Middle East and North Africa (MENA): Globalization and the Role of Culture

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Abstract: The Middle East and North Africa (MENA) comprises 18 countries, including the Arab countries, North Africa, and Iran. With a total population of 432 million in 2007. Demographers expect the population to increase to 700 million by 2050 [60]. The World Bank’s (2012) projection for population growth was 600 million by 2025. MENA serves as an international focal point attracting foreign companies by offering opportunities for new business relationships [8][39][69]. The selected nations are the largest countries in the region by demographic and economic size and share the same or similar cultures. The MENA region as a whole contains two-thirds of the world petroleum reserves; however, multiple challenges besiege the region including political instability, social tensions, and an increase in population size [50][60]. Increased interconnectedness and interdependence of people and countries are bringing additional change in a new form of economic diffusion and social practices [71]. The new form of globalization is shaping the MENA into a new competitive global marketplace [12][39][50]. Dubai has acquired OMX; the largest advanced-technology option market exchange in Europe, and entered into a relationship with NASDAQ. The country offers an organized infrastructure with an unobstructed employment market, resulting in remarkable trade and industry growth [8]. Flottau [26] reported that Abu Dhabi International Airport has seen growth of 21.5% with a capacity of 56 million passengers in 2012. Planners designed Dubai airport to act as an international hub and the forecast for 2020 stands at 98.5 million passengers annually. Dubai has attracted 5.5 million tourists in the first half of 2012, an increase of 11.1%, as claimed by United Arab Emirate’s tourism department [26]. Dubai’s government claimed that the expansion of Dubai Mall, the world largest mall, would attract new luxury retail businesses and other business entities to expand their operations to Dubai [58]. According to Dubai’s Land Department, the Emirates have seen a return on investment increase of $14.4 billion worth of real estate investments in the first half of 2013 [61]. In the Gulf region of MENA, Emirates, Etihad, and Qatar airlines will be able to handle the rapidly increasing passenger flows by expanding the nations’ airports. Developers project expansion of Dubai-DXB in 2018 to grow from 60 million to approximately 90 million passengers per year. In Qatar, planners project completion of the new Doha International Airport (NDIA) expansion project by 2018. With an increased capacity of 50 million passengers a year, NDIA will cost an estimated $15.5 billion (New Doha International Airport, 2014). Investors in the education market have also shown strong interest in the MENA region, in which education has become an attractive business proposition. Economic analysts in Saudi Arabia expect education to be worth $96 billion in gross revenues by 2015. The Saudi Arabian government has increased its focus on education and healthcare and allocated 25% of its $219 billion budget for 2013 toward higher education and workforce training [5]. This paper discusses role of culture in globalization; specifically understanding religious differences, Islamic culture, and religious values that may influence business decisions in Middle East and North Africa (MENA).
Introduction: Competing and expanding global operations requires excellence in research and development, capability building, supply-chain management, logistics, and innovation [56]. To cope with rapid and dramatic changes that occur outside and inside, organizations turn to innovation to develop and maintain a competitive edge [13]. A number of quantitative studies have suggested organizational culture is an important factor that affects organizational innovation capability [20][22][62].

Researchers used literature and case studies to construct the factors and outcomes of strategic innovation [4][62] argued that integrating applied knowledge would be critical to the success of organizational strategic innovation. Ahani et al. [4] identified factors leading to successful team leading and innovation: change culture to implement knowledge activities; resources; retain knowledge workers; and access to knowledge using various networks and technologies. Using case studies, Cravens et al. [20] identified five factors needed for successful innovation: (a) building effective development processes, (b) choosing the right innovation strategy, (c) leveraging capabilities, (d) making resource commitments, and (e) creating an innovative culture. Cravens et al. [20] emphasized the importance of an innovative culture as the center of the typology of successful innovation.

Role of Culture: Organizational culture consists of the shared organizational norms, beliefs, and values [33] and common practices, heroes, symbols, and rituals [36] regarding how work is done and how workers interact to accomplish organizational goals. Organizational cultures shape how people set goals, interact with individuals, and make decisions. The term organizational culture as a collective characteristic started appearing in management literature in 1964 [36]. Organizational culture is a product of people’s behavior in the workplace. The values of key organizational leaders and founders usually have an important effect on organizational cultures, affecting organizational productivity and functioning [11][36][46]. Leaders of United States multinational organizations remain challenged to understand cultural differences without possibly jeopardizing efficiency and performance when doing business across borders [2][15][31][37][57][64].

MENA and Western cultures differ in organizational culture [21][34]. The MENA region is diverse and consists of a myriad of unique cultures. Different regions within MENA adhere to different ways of life, characteristics, behaviors, dialects, and mindsets creating communication gaps that may cause problems for Western organizations. Business people from Western countries need to realize that making a deal with Arab executives is different from making business deals at home. Oueini [53] conducted research on a Western versus Eastern culture comparison with the example of the United States and Lebanon, and found that Arab executives prefer to focus on the short-term effect instead of the long term. The analysis showed the need for global leaders to develop the company’s home-country personnel to operate in a variety of cultural settings.

Recognizing characteristics of a particular national culture may allow American business leaders to focus on strengthening the relationship with Arab managers to allow the business to thrive. Lebanon is an exception by demonstrating a low level of collectivism [53]. Culture dictates how people solve business problems and approaches vary across cultures. Individualism or collectivism traits and power distance dimensions play a significant role in decision-making [53]. In Arabic collectivistic societies, family is considered the nucleus of society and family ties are deeper and stronger than in individualist cultures such as the United States. Hodgetts et al. [33] asserted value systems vary across national boundaries. For example, Adler [3] explained
how citizens in Latin American countries put high value on loyalty to family, which causes managers to tend to hire incompetent family before other qualified people.

Chen [17] explored differences in Chinese and Western leadership and followership behavior. The differences in business philosophies created a problem for Westerners doing business in China. Chinese leadership varies from Western leadership because of Confucian philosophical influence on organizational culture; this affects how Chinese leaders operate businesses and view business ethics. Chen [17] concluded that understanding specific leadership and followership skills led to better techniques that were specific to China and that make for a successful investment for those business leaders who established an operation in China. Similar awareness is useful when operating in MENA context.

**Global Organizations:** Since the 2008 financial crisis of the United States, economic recovery in the MENA region helped companies to expand business activities. The total value from disclosed business agreements or transactions domestically rose to 54% of all deals at a combined value of $2.2 billion, whereas Qatar reached 21% and $880.4 million, which placed UAE first in the region for increased value of transactions in the first quarter of 2013 [10]. Ashraf [10] noted an increase in investor confidence in the MENA region in year 2013, where the UAE announced the most acquisition activities taking place in the domestic region with 11 agreements; Kuwait, Qatar, and Saudi Arabia, each reached seven acquisitions. Ashraf [10] claimed that the value of domestic disclosed deals grew by 171% compared with the first quarter of 2012, largely due to a $2 billion merger creating Aldar-Sorouh, while the value of outbound disclosed deals fell by 39%. According to Phil Gandier (as cited in Ashraf [10]), Ernst & Young-MENA’s head of transaction advisory services, there are opportunities for corporations to merge, acquire, or be acquired.

Increased interest in global organizations has shown a need to develop leaders who can drive business on a global scale. Many multinational business ventures have succeeded or failed to develop the best global leaders within the limit of organizations’ capacity and motivation [33]. The corporate cost associated with deploying weak international leaders is between $2 billion and $2.5 billion per year in lost profits [31] and as many as 42% of leaders fail when transferred internationally [66]. Right Management and Trucker International studies of 1,867 leaders of 13 nationalities to provide multinational clients coaching to address the development of leadership and business competencies and provided six fundamental competencies for global leadership success [66]. These competencies are (1) adapting socially, (2) demonstrating creativity, (3) even disposition, (4) respecting beliefs, (5) instilling trust, and (6) navigating ambiguity. International leadership managing international assignments seldom fail because of a lack of technical or professional competence but rather fail to build cultural awareness necessary for understanding different cultures. Caligiuri and Tarique [15] identified lack of understanding of other cultures as a factor affecting the ability of leaders to lead across cultures and transfer foreign leadership knowledge easily.

The mainstream culture of the United States consists of the protestant work ethic and individualism [32]. In many individualistic cultures, practices reflecting the ethic resulted in self-esteem and a new spirit of enterprise, commitment, and excellence [49]. As defined in the Hofstede study [35], the United States has low power distance, weak masculine, and weak uncertainty avoidance dimensions compared to the Arab nations, characterized as having high power distance, strong masculine traits, and high uncertainty avoidance [35]. Elenkov [25] suggested that the culture-specific way people deal with lower power distance and uncertainty
avoidance is important and may be indicative of intra-country, i.e., economic activities within the country. Franke [27], and Hofstede [36] similarly noted that in general, rich nation’s scores show low power distance, high individualism, weak uncertainty avoidance, and weaker masculine traits than poorer countries. Yet, Arab countries vary along a continuum of collectivism. For example, the Saudis are more collectivistic than Lebanese.

**Religious Differences:** Scholars should consider the impact of religion on leadership practices [42][68]. In a study of the three Abrahamic monotheistic religions of Judaism, Christianity, and Islam, Kriger and Seng [42] found that some basic premises of the monotheistic religions shape the behavior of leaders and organizational cultures. In contrast, Van Buren [67] asserted that leadership style moderates the effect of personal spiritual beliefs and spiritual practices of leaders on strategic decision-making processes. Each religion has a particular ethical standpoint toward the content of religiosity, which may comfort the decision-maker and assist the decision-making process [68]. Personal spiritual beliefs affect the behavior and strategic decisions of top-level leaders and such beliefs affect the measurement and adjustment of the spiritual climate of the leaders’ organizations. Other researchers have claimed that spiritual and religious beliefs influence leadership style in the way leaders develop new skills and provide information relied upon in the workplace [63][68].

As cultures vary in different Middle Eastern countries, leaders of the region may interpret the company’s business practices and frame personal reactions according to the individual’s cultural background and assumptions [29]. Islam is the prevailing religion in the MENA countries, and leadership style tends to be highly authoritarian because Islam promotes obedience, loyalty, and respect for seniority as work-related values [40][70]. Similarly, where Muslim observance is strong, fatalism plays an important part in the daily lives of organizational members [38].

Chu and Mustafa [18] debated that some of the practices, such as strict gender divisions in traditional Islam, are not tenets of the faith but a misguided tradition. Such attitudes toward authority imply that Muslim leaders may tend more toward the laissez faire, autocratic, and charismatic leadership styles. Lack of political freedom and liberties and the opacity of regional autocracies tend to block democratic reforms. In Western culture, management styles tend to emphasize performance [33]. For individualists, priorities are set based on individual and immediate family considerations [14].

Some research has shown that Arab leaders are bureaucratic, paternalistic, and autocratic with a weak future orientation. Ali [6] stated Islam can play an influential role and can contribute to shaping the mindset of individual and group behavior among Arabs. Islam governs all aspects of life within Arab society and Ali ascribed certain behavioral characteristics to its members: (a) a deep sense of family honor, (b) pay more respect to elders and (c) respect for Arabic as the language of the Qur’an, the text of Islamic faith. For example, Abdalla and Al-Homoud [1] found effective Islamic leaders are individuals who are charismatic and righteous religious role models who lead followers to the leader’s ideals. In contrast, Ali, Camp, and Gibbs [7] argued Christianity places an emphasis on authority figures as sources of power in organizations whereas Islam focuses more on flatter and leaner organizational structures.

**Politics in MENA.** The long history of widespread election malpractice in the Arab world has caused a lack of, or inadequate levels of, power sharing. Political fragmentation of society in the Arab world has occurred because of the long history of dictators who stay in power and use wealth distribution as a political weapon to attract supporters and fight uncommitted
Le Billon [45] explained that corruption of other oil-affluent countries changes the balance of power in the Middle East. Drawing attention to the convergence of oil possessions and inequality of wealth distribution, Le Billon stressed the importance of the influence of inequalities in economic and political power on political disruption. Dictators demonstrate persistent concern about staying in power and their desire to transmit personal wealth to family members in following generations. Inequalities in income distribution and the absence of basic political freedom are consequences of dictators’ establishment of ideological control and encouraging fighting and political repression of any opposition to the ruling party [56]. The power of administration is prone to causing corruption in almost all institutions and ministries to establish prominent officials and politicians in control economically and politically.

Researching the specific political environment in the host country helps organization leaders develop a better understanding of how political conflicts affect productivity in a foreign culture. Host governments can encourage many types of FDI to increase participation in the global economy, and government action may strongly influence economic development aimed at satisfying the macro-economic conditions; such interference from foreign businesses are dependent on the degree of the nation’s openness to globalization. Expatriate leaders need to adopt a global mindset to help reduce risks, ambiguities, and uncertainties associated with operating in MENA. Foreign investments are essential to bring prosperity for public and private sectors by creating job opportunities rather than mergers and acquisitions of domestic firms by foreign companies [52].

Challenge of leading global organizations: Many global organizations consist of members from diverse cultures and managing multicultural societies can be challenging. Sensitivity towards cultural differences, interpersonal relationships, and inadequate communication styles affect every aspect of the organizations. Lack of understanding of culture and cultural differences on organizational practices can create failure to sustain a competitive advantage and affect organization performance [44]. People typically cannot easily share working knowledge that can be vital for any organization to be successful in an increasingly global marketplace and to gain competitive advantage. Differences in national culture further limit the sharing of knowledge and subsequent creation of new knowledge. Kuntz et al. [44] argued that companies have faced significant challenges in both cultural and leadership issues.

Cultural differences may transform decision-making, leadership behavior, leadership styles, social cultures, management effectiveness, and ultimately organizational performance. Expanding leaders’ awareness of world cultures, cultivating cross-cultural awareness, and developing leadership capability to manage multicultural sensitivity are strong predictors of business leadership effectiveness [51][59]. In addition, Abbe, Gulick, and Herman [2] emphasized the importance of cross-cultural awareness and understanding of cultural competence in global organization performance. Abbe et al. viewed working across borders as a strategic development process and suggested how best to work with people from different cultures to promote cross-cultural competence. Expatriates use the skills and knowledge learned from intercultural activities to support international work.

The cross-cultural skills are critical assets for developing and sustaining competitive capacity. Cross-cultural competence provides an opportunity to learn about various cultures of a country or region of interest and helps to facilitate the transformation of expatriate work roles. Another set of challenges may face global leaders that affect quality, variety, customization, convenience, timelines, and cost. Understanding how culture correlates with human behavior is
imperative for successfully managing conflict. Adjusting to different cultural norms allows leaders to be successful in managing multicultural organizations operating across borders. Mitigating cross-cultural challenges increases organizational performance with the benefit of knowing how to lead with a global perspective [30].

On the basis of current literature, Okoro [51] argued that embracing and integrating social and cultural norms of the host countries into leadership styles and leadership decision-making, and respecting diversity and different perspectives promotes both individuality and unity. According to Kaminsky [41], sales of Chevrolet Nova failed in Puerto Rico because the word Nova sounded like no va, which means in Spanish it doesn’t go. Kaminsky [41] recommended individuals first acquire knowledge about the host country before doing business there by learning about the history, politics, people, local language, body language and gestures, holidays, religion, and culture, and exposing oneself to the local culture. Development of knowledge, training, and appreciation of the differences among cultures may improve cross-cultural competence [41]. Culturally competent global leaders are critical to effect meaningful interaction and understand how the unique impact of individual differences may contribute to success of multinational and global organizations [47].

Conclusions: In a global survey of chief executive officers and executives, only 76% of respondents reported the view that a business senior leader needs to acquire competencies necessary to cope with changes and current threats and opportunities [28]. Senior executives must address the climate change challenge and cultural change to mitigate resource and environmental scarcity and expand business to emerging markets plagued with deficiency, corruption, and human rights violations [28]. Business leaders need to broaden personal technical skills and experiences in business strategy to respond creatively and effectively. Leaders also need to constantly develop skills and intellectual tools to understand soft skills or people skills and build relationships internally [48].

Results of Gitsham et al.’s [28] survey of CEOs and other executives focus on how soft skills and hard skills are beneficial for leaders at all levels of the organization. Specifically, acquisition of interpersonal skills may provide added benefits of knowing and understanding of how to interact with people with different cultures and apply the skills to improve organizational performance. Soft skills are a set of interpersonal and social skills, whereas hard skills include the technical or administrative procedures in which the results are quantifiable and measurable [43].

Strong interpersonal skills are essential for an individual working with people to complete tasks and achieve results. It takes more than technical skills to differentiate a mediocre employee from an outstanding one. Soft skills complement hard skills and broader soft skills such as critical thinking and communication create commitment and reduce uncertainty [24]. Burrell, et al. [14], Corona [19], Deari, Kimmel, and Lopez [23] argued that organizations need to continually identify, develop, nurture, and retain leaders as part of an ongoing talent development strategy. Creating personalized development plans to assess American business leaders’ abilities against recognized cultural competencies and identifying competency gaps and risks associated with performance may ensure success of leaders in new multinational roles [66].
References


