity/Femininity is the degree to which people are concerned about competition, money, and material goods, in contrast if people are concerned about more "feminine" issues such as the friends and good relationships, quality etc. (Schneider et al 2003)

In United Arab Emirates, according to Hofstede, there is a high level of Power distance (80) (see appendix). High level of power distance in combination with high level of uncertainty avoidance (68) (see appendix) is the main cultural features of the country.

Due to high power distance and uncertainty avoidance, predominating system of the country does give the chance to the citizens for evolution. The main characteristics of the culture of United Arab Emirates are the adherence to written rules. High level of uncertainty avoidance promoted the opportunity to emerge inequalities in power distribution among the society and organizations.

High power and high uncertainty avoidance is a fertile ground to emerge the total leadership, where leaders are the ultimate ruling authorities, with the power to create laws. Furthermore the high level of Power distance wants the leaders to be separated and superior to the rest of the group (see appendix) (Geert Hofstede Cultural Dimensions of Arab World).

The high level of uncertainty avoidance mirrors the ability of the society to cope with uncertain situations. In order to cope with this ability, in society with high uncertainty avoidance, severe and harsh laws and regulations are imposed.

The ultimate principal of the country is to reduce the uncertain situations, while managers and other person in leading positions, avoid taking risks since they feel more comfortable in secure and predictable situations. (Geert Hofstede Cultural Dimensions of Arab World).

The United Arab Emirates is a country with average level of Masculinity (52) (see appendix). From this dimension may be drawn the conclusion which could mirror the place of the women and the male dominating society. The society is more concerned about the task achievement and not that much about the quality of life and social relationships (Geert Hofstede Cultural Dimensions of Arab World).

UAE has a low level of Individualism (38) (see appendix), which depicts the tendency of the population for the group benefit, instead of the individual accomplishment. Furthermore, the main feature of the society is the loyalty as well as the group support (Geert Hofstede Cultural Dimensions of Arab World).

A fundamental element of the UAE's culture that the mother company should bear in mind is the dress code. They should abide by the local rules but it would be very insulting for the locals if foreigners wore traditional clothing. It would be usual for the local personnel to take of their shoes before enter a place. It is a custom for them, but a western company may not permit something like this. Alcohol as well as pork meat is not permitted for Muslims.

The company should contemplate this and be careful of what products they are going to serve and sell at the canteen, in order no to insult the local religion (United Arab Emirates Cultural features).The most fundamental element which should be given great attention is the resting day. For the Muslims the Friday is the resting day. It is a great cultural difference since for many civilizations and societies; Friday is a normal working day. Maybe thus the company which is going to be settled in the UAE ought to change the working days and hours in order to fit in the local culture and environment. (United Arab Emirates Cultural features).

Culture and the status of women in United Arab Emirates (UAE)

The society of the United Arab Emirates towards women is very strict and limitary.

Emirati women are strict dressed, in black cloaks with scarves in their head. A common scene in the society of United Arab Emirates is young women students to go to the institute with escort of a male relative, while they are not able to interfere with any male.

It can reveal the adherence of the population to the harsh and strict rules of UAE's society. The obedience and the loyalty to the Muslim behavior imposed by the religion and the society is clear from this example. The Muslim society and religion impose the protection of the women from the public exposure and interfering with others in public. In addition Emirati women are not permitted to travel abroad or even visit the next city without the appropriate escort, which may

be consisted of a male relative. Furthermore internet access is forbidden for women, in order to be protected from inappropriate news and communication (Richardson, 2002,).

It is very difficult for the women to be evolved in a Muslim society. They may encounter many hindrances since they live in a male dominating society, with the woman to have a very low position within the society. Emitari women are not supported to evolve themselves since they should be educated for a good marriage and to educate the children, while there is no promotion for self evolution or obtaining a job (Richardson P., 2004).

In UAE the two sexes have a different part within the society, which are imposed and controlled by Islamic codes. The main difference between men and women in Muslim societies is that men represent the status and power, as well as those who interfere with others, with main characteristic the dominance over women. On the other hand, women are of low profile, in the ignorant position of staying in the house nurturing the children (Mudler, 1996:44).

The oil industry established in UAE, should take into consideration the local culture and its special features. As we have already discussed above a fundamental feature of the UAE is the perceived role of the women. The women in Muslim countries are perceived to be inferior to men. If the mother company pays little or no attention to this inequality of the role of the two sexes, detrimental effects for the successful settlement of the new company may arise.

 In addition another element they should take into consideration is the harmonious coexistence between the two sexes. It would be very difficult for local male personnel to cooperate and coexist with female colleagues since they are perceived to be inferior.

 It may not possible to cope with this fact, which in western civilizations the coexisting and the equality among the two sexes is taken for granted. Furthermore, if the mother company sends a female expatriate manager, it is a natural outcome that the local male personnel will not be able to cope with the fact of a woman giving commands and having a managerial position. In addition another possible hindrance is the dress code. Muslim rules impose a certain code of dressing (cloaks, scarves etc).

If the company has a policy for its employees to dress uniformly, with suits for men and skirts for women, a resistance of the local personnel may emerge since they have their own dress code diverging from the western standards. Women employees sent there, wearing skirts and leaving some parts of their body uncovered (such as legs, head, hair), will be very provocative and reproved by the locals.

Religion in United Arab Emirates

Another cultural factor the mother company should take into consideration during the expansion into the new location is the local religion and the impact it might have on the settlement and function of the new company. The religion prevailing in the United Arab Emirates is Islam. The main beliefs of Islam are founded and controlled by The Holly Quran. (An introduction to islam)

According to Islamic beliefs, Muslims are required to do daily prayers and fast as a means of communication with Allah. In a daily basis, Muslims are obliged to do five prayers to their God. For Muslims fastening is perceived as a way to please and give thanks to

God. Muslims fast on the month of which is called Ramadan. Muslims' obligations during this month are to give some daily pleasures. They must abstain form food and drinking at daytime. During Ramadan, the fasting is restricted before sunrise to after sunset (An introduction to islam)

Religion may turn to be one of the most important factors which can control the success of the establishment of a company to a foreign country. Muslims have many obligations to their religion.

If we take under consideration the daily prayers, the Muslims must take many breaks during the working hours to pray to God. Constant breaks may slow down the production. Furthermore, praying breaks may provoke oppositions, since foreign and non-Muslim colleagues may demand more breaks during working hours for themselves too. Additionally, another element the company should take into consideration is the Ramadan, where Muslims fast and they are not allowed to consume anything, including food and drinks. It would be very difficult for them to come in touch with people not fasting and consuming whatever and whenever they want.

But above all, the mother company before the settlement should contemplate the difference among the religions. The mother company may not be supporters of Islam, and it is possible not to support diversity of religions within the society of the company. Furthermore the host country may not be willing to make welcome a company of a different religion from Islam. Different religions mean difference in cultures, in behaving or even way of thinking. Religion is the main principle of a person influencing his social life as well.

Ethical issues

The meaning of ethics and business ethics

Ethics are perceived as the way to define the right and wrong conduct of behavior (Boatright, 2003). It is a means to distinguish when the actions are beyond the line of morality and when they are immoral. Main object of ethics is the human relationships, the behavior within the human relationships from both sides. The business ethics is perceived as the application of the general ethical principles when conducting business (Rosenthal et al 2000).

Why business should be ethical?

The public anticipates an ethical behavior from the company. With an ethical behavior the company will have the advantage to obtain the people's support, protect the public from any danger and risk, as well as be protected from unethical approach of other companies as well as from the staff within the company's society, protecting the human resources of the company as well (Federick W, et all, 1992).

Emerging ethical issues from the new settlement

The major problem the company may have to encounter is the divergence between the behavior and approach of the host and mother country, in cases where many companies wish to expand their production to a different country.

In addition, an integral element of an ethical approach as far as the oil industry shall be the health and safety. "It is the duty of every organization, so far as is reasonably practicable, to provide a place of work that is both healthy and safe (Health and Safety at Work Act, 1974: Preable, cited in Pettinger R., 2002, p.197). This means that organizations are obliged to provide a healthy and safe working environment for the employees.

It is a vital requirement for an oil industry which also produces petroleum products, where the chemicals are the main elements for this industry. Many exhalations from the chemical substances which are used can easily cause many health problems. Furthermore the company must set the basic level of working hours for the employees in order not to be exploited and work overtimes without payment. In addition the working environment and conditions must be as safe and healthy as possible as well as human.

In our case for example, there must be proper ventilation, there must be adequate lighting and temperature levels, as well as the proper machinery and equipment. (Pettinger R, 2002).

Another ethical issue that may emerge is the equal opportunities. Equality of treatment, opportunity and access are vital elements for the accomplishment of the company. Discrimination is restricted by law. Organizations shall not discriminate people according to their race, gender, religion, disability, color, status etc (Morden, 2003). According to Pettinger (2002, p.410), "people must be viewed in terms of their potential as staff members, as contributors to the success and prosperity of the organization".

Unsuccessful effort to cope with this challenge may have detrimental effects such as: poor employee relations , poor public relations, troubles as far as law is concerned brought by regulatory bodies, trade unions etc, loss of organisational reputation which can be perceived as competitive advantage, loss of government or public utility contracts (Morden, 2003) .

The organization may be staffed in a great percentage by employees from the mother company, but the local workforce should not be ignored or judged according to their religion, color, status etc. Additionally, since the United Arab Emirates is male-dominated society, the women shall be given equal opportunities to work and undertake a vital role within the organization.

United Arab Emirates is a very rich country due to abundant oil reserve. Many oil companies function in UAE, fact that emerges great competition rendering the settlement of a new company a difficult task to deal with.

Thus, a company in order to settle there and thrive may resort to illegitimate means in order to secure its position among the local production. Incidents such as bribery are possible to emerge in such occasions, most frequently seen in multinationals that are willing to play a dirty game. According to Hoffman (1990) "Widespread bribery would make fair competition impossible" (p.433).

Environmental issues

The environmental issue is an extension of the ethical issues that is possible to emerge from the settlement of the oil industry in United Arab Emirates. The main ethical issue that the oil industry will face

is the protection of the environment. UAE is a very rich country with main income source the oil industry, thus it has already experienced pollution from existing oil industries.

The settlement of the oil company in UAE may have detrimental effects in its environment. One direct environmental effect of the oil industry is the marine pollution. The marine environment in the UAE has a constant increasing percentage of oil which is detrimental for the human health (Sindermann 1978; Dunne and Fee 1979; Ponat 1988).

A possible marine pollution may occur from an oil spill. An oil spill may have harmful effects for the marine environment since it is possible to destroy the plants which desalinize the water and provide the United Arab Emirates with drinkable water (Shriadah M. 1998).

Furthermore the oil industry can harm the marine environment by throwing their toxic wastes in the sea. By this way not only the marine life is destroyed but in addition there is damage to the coast (Shriadah M. 1998). Quite similar incidents and accidents are likely to occur since the marine environment of the UAE has already been affected once, where an oil spill took place due to a crush between two tankers occurred and 16000t of crude oil were released, having as result the decay of the fishing and scuba diving industry since marine richness was damaged (Shriadah M. 1998).

Additionally land pollution constitutes a major environmental issue. In order to extract the oil from the earth, the oil companies use the oil drilling and oilfield services. The oil companies hire such companies in order to extract and pump the oil from the ground. Furthermore the companies providing these services help the oil company to built and erect the oilers. (Oil industries).

From the oil extraction, the drilling fluids also generate considerable amounts of wastes (Holdway, D. 2002). "Drilling fluids are used to remove cuttings from the hole, prevent blowouts by controlling back pressure, maintain the integrity of the hole to permit the installation of a casing, and to cool and lubricate the drill bit"(Holdway, D. 2002 p.189).

Furthermore, the oil industry in order to be erected and built its factories, vast land areas may be damaged since trees will be cut off disturbing the balance in the ecosystem. Moreover it has been stated that the solid waste are being dumped and specifically they are being discarded in an uncontrolled way, explaining that only the harmless and worthless wastes are discarded in this manner (Elshorbagy W.,et al,2005). How can the world be sure that these wastes are not harmful for the environment and the human health?

Likewise the oil industry may cause air pollution as well. The emissions of the oil production may harm the air. Exhaust from the chemicals which are used in the production as well as emissions from the plants will affect the air of the country. It will affect the population's health since the polluted air can cause serious health problems such as chronic lung problems, cancer and more.

Recommendations

The venture of establishing an industry in a new country may not be that easy as it may seem. The mother company must take into deep consideration many factors in order to be successfully established in the new country. In our case the mother oil industry shall take into consideration the culture of the United Arab Emirates and its special features. The new company should not only promote the diversity but try to combine the diversity and new ideas from the western civilizations with the local culture.

The emerging oil industry in the UAE should pay great attention to the eccentricity of the UAE culture such as the Islamic religion and its severe principles, the role of the women within the society, and try to mitigate them and marry them with their corporate culture and the western culture.

They should try to promote and support diversity as a multinational company and have an ethical approach. They should not succumb into illegitimately means in order to obtain a place in the local and world competition but they should be consolidated by the high quality products they have and the high quality working environment they provide to their employees. The ethical approach they should adopt is to be a company friendly to environment. They should try not to harm the environment and to adopt new techniques and methods in order to reduce the gas emissions and wastes dumping as well as the possibility of an accident.

Appendix

Geert Hofstede™ Cultural Dimensions
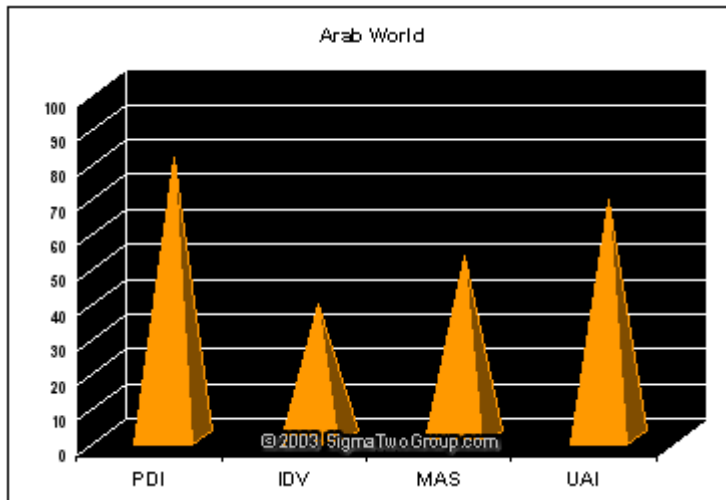
(See source: http://www.geert-hofstede.com/hofstede_arab_world.shtml)

References

- Boatright J.,(2003)-Ethics and the Conduct of Business- 4th ed.-Prentice Hall, Pearson Education
- Elshorbagy W., Alkamali A. (2005). Solid waste generation from oil and gas industries in United Arab Emirates. <u>Journal of Hazardous Materials</u>
- Federick W., Post J., Davis K., (1992) - Business and society: corporate strategy, public policy, ethics - 7th ed. - New York; London : McGraw-Hill
- Hoffman M., Mills Moore J., (1990) - Business ethics: readings and cases in corporate morality - 2nd ed . - New York; London : McGraw-Hill
- Holdway, D. (2002). The acute and chronic effects of wastes associated with offshore oil and gas production on temperate and tropical marine ecological processes. <u>Marine Pollution Bulletin 44</u>, pp.185-203
- Lane H., Distefano J., Maznevski M., (2003) – International Management Behavior- 4th ed.- Blackwell Publishing.
- Morden T, (2003)-Principles of Management- 2nd ed.- Ashgate
- Mudler 1996:44, cited in Richardson, P. (2004). Possible influences of Arabic-Islamic culture on the reflective practices proposed for an education degree at the higher colleges of Technology in the United Arab Emirates. <u>International Journal Of Educational Development </u>24, pp.429-436.,p.433
- Pettinger R, (2002) - Introduction to management - 3rd ed. - Basingstoke: Palgrave
- Richardson, P. (2004). Possible influences of Arabic-Islamic culture on the reflective practices proposed for an education degree at the higher colleges of Technology in the United Arab Emirates. <u>International Journal Of Educational Development </u>24, pp.429-436.
- Richardson (2002), cited in Richardson, P. (2004). Possible influences of Arabic-Islamic culture on the reflective practices proposed for an education degree at the higher colleges of Technology in the United Arab Emirates. <u>International Journal Of Educational Development </u>24, pp.429-436., p.432
- Rosenthal S., Buchholz R., (2000)-Rethinking Business Ethics *A Pragmatic Approach*-Oxford, Oxford University Press
- Schneider S., Barsoux Jean-Louis, (2003) – Managing across cultures- 2nd ed. – Harlow : Financial Times Prentice Hall
- Shriadah, M. (1998). Impacts of an oil spill on the marine environment of the United Arab Emirates along the Gulf of Oman<u>. Marine Pollution Bulletin</u>, vol.36, N. II, pp.876-879
- Sindermann 1978; Dunne and Fee 1979; Ponat 1988, cited in Shriadah, M. (1998). Impacts of an oil spill on the marine environment of the United Arab Emirates along the Gulf of Oman<u>. Marine Pollution Bulletin</u>, vol.36, N. II, pp.876-879, p.876

Web site – References

- Oilindustries:http://www.investopedia.com/features/industryhand book/oil_services.asp (accessed in 3/03/05)

- Geert Hofstede Cultural Dimensions of Arab World: http://www.geert-hofstede.com/hofstede_arab_world.shtml (accessed in 27/03/05)

- United Arab Emirates Cultural features: http://www.cyborlink.com/besite/uae.htm (accessed in 29/03/05)

- An introduction to islam: http://www.cco.caltech.edu/~calmsa/intro.html (accessed in 2/04/05)