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BUSINESS AND ISLAM: WHAT IS HARAM?

MAGDALEN LUCCI
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Reviewed and approved* by the following:

Dr. Lisa Bolton
Associate Professor of Marketing
Thesis Supervisor

Jennifer Chang Coupland
Clinical Associate Professor of Marketing
Honors Adviser

*Signatures are on file in the Schreyer Honors College.

ABSTRACT

As American corporations look overseas to increase commercial opportunities in emerging markets, many cross-cultural issues oftentimes arise in forming a business strategy. Differences in language, culture, norms, and values can create obstacles in the pursuit of global success. This thesis explores the social and corporate cultures of the Arab Middle East, the impact of Islamic beliefs on both, and how American companies must adapt their usual management and marketing tactics to successfully compete in this part of the world. Through extensive research and interviews with professionals with experience in the region, "Business and Islam: What is Haram?" provides a guideline for American companies looking to create successful business relationships in the Arab Middle East.

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Chapter 1

Introduction

My honors thesis is attempting to explore the difference in business norms and ethics across the entire region of the Arab Middle East and how they compare to those of the United States. A lot of research has been done with the emerging Asian markets, but it does not appear that as much attention is being paid to the cross-cultural interactions in the business world between the United States and the Arab Middle East. To compare the two markets, I will describe the specific business norms and ethics across the Arab Middle East, and how they may impact Western companies who do business there. To fully understand the corporate culture of the Middle East, I focused my research on consumer demographics, the impact of Islamic beliefs and ethics, and how business is normally done there. I delved into a vast array of scholarly journals and reference books to learn the basics of business culture in the Middle East. In order to make the following group of propositions applicable in the modern business world beyond that core research, I interviewed the following cross-section of professionals who regularly do business in the Middle East.

Jessica Anasti is a merchandiser for American Eagle Outfitters who lives and works in Kuwait. She explained that American Eagle recently signed a franchising agreement with M.H. Alshaya Co., a multinational retail operator that manages stores all across Europe, Asia, and the Middle East. Anasti emphasized that Alshaya works with a number of well-known international clothing retailers, but American Eagle is receiving special emphasis as it is the first in a wave of American brands breaking into the Middle Eastern market.

With five stores spread throughout Kuwait and the United Arab Emirates, American Eagle is only in the beginning of its venture into the Middle East. American Eagle aims to open at least five new stores in the Middle East by the end of the year, Anasti explained. In addition to the stores in Kuwait and UAE, Alshaya plans to open American Eagle franchises in Egypt, Lebanon, Jordan, Saudi Arabia, and Morocco—a first for the company.

Anasti shared how American Eagle Outfitters, the epitome of an American clothing brand, had to adjust to such a different culture. Even though American Eagle has not been active in the Middle Eastern market for long, it is beneficial to find out how they are currently adjusting their product line, brand image, and marketing plan to fit with the norms of Middle Eastern culture. Through Anasti's accounts of first impressions, observations in the field, and interacting with the target market, I was able to see how the values of Middle Eastern culture and Islamic ethics forced American Eagle to adapt its business strategies.

Giles Campbell is a native of England who first came to the Middle East to run a company in Bahrain. He now is working in Kuwait, with a focus on management consulting and corporate turnaround. Campbell has been working in the Gulf area for a number of years and has dealt with businesses ranging from retail, restaurants, general trading, and electronics to telecom, energy, and infrastructure. Campbell has worked in Bahrain, Saudi Arabia, Egypt, UAE, Oman, and Kuwait.

Part of Campbell's job is to restructure businesses in the Middle East that are not performing to their full potential. He pinpoints trends in management styles for Middle Eastern companies, evaluates how those norms differed from typical Western practices, and then incorporates basic Western business structures into these corporations to help them succeed and grow. At the same time, by conveying his understanding of Western and Middle Eastern

corporate cultures, Campbell also helps clarify problems as well as possible solutions for multinational companies looking to do business in the area.

Talal Hasan is a business leader for Mine Safety Appliances Corporation (MSA) in the Middle East and India. As stated on MSA's official webpage, "Through MSA's three business segments—MSA North America, MSA Europe, and MSA International—the company provides a comprehensive line of products used by workers in the fire service, law enforcement, construction, oil and gas, chemical and other industries, as well as the military" ("Overview of MSA 1). During his four years working with the International branch of MSA, Hasan has done business in almost every country of the Arab Middle East.

Bob Irwin is a contract manager for Lockheed Martin, and he has been traveling to Egypt since 1990 to discuss contracts with the Egyptian military and navy. Over the years, he has slowly but surely become familiar with the country's cultural norms and business practices. Usually visiting for a week or so at a time, Irwin flies into the capital city of Cairo, and then is escorted to the naval base in Alexandria, where he negotiates business with his Egyptian counterparts.

While Anasti of American Eagle provided examples of business-to-consumer interactions, Irwin has ample experience in corporate-management situations. Throughout his 20 years of traveling to Egypt, Irwin has learned valuable lessons about interacting in the drastically different business culture. Irwin lists a few major differences between cultures and explains how those differences affect Egyptian management techniques. Whether it be time management, concerns of details getting lost in translation, or traditional values that may seem backward to Westerners, all aspects of the Egyptian culture must be understood and respected. In order to create a cooperative working environment, Irwin and his fellow Lockheed Martin employees

learned to adjust their usual business practices to be more sensitive to the Egyptian corporate culture.

In addition to Irwin, I spoke with **Dennis Rice** and **Tom Thrall**, also employees of Lockheed Martin. Rice serves as an in-country manager, and he resided in Egypt for 10 years. Thrall, recently retired, worked as a project manager at Lockheed Martin for 17 years. Thrall has been traveling to Egypt since the early 1980s, and he lived in the country for three and a half years. Both Rice and Thrall commented on the difference in negotiation tactics between Americans and Egyptians. Also, they explained difficulties they experienced trying to live and work in the Egyptian culture and provided some advice for individuals aspiring to do commerce in the Arab Middle East.

Through these interviews, extensive research, and my own experiences in the Middle East, I plan to report on how consumers there behave, the impact of Islamic beliefs, how business is normally done, how it differs from our traditional views, and how Western businesses must adjust their usual management and marketing tactics to successfully compete in this important emerging market.

Chapter 2

Impact of Culture on International Business

In an increasingly competitive world, consumers are constantly bombarded with marketing messages through countless forms of media. Today's customers have endless options of every type of products, so companies must differentiate their merchandise from the competition to increase interest and sales. Marketers have gravitated from the product-oriented campaigns of the past to a more personalized consumer-oriented approach. Success in the marketing world really stems from knowledge of the customer base. Companies must know all about their target market before creating a marketing plan. By gathering valuable knowledge from consumer research, marketers can discover the motivations, values, wants, and behaviors of consumers, and develop a marketing plan to fulfill the customers' needs. By focusing more on the customer than the product sold, companies can gain a competitive advantage in sales and develop a loyal customer base.

In recent years, many American companies have ventured out to capture sales opportunities overseas, creating a world market of interconnected economies. With modern technologies and the power of the Internet, international business exchange has become easier than ever before. The phenomenon of globalization has created increased business opportunities for the business savvy, making the whole world potential consumers.

Entering into foreign markets is truly a challenge. Standard Western business practices will not work successfully in all international markets mainly because of drastic cultural differences throughout the world. **Culture is a learned system that consists of values, beliefs, customs, and practices shared by a group of people.** These communal concepts inherently

influence the attitudes and actions of the people who belong to that culture, and it is imperative that professionals in multinational companies study and understand how culture affects businesses. Managerial styles, customer values and behavior, and overall corporate environments are highly influenced by culture, so it is imperative that companies understand the beliefs and principles of the people before doing business in a different country.

The differences in beliefs, religions, mores, etc. require companies to adjust business strategies to fit the demands of certain cultures, especially in marketing. To be a savvy marketer in this day and age, one must understand the concept of cross-cultural marketing and its importance in international business. Fundamentally, **cross-cultural marketing is adapting traditional marketing strategies and communication tactics to the different cultural practices of individual global markets**. Through market research, studying of the culture, employee training, and extensive planning, companies can successfully reach foreign customers and gain a strong foothold in the global economy. If implemented carefully and thoughtfully, international marketing campaigns can deliver global success.

It can be difficult to abandon the business norms we are used to in order to develop a marketing plan for other parts of the world. Ethnocentric ideas and depending on self-reference criterion alone can prove to be highly detrimental to doing business abroad. If a company relies solely on prior experience in its homeland, then the lack of cultural sensitivity will be apparent in the business execution abroad. Without researching the foreign nation's culture, a company can unintentionally offend foreign consumers and consequently tarnish its brand reputation while losing significant investments in unsuccessful business pursuits.

When attempting to enter any foreign market, it is imperative to study all aspects of the culture. Companies that take an ethnocentric approach and ignore cultural nuances and other

prominent macro-environmental factors are oftentimes destined to fail. Without observing and

acknowledging major differences, cross-cultural business blunders will occur. And these faults

in business strategy can critically harm many aspects of the company. "Companies bear the cost

of blunders in a variety of ways: embarrassment, lost customers, legal/ethical consequences,

missed opportunities, costly damage control/containment, and impaired company/personal

reputation" (Dalgic et al. 89).

Consumers in the Arab Middle East

When entering the rising global market of the Middle East, international companies must

consider the diversity of cultures throughout the area. A marketing campaign that is successful

in America is not guaranteed to have the same results in the Middle East. Differences in

language, religious practice, economy, income, trends, and history all take part in forming

consumers' consumption behavior. According to Polly Carter in _Middle Eastern Consumers:_

Lands of opportunity, "Consumer confidence in the [Middle East] region is gradually increasing

and its inhabitants are generally optimistic about the prospects for the economy, employment,

their regular income, and overall quality of life. This has given rise to a dynamic new business

atmosphere where spending power is going up and consumer demand for all manner of goods

and services is elevating" (56). Especially since the recent uprisings in countries like Egypt,

Oman, and Tunisia, consumers are becoming more optimistic for a better future complete with

flourishing economies, financially comfortable citizens, and opportunities for self-improvement.

Not only is the Middle Eastern market of consumers becoming more receptive, it now has

a greater composition of young, technologically savvy shoppers that are eager to purchase the

next big fads that emerge from Western nations (Carter 56). As of 2007, approximately one third

of the populations of Egypt, Lebanon, and Saudi Arabia are between the ages of 15 and 24

(Carter 56). Anasti of American Eagle sees the "resurgence in the youth" in Kuwait. She explains that a higher percentage of youths in wealthier countries like Kuwait are going to Western universities and learning more contemporary ways of international commerce. Thus, Anasti found these young people more open to transnational diversity and easier to deal with in business negotiations.

Although there has been an emergence of a strong youth culture, marketers must still be aware of cultural sensitivities that are still prominent in even the most modern Middle Eastern countries. The globalization-friendly youth may be open to Western products and ideas, however, some of our marketing or general business tactics still can be considered as being overly vulgar compared to the more conservative values of Islam.

Chapter 3

Heterogeneity across Countries of the Arab Middle East

The Middle East – birthplace to Islam, Judaism and Christianity, a major center of world affairs, a contrast of great wealth and abject poverty – presents a unique challenge to marketers seeking to make inroads into this emerging region. For multinational companies to succeed in doing business in the Arab Middle East, especially in the majority tradition-based cultures, they must adapt marketing strategies to a cross-cultural approach. Before discussing how to market in the Middle East, let's explore how the demographics and religious influences impact consumer behavior and business practices.

Arabic is the official language of the Middle East, and a vast majority of Middle Easterners practice Islam. Though the group of countries in the Arab Middle East is culturally similar in terms of official religion and language, there are still vast differences across each nation in terms of cultural norms and practices. For instance, the Arabic language consists of multiple forms. Modern standard Arabic is taught across the Middle East as the official form of written language that is used in formal printed documents, newscasts, and speeches. However, in informal situations and in casual settings, the most common type of Arabic used is colloquial, with variations from nation to nation, some versions extremely different than others.

"Specifically, Islam is the major religion of the Middle East: 94 percent of the Egyptian population, 92 percent of the Jordanian population, and 100 percent of the Saudis are Muslim" (Marta et al. 55). There are two types of Islam: Sunni and Shia. About 85 percent of the Middle East is Sunni, and an even larger percent of specifically the Arab Middle East is Sunni (Sorli, et.al 147). Though the two sects have different practices concerning the appointing of religious

leaders and interpretation of Islamic law (shari'a), both Sunni and Shiite Muslims abide by the

five pillars of Islam (see table 1) (Blanchard 2).

Fig. 1: The Five Pillars of Islam

Shahada	Recital of the creed "There is no God but Allah, and Muhammad is His Prophet"
Salat	Five obligatory prayers in the day
Zakat	Giving alms to the poor
Sawm	Fasting from sunrise to sunset during the month of Ramadan
Hajj	Making a pilgrimage to Mecca once during a lifetime if one is physically and financially able

Source: Blanchard, Christopher M. "Islam: Sunnis and Shiites." *Congressional Research Service*. CRS Report for Congress, 28 Jan. 2009. Web. 30 Mar. 2011. <http://www.fas.org/irp/crs/RS21745.pdf>.

Since Islam is such a dominant force in every country of the Arab Middle East, its values

and morals are culturally manifested in the beliefs and actions of the people. No matter what

religion a person may practice, Islam affects every Middle Eastern person in some way. In

contrast to the founding American fundamental of separation of church and state, the Sharia law

in the Middle East integrates religious traditions with everyday practices and even government

regulations. One must understand the Islamic ethical framework to assimilate into the Middle

Eastern culture.

Although a vast majority of the Middle Eastern population is of the Islamic faith, not all

countries rely as heavily on original Islamic foundations in all aspects of society. Hasan

explained that "all of the Arab Middle East is conservative, but some [countries] are more

conservative than others." Be it economic activity, wartime history, political leadership, or

social adaptations, many Middle Eastern countries have slowly evolved from their strict Islamic

roots into developed countries open to global influence and partnership. As Campbell said, the

differences in beliefs and behaviors are "apparent within the many different slices of the

population, and there is significant variation across the Middle East." In lieu of generalizing the

Arab Middle East as a homogenous cultural region, it is more realistic to categorize countries

based on their degree of reliance on the social traditions of Islam in terms of economic and

cultural boundedness (Tian 3).

The nations of the Arab Middle East can loosely be classified into two different types of

societies: tradition-based and modern-based. Countries can be categorized based on certain

social and economic criterion (see fig. 2).

Fig. 2: Comparing the Economic and Social Modernity of Countries in the Arab Middle East

Degree of Social Modernity

		Modern	Intermediate	Traditional
Degree of Economic Modernity	**Modern**	United Arab Emirates Bahrain	Kuwait Qatar Saudi Arabia Oman	
	Intermediate		Egypt Lebanon Jordan	Syria Iraq
	Traditional			Yemen

Tradition-based Countries

Residents in tradition-based countries strongly value history, traditions, conventional

customs, and religious morals (Tian 3). Tradition-based countries are closely tied to their

Islamic roots and apply particular cultural ideals in all walks of life. Tradition-based countries

tend to be more agrarian and pre-industrialized, aiming to preserve the roots of Islamic foundations.

Social

Traditional countries are very family oriented. Not only do they aim to respect their roots in economic strategy, it is imperative that they respect their ancestral roots. Especially in the Arab culture, close family and community relationships are of the utmost importance.   It is common to find multiple generations of a family living in one household, and families look to elders to make important decisions (Kirpalani 384). To be accepted and trusted within society, outsiders must make a conscious effort to act with the outmost care for the country's traditional norms and value.

When modern-based American firms are marketing products to a tradition-based society, it is imperative to observe what motivates consumers to buy certain products or brands because consumer behavior can differ greatly between modern- and tradition-based countries. First, using surveys, focus groups, interviews, or other forms of research, marketing agents can find out exactly what consumers value in certain products. Additionally, observing shoppers in ethnographic research can reveal more about shopping behaviors and actions. Since tradition-based societies tend to be less affluent, most middle and lower class consumers tend to buy products based on overall value. These consumers use their limited disposable income to purchase goods from local markets or from well-known value-added brands (Rice 354).

Economic

In addition to the conservative origins in social attitudes and practices, tradition-based societies usually have high political or economic risk for foreign investors, so their economies often remain bounded in a developing state (Tian 3). Because their culture is so reliant on

customs of social and economic behavior of the past, those traditional countries will have a hard time realizing the increasing international opportunities of globalization. As a result, countries too timid to adventure outside their boundaries for business transactions may stay in a perpetual developing economic state.

The lower the purchasing power of a country, the less likely they will receive foreign investment. These traditional countries do not have enough disposable income to be a potential target market for foreign brands, therefore they do not reap the benefits of having a global corporation established in their nation. This never-ending cycle only aggravates the economic problem, causing these types of countries to develop socially at a painstakingly slow pace, if at all. At the same time, these shoppers oftentimes lament the globalization trend and avoid buying foreign products they may believe are being sold for the sole purpose of fattening the wallets of greedy corporate executives abroad. In order to combat these negative stereotypes about Western businesses, marketers must emphasize the attributes and benefits that satisfy the wants and needs of Middle Eastern consumers, especially those in tradition-based countries.

While U.S. companies generally are recognized as quality producers of a wide range of merchandise, some Middle Eastern residents may have major concerns buying American products because of country-of-origin effects. "Like brands, countries also have equity associated with them, termed "nation equity," that goes beyond product perceptions and may also have an emotional component…incidental emotions that are unrelated to product performance may lead to a focus on the nation where the product originated. This implies that nation equity may be vulnerable to incidental emotions and agency attributions arising from events that are beyond the immediate purview of a company" (Maheswaran et. al). Anti-Americanism and anti-globalism thoughts may influence people's perceptions of the brand, as

well as the company. To combat any detriments because of country-of-origin effects, "one obvious alternative is to downplay the "Made in…" aspect of a brand. A related practice is to reposition brands to appear as local products on store shelves. More directly, companies can decouple their products from the source of the offense. Businesses can also form joint ventures with local firms to strengthen their ties to one geographic region while loosening their connections to another" (Ettenson et al. 7).

Modern-based countries

Modern-based countries have evolved from their foundations through technology, industrialization, and globalization.

Economic

Since a majority of the contemporary countries boast large GDPs because of the abundance of oil, they have higher living standards and ever-increasing opportunities for employment (Marinov 9). Thus, these countries primarily have market-driven, more liberal economies, encouraging foreign direct investment and healthy competition between various multinational companies.

The discovery and exploitation of oil brought a change to international relations due to the global economy's dependence on oil. It also resulted in drastic improvements in income, living standards, industrialization, and infrastructure in the oil-rich Middle Eastern countries. However it also brought a degree of westernization, which clashed with the traditional Arab culture and Islamic religion (Marinov 104). "With the influx of money [and] a rapidly growing middle class, there has been a growing demand for nontraditional consumer products" (Kirpalani 385). Western companies therefore opened subsidiaries in the modern Middle Eastern countries to provide nontraditional consumer goods to the population with high purchasing power.

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Countries like Kuwait and United Arab Emirates attract highly educated professionals and lower-skilled workers from all over the globe to take advantage of employment opportunities (Marinov 97). This diverse population creates an inviting market more typical of modern-based countries. In comparison to tradition-based countries, modern countries are attractive to foreign investors and workers because of healthy markets, higher incomes, and greater quality of life. As more varieties of brands are being introduced to the market, consumers have the ability to choose the best available brands that fit their needs. And like their Western counterparts, consumers living in a modern-based Arab Middle East country are becoming more brand conscious when making purchasing decisions (Carter 56). To thrive in a competitive marketplace, businesses strive to differentiate their products from competitors in order to capture market interest.

More modern countries such as Lebanon, Kuwait, and the UAE have recently seen a boom in shopping mall culture since the late 1980s (Carter 56). Shopping malls are not just glorified town marketplaces—they are air-conditioned oases that are chock full of entertainment. These shopping centers "provide clean and pleasant surroundings (in contrast to traditional suqs or bazaars), making it more conducive for wives and families to shop" (Kirpalani 384). Families can now escape the scorching sun and shop, catch the latest film in the mall multiplex, enjoy a delicious meal at the food court, or let the kids loose in the children's play area (Carter 56). Anasti, working for American Eagle in Kuwait, describes the country as "a mall society," and that most people frequent the mall six out of seven days a week. She is amazed that the Dubai Mall, one of the largest shopping centers in the world, houses an aquarium and ice skating rink in addition to over 1,000 retail stores (The Dubai Mall).

In addition to the auxiliary amusements, shopping malls finally empower the consumers in brand selection. "Shopping plazas allow for faster and more coherent product distribution and display methods…[and] by attracting large numbers of regular customers, can be important aids in product promotional efforts" (Kirpalani 384). By having hundreds of retail brands located under one roof, people can compare quality, image, price, and style infinitely easier than traveling from store to store. Consumers in the modern-based countries are witnessing an increase in disposable income, so they are more than willing to spend more money on a well-known designer brands (Carter 56). Shopping malls creates a competitive environment for a number of multinational merchandising companies trying to appeal to the image-conscious customers of the region, and "this has resulted in a greater emphasis on advertising and marketing by international retailers…through multi-media campaigns involving billboards, magazines, radio, and television" (Cochrane et al. 1). Through the use of multiple advertising mediums, international retailers will have a better chance of becoming part of the evoked set of brands the potential consumers consider before making a purchase.

Because of the recent growth in shopping malls, American and European clothing brands started to venture into the more developed areas of the Middle East to financially benefit from the growing middle class. For example, American Eagle's stores in Kuwait have been experiencing record highs in sales compared to the United States. As Anasti, working in Kuwait, noted in our interview, "In the United States, an average transaction is 42 U.S. dollars. Here [in Kuwait], it's 92 U.S. dollars." Kuwait citizens spend almost twice as much money as Americans spend with every purchase at American Eagle. That is quite fascinating considering that Anasti earlier stated that most Kuwaitis go to the shopping malls several times a week. With customers

frequenting the store regularly and spending almost 100 U.S. dollars with an average transaction, the modern Middle Eastern cities are a potential gold mine for American retailers.

Social

Modern-based countries are drastically different from tradition-based countries with respect to openness of cultural attitudes. Most of the modern countries are characterized by an overall open-minded, individualistic population that is usually receptive to Western viewpoints (Marinov 104). In addition to a more progressive outlook, modern-based countries tend to have a more liberal view of the role of women. However, there are exceptions in certain countries like Saudi Arabia, where women have little social independence. "Gender segregation reaches its extreme in Saudi Arabia but is more liberal in Bahrain, Kuwait, and the United Arab Emirates. In general women are now participating more in economic, social, and political life" (Marinov 104). Even though a country like Saudi Arabia may be considered modern in economic terms, it can be very traditional in social norms.

In this day and age, it is perhaps foolish to deny the powerful hold globalization has on the world market. Thanks to ever-increasing technological developments, multinational corporations are venturing into foreign lands with more ease, whether it be through foreign direct investment or simply commerce through the Internet. In fact, marketing through the Internet and even mobile phones may be the best way to capture the youthful market of the modern Middle Eastern countries. "Over 50 percent of the population in the Middle East spends more time surfing the Internet and using their mobile phones than reading newspapers or watching television. This section of the population is well educated and media savvy" ("Changing Middle East Demographics Set to Revolutionise Traditional Marketing" 1). For multinational retails, marketing through social networks and mobile marketing may create a buzz of interest within the

youthful segments. Through word of mouth and viral marketing, international companies could potentially see increase in brand recognition and sales.

"Moreover the conflicting forces of traditionalism and innovativeness, technological embracement and conservatism, desirable and desired, are emotionally embedded in Middle Eastern consumers. All this presents a great challenge to marketers that are attempting to design a differentiated approach to consumer markets" (Marinov 105). Though many countries in the Arab Middle East are very traditional, some countries are beginning to develop economic and consumer values similar to those of Western markets, and these differences must be taken into account when constructing a marketing plan. Even though Islam is the most practiced religion in the Middle East, not all countries abide by the same exact ethical and lawful standards. Both tradition-based and modern-based countries have similar Islamic roots, yet certain areas have become more contemporary in values, ethics, and behavior. In the past, mostly all of the Arab Middle East was considered tradition-based, but several countries have become more developed and economically open, influencing attitudes and behaviors of inhabitants.

Gerte Hofstede's Cultural Analysis

One of the most commonly used strategies of defining the main concepts of a culture is by categorizing a country by certain aspects of Gerte Hofstede's cultural analysis. Hofstede provides a breakdown for cultural investigation. He organizes countries by various indexes such as power distance, individualism, masculinity, and uncertainty avoidance ("Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia: Geert Hofstede Cultural Dimensions Explained" 1). By categorizing certain nations into these dimensions, Hofstede's analysis should provide very general guidelines for companies aspiring to enter the Middle Eastern market.

Individualism

In terms of individualism, the Arab Middle East is quite a collectivist society, valuing group ideals greater than personal individuality ("Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia: Geert Hofstede Cultural Dimensions Explained" 2). Thus, families in the Middle East are very close-knit, oftentimes including extended relatives and multiple generations in one household. Additionally, "the average household size in Middle-East countries is significantly larger than that in most Western nations" (Carter 56). Families and close friends oftentimes have tight-knit bonds that must be cherished and protected in all facets of life. As a result, these strong familial bonds sometimes lead to acts of nepotism and partiality in the workplace, according to Irwin of Lockheed Martin. Though unjust in American business norms, the action of family favoritism is not as scrutinized in the Arab business world.

Throughout Campbell's experience in restructuring corporate frameworks throughout the Middle East, he has oftentimes witnessed the nonchalant view of nepotism and its devastating effects on productivity. A few years ago, while Campbell was running a recruitment company, he was summoned by a senior executive who was in charge of a certain function of one of the largest-funded banks in the gulf region. The executive asked Campbell if he could find an expert in his particular function that could assist him. When Campbell inquired what type of problem needed to be solved in order to find the right expertise in the function, the executive broke down and admitted that, "I have not done this before. I don't really have any experience in banking, either. I'm here because of our chairman. We've been friends since we were children, and he trusts me. That's why I have this job." Campbell continued to explain that not only did this man, one of the top five executives of the company, have no qualifications or prior experience in banking, but he was previously employed as a netball coach. This extreme example of

favoritism shows how something so taboo in Western business culture can actually be normal and commonplace in the Middle East.

However, Talal of MSA has a different experience with familial interactions in the business world. He states that "many of the firms in the Arab world are family businesses, and as such the sons take a prominent role after graduation from college. But, in public companies, this is not the case. Like everywhere, contact is important in business, and if a family member can make the right introduction, they will." In contrast to Campbell's experience, Talal rarely sees unfair family connections in the workplace, but networking through family connections is a familiar concept as it is in the Western business world.

In traditional Middle Eastern culture, family members' opinions are valued greatly, especially in large purchasing decisions ("Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia: Geert Hofstede Cultural Dimensions Explained" 2). The importance of family ties can be traced from the devout Islamic framework of the Middle East, therefore making familial honor an obligation. However, in rapidly modernizing, wealthier countries such as Kuwait and Dubai, consumers are starting to demand more luxury goods that emphasize individual image and prosperity. This deviation from traditional norms illustrates how cultural dimensions and overall classifications can change throughout time.

Power Distance and Uncertainty Avoidance

In accordance with the collectivist mentality, the unequal division of power is just as accepted by followers as it is by the prevailing leaders. Fundamentally, power distance "is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally" (("Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia: Geert Hofstede Cultural Dimensions Explained" 2). Leaders are expected to have

full power, and followers are supposed to accept their inferiority. Higher power distance means that a separation of power and wealth, although unfortunate, is looked upon as a natural part of life.

According to Hofstede's dimensions, the Arab World not only has a high power distance, but it also has a high uncertainty avoidance. In societies that aim to avoid uncertainty, strict regulations and conventions, such as those instilled in Islamic law, are generally accepted and followed to evade high risk situations. This combination of strong dimensions almost ensures grave inequality of wealth, with little opportunity for societal advancement, and the rule-laden society encourages autocratic rule of leaders ("Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia: Geert Hofstede Cultural Dimensions Explained" 2). Campbell agrees that "decisions are made completely autonomously," and people generally accept directions from those in power because, "we have always been told to do it this way."

In addition to the strict rules that accompany higher uncertainty avoidance, there are also restrictions for outsiders looking to enter the market. "Risk aversion means that foreign companies entering the market must display a strong commitment and consumers set demanding standards for products and their modification or adaptation" (Marinov 104). As also noted by Irwin, his Egyptian counterparts tested the patience and intentions of Lockheed's team to ensure that the American company was fully committed to providing a quality service without the sole intention of profit maximization.

Masculinity

"Masculinity, here, focuses on material success, size as a measure of success, and strict sex-role distinctions" (Singhapakdi 57). According to Hofstede's analyses, the Arab world is only slightly more masculine than the average of all the countries in the world. Excessive

material possessions are looked down upon in Islamic ethics, but because of the prevalence of wealth inequality, luxuries can set a person apart from the commonalities.

One obvious issue when discussing Arab culture is the differentiation of gender roles in Islamic beliefs. "Women have strong economic rights under the Islamic shari'a, but other legislation reinforces gender roles, such as the viewing men as the main breadwinners, which lead to overprotective laws or gendered legal interpretations. For instance, codes include provisions that disallow work during certain hours and require the husband's permission to work. The labor codes of Yemen, Egypt, Kuwait, Lebanon, and Iran bar women from working during evening or night hours. In most countries, women must get the husband's legal permission to travel or obtain a passport, which is essential for conducting business" ("Female Entrepreneurs in Middle East and North Africa Defy Expectations" 2). Women are starting to emerge more in the business world, but social rules can oftentimes restrict women pursuing goals that are outside of the traditional sex-role distinctions. The large dissimilarity of gender roles makes the Arab Middle East a more masculine-focused area when compared to other nations.

Though modern Middle Eastern countries may seem similar to Western markets in some aspects, multinational companies must not be too hasty to dive head first into a completely foreign market. Differences in culture, language, and religion must be acknowledged, for companies that maintain an ethnocentric business strategy will be unsuccessful in any international pursuit. Especially in the Middle East, religion has an overarching authority in all aspects of life. In the following section, I will delve deeper into the specifics of Islam, how the religion provides guidelines for business practices, and whether or not Islamic ideals are strictly enforced.

Chapter 4

Islamic Ethical Ideals in Business

Islam is not simply a religion—it is a way of life. Originating more than 14 centuries ago, Islam is practiced by more than 25 percent of the world's population, especially those in developing areas (Marinov 1). The fundamentals of Islam are based on two sacred scripts: the Qur'an and the Sunna. The Qur'an is believed to have been given to the prophet Muhammad by Allah (God) to act as a moral guide for humanity. The Sunna is a compilation of laws that are based on the words and actions of Muhammad (Marinov 3). Through the holy teachings of the Qur'an and the Sunna, Islam created a foundation for all facets of modern existence, emphasizing the importance of socioeconomic equality and justice for all (Marta et al. 55).

The ethics and values of Islam must be upheld in all economic, social, political, and commercial situations because all humans are accountable to Allah for their actions (Marinov 2). Everything on this earth is a priceless gift from Allah that must be utilized in a compassionate and productive way to fulfill His ultimate ideal of the greater good for all mankind (Marinov 2). Since equality in humanity is an overarching theme in Islam, extravagance in material possessions and hoarding of precious resources are frowned upon (Carter 56).

The binding thread between all countries of the Arab Middle East is the strong Islamic ethical framework upon which their society was built. No matter how progressive a certain nation has become, "religion is an element of culture that pervades every aspect of a society and permeates the life of individuals whether one is a believer or non-believer" (Khraim 166). However, the extent of permeation depends on upbringing, location, social status, and other socioeconomic factors. The Holy Scriptures of Islam instill the idea that people are held

responsible for all their actions and thoughts and are accountable to Allah, so majority Muslim societies have obligatory social norms and tenets that ensure pureness of faith and citizenship. By discouraging extravagance and cherishing the pursuit of the greater good for all of society, Islam has given the entire Arab Middle East a steadfast ethical structure that has shaped political, social, economic, and spiritual entities of each country.

A fascinating aspect of the Islamic religion is that in addition to establishing a moral code of behavior in everyday life like most religions do, Islam has specific ethical codes for business exemplified in the Qur'an and through the prophet Muhammad (Abeng 50). Certain verses in the Islamic holy text describe Muhammad as an ethical man of commerce doing business throughout foreign lands (Arham 157).

"The Islamic perspective has its foundation firmly rooted in the principles of *equity* and *justice*, and offers ways and means to create value and elevate the standard of living of people through commercial pursuits while adhering to these principles" (Saeed et al. 128). By acting justly through every aspect of life, including all business pursuits, one is acting responsibility and ultimately bettering society by treating others righteously and setting an example for peers. Islamic ethical standards definitely influence the way people from the Arab Middle East behave in the business world (see table 3).

Fig. 3: Impact of Islamic Ethics on Business

Although ethics prescribe what one should do or abstain from doing, Islamic ethics prescribed by the Qur'an and Sunnah, affect Muslim business people in the following different ways:

- increase effectiveness and efficiency;
- lead to integrity;
- cause a Muslim business person to abstain from cheating and deceit;
- prevent corruption and abuse of power;
- lead to better care of employees and their rights;
- lead to consistent consultation and cooperation;
- create initiative; and
- lead to better quality

Source: Abuznaid, Samir A, "Business Ethics in Islam: The Glaring Gap in Practice," *International Journal of Islamic and Middle Eastern Finance and Management* 2.4 (2009): 280. Print.

The religion of Islam has temporal differences with regard to days of practicing commerce. In Islam, the holy day of worship is Friday. That being said, the weekend in most Arab countries is Friday and Saturday, and the work week actually starts on Sunday. To adjust to a different week framework, one must schedule travel days accordingly. Irwin of Lockheed Martin ensures that he and his colleagues leave the U.S. on Friday, arrive in Egypt on Saturday, and are well rested and ready to start a productive work week on Sunday. Additionally, Irwin suggests to completely avoid scheduling any important business trips, meetings, or project deadlines during the month of Ramadan. Hasan from MSA explains that "during the month of Ramadan, Muslims are supposed to fast from sunrise to sunset for the duration of a month. All eating establishments are closed during the day and even those who are not fasting cannot be seen eating or drinking in public." Since Ramadan greatly alters the daily activities of both

Muslims and non-Muslims, Irwin insists that productivity is slowed and it is better to refrain from interrupting the month full of religious traditions and customs.

In addition to the adjusted work week, every day is divided by five calls to prayer, one of the five pillars of Islam that practicing Muslims must abide. Beginning around sunrise, a prayer is broadcast on loudspeakers throughout Middle Eastern cities, and all practicing Muslims must face toward Mecca to pray. Even in the busiest of cities, this call to prayer halts people to focus on Allah…in most cases.

Irwin of Lockheed Martin said that many a time a call to prayer has occurred during a business meeting with Egyptian navy officials. To his surprise, the Egyptians continued the negotiations without disrupting the meeting to pray. Hasan explains further that where "religion is present and more visible in the Arab world than in the West, when it comes to business, commercial terms matter more than anything else."

However, Anasti of American Eagle said it is imperative for her store to be on schedule with the prayer times. Part of American Eagle's brand image is providing stylish, cool clothing for modern teens and young adults. To cater toward that market segment, the store atmosphere is bright, energetic, and stimulating to the senses. One of the most unique parts about American Eagle stores is the large flat screen television that is constantly playing music videos of the latest and greatest pop and indie music superstars. The stores in the Middle East also have music resonating throughout the shopping space, but as Anasti points out, it is imperative that the music be shut off multiple times a day for the call to prayer. To avoid offending the Muslim culture, American Eagle must adjust their shopping atmosphere and be respectful of religious customs.

Since the call to pray is one of the main foundations of Islam, to some, it may seem hypocritical for some Muslims to pick and choose when to stop all activities to pray. As

aforementioned by Irwin and Hasan, business takes precedence over religious practices in most multinational business pursuits in the Arab Middle East. However, Irwin explained that when Lockheed Martin's Egyptian business partners travel to the United States to do business, it is expected that the American company provide a private room for the practicing Muslims to pray at the designated prayer times. Why is business halted for prayer in the United States and not in the Middle East? Also, as Anasti described, why must American Eagle shut off the music in the store during the prayer times. It may be an issue of human principle rather than religious stringency. One must show respect and understanding of the other party's religious beliefs, even if that party chooses to not practice.

For example, what if an unprepared American businessman was in the middle of the business meeting when the call to prayer resounded throughout the city's loudspeakers and the Middle Eastern counterpart excused himself to pray? If the American insisted that the meeting press on without any interruptions, the dealing would most likely be unsuccessful due to a cultural misunderstanding. Even if they choose not to pause the conference to pray, they must have the opportunity, means, and understanding of the other party to feel that their culture and practices are well respected. Also, if American Eagle continued to play music during the prayer times, the noise would disrupt the attention of those praying and ultimately disrespect one of the core religious foundations of Islam. To avoid unintentionally insulting practicing Muslims, Western companies must respect the religious practices of their Middle Eastern customers and colleagues, even if they choose to not participate.

Marketing Mix According to Islamic Ethics

From an international marketer's perspective, cultural differences such as religious beliefs require oftentimes drastic changes in the ends and means of a marketing campaign. The

prominent "four Ps of marketing mix" (product, price, promotion, place) in a typical western business may not always work across nations due to diverse value systems and social norms. The following subheadings will describe how each element of the marketing mix must be modified to uphold the code of Islamic ethics and appeal to Middle Eastern customers.

Product

The most integral part of the marketing mix is the product and the value it provides for potential consumers. With the ever-increasing presence of big box stores like Wal-Mart, Americans are becoming more and more used to buying foreign-made products at extremely low prices. To fulfill the customers' expectations of everyday low pricing strategies, overseas manufacturers oftentimes use less than quality materials and manipulate processes to lower costs of production and increase profits for the American owned company. From an Islamic business perspective, being motivated by profit maximization can lead people to act unjustly and immorally for undeserved monetary gains, which is forbidden by Allah.

According to ideal Islamic ethics, production of the product is of utmost importance, and companies must not cut corners just to increase sales and cut costs. It is suggested that "the main thrust behind unethical decision making on part of business persons to produce sub-optimal products is cost leadership strategies" (Saeed et al. 131). In contrast to the aforementioned low pricing strategy so commonly used in the United States, Islamic counterparts value an approach that betters overall welfare. Muslims believe that all acts of human behavior must glorify the teachings of the Qur'an and the Hadith. The greatest aspiration is to better mankind without wasting the precious assets Allah has given to the world. "Furthermore, it is human's duty to work harder and smarter in order to build this world and to utilize its natural resources in the best

possible manner" (Abeng 50). Using second-rate materials or being wasteful is considered Haram* in Islamic culture.

More important than aiming to improve quality of living for all, the product must be completely clean, physically and spiritually, for it to be considered acceptable in the Islamic culture. "Put simply…righteous deeds are meaningless without purity in matters pertaining to production, consumption, and marketing of pure and lawful products or services" (Saeed et al. 131). The product must be legally obtained by the seller, pure and enlightening in intentions, must be deliverable, and must be given in exact measurements as specified when subject to inspection. (Saeed et al. 131) Most importantly, the product must be clean content according to Islamic law. There are four types of "unclean" things in Islam, "those of unclean essence (e.g. dogs and swine), those made unclean by association (contamination), those made unclean by contamination but whose usefulness is not entirely destroyed (e.g. unclean garment), and things unclean by contamination which entirely destroys their usefulness (e.g. contaminated olive oil)" (Saeed et al. 131). If any part of the production process is associated with an unclean entity, the product is considered impure and impermissible for consumption.

Anasti of American Eagle is all too familiar with ensuring cleanliness of products offered. As the merchandiser for men's and women's accessories for Kuwait (which she says is much more extensive than in the U.S.), Anasti is extremely busy keeping up with trends, analyzing past sales, and ordering future merchandise. In addition to the usual merchandising tasks, Anasti must scrutinize each accessory that has a leather component to ensure that it is not the product of pig hide. Since swine are considered unclean, they are forbidden to be used by Muslims. As a result, any products that have been made of or have been in contact with pigs cannot be sold in the Arab Middle East. One of the staple materials of American Eagle belts,

jewelry, and bags is leather, so Anasti must adapt the product mix accordingly. Many times the savvy merchandiser had to keenly negotiate with suppliers to have pig leather replaced by some other types of animal hide. By adapting the specificities of the accessories to Islamic ethical rules, the company avoids backlash from the Middle Eastern community and captures sales from a population with high purchasing power.

On the other hand, mistakes do happen, and American Eagle once took the heat for overlooking a detail of a certain piece of merchandise. According to Anasti, the merchandisers for American Eagle in Kuwait order most of their screen-printed t-shirts from catalogue of products selected by the merchandisers at the home office in America. Without scrutinizing the details of each and every shirt, they ordered what seemed to be the most appropriate items for the Middle Eastern market. After the shipment arrived and the merchandise was spread throughout the store, customers were appalled to see one an illustration of a half-naked woman on the back of a certain graphic t-shirt. Due to overwhelming complaints, the shirt was promptly removed from the store. Surely after that mistake, a select group of Muslim consumers may have a negative image of American Eagle. Just as American Eagle has, newcomer companies must learn from their mistakes and be careful when selecting future product lines.

Anasti continues to explain that while countries in the Middle East have traditional values embedded in a common religion, "there are different levels of conservative." In wealthier areas in Kuwait, Anasti described the customers as "classy, elegant people who come from a lot of money," and extravagance in possessions is a sign of status in society. Though extravagance is discouraged by Allah in the Qur'an, it is used as a status symbol in the wealthier cities. She even went on to say that the store layout and merchandise was almost *exactly* the same as the store in the United States. On the contrary, at the more conservative Al-Rai in the Kuwait area, home of

the biggest mall in Kuwait, Anasti explains that merchandisers must "buy deeper into long-sleeve shirts" and that "shorts don't do well here because of the culture." In addition to a more modest product line, she also clarifies that this store site is portrayed as a brand that provides value instead of the other stores that signify status.

Certain multinational companies have reached success in the Middle East partly because they not only adapt their existing marketing mix, they create new products centered around Middle Eastern culture to appeal to the growing market. "The size of the middle and upper-classes in the oil-rich countries is growing and there are currently about 8-12 million people in these classes in the region as a whole. This has spurred the development of franchised retail outlets and fast-food restaurants such as McDonald's, Burger King, Chili's, and Hardee's. Franchises are an ideal way of establishing a presence in the Middle East because their operations and offerings can be adapted to Islamic values" (Marinov 103). During my three week study tour of Egypt during sophomore year, every so often the group of students would desperately seek a taste of home from one of the many American based restaurant chains. We were relieved to see that the McDonald's in Aswan, Egypt, was serving up McFlurries to help us cool down in the humid weather. Though there were a great amount of featured items on the menu that were technically the same product served in America, it was fascinating to see how the McDonald's enterprise changed their product mix to adapt to the Egyptian society. The most unique menu item was the McArabia, which was Kofta (beef seasoned with Middle Eastern spices) wrapped in pita. By incorporating an ethnic meat that is popular the Middle Eastern culture, McDonald's expanded its market potential.

Price

Since the notions of justice and equity are at the heart of Islamic ethics, pricing policies

must be fair and not be manipulated to take advantage of consumers (Abeng 51). As discussed

earlier, hoarding and profit-driven schemes are highly discouraged in Islamic law, so any pricing

strategy that exploits the population to feed "money-hungry" companies is forbidden. In

addition, charging way above the recommended retail price just to "discount" the price in the

future creates a false sense of value for consumers, making them believe they are buying a

product of impeccable quality for a steal. Obtaining profit with little or no effort and changing

the price with no apparent change of product is prohibited in Islamic law because these policies

prey on the public and benefit the owners instead of the greater good (Saeed et al. 132).

Marketers must ensure the consumers that their company has high moral standards and is

not solely driven by profit maximization. Still, Islam does not prohibit charging higher prices in

times of shortage or setting price ceilings to limit easily obtained profits for merchants (Saeed et

al. 132). These price manipulations are solely in practice to protect the interests of the customers

and to discourage opportunistic behavior among business.

Pricing strategies and purchasing habits are also affected by the unique styles of Islamic

finance. "At least $500 billion in assets around the world are managed in accordance with

Shari'a, or Islamic law, and the sector is growing at more than 10% per year. In spirit, Islamic

finance seeks to promote social justice by banning exploitative practices. In reality, this boils

down to a set of prohibitions—on paying interest, on gambling with derivatives and options, and

on investing in firms that make pornography or pork. No one can say for sure how many of the

world's 1.3 billion Muslims will demand Sharia-compliant financial products, but if even a

fraction do, the world's largest banks will be happy to oblige" (Eaves 1). Since religion so

greatly influences procedures and guidelines of banking and investing, Western companies must be extremely careful to not disobey these religious tenets because they may suffer legal consequences.

"The Arab countries, especially the oil-rich ones, have been known for many years as a strictly cash society. However, as more and more Arabs begin traveling more frequently and extensively, they are exposed to methods of payment other than cash—namely, the credit card. The Islamic faith embraced by almost all Arabs prohibits usury, so the Western-style credit card with its revolving credit facility is a foreign concept. Nonetheless, more and more Arab establishments are honoring credit cards" (Kirpalani 393).

Place

In terms of distribution, Islamic ideals are similar to those of Western businesses. Decisions about physical distribution of ideas, labor, and products should be based on efficiency. By choosing the most direct route and by eliminating waste, companies can reduce the amount of markup necessary for transportation and material costs. At the same time, companies must not completely favor efficiency over upholding ethical standards concerning cleanliness, as previously mentioned. Ideally, "distribution channels are not supposed to create a burden to the final customer, in terms of higher prices and delays" (Saeed et al. 134).

Sometimes these Western manufacturers have below-standard working conditions. Though manufacturers may breach ethical rights of their employees by exposing them to dangerous working environments, the companies are thriving because of the constant demand for inexpensive products. However in recent years, companies are emphasizing corporate responsibility and establishing bare minimums of standards in overseas factories. Though some American-owned companies have received bad publicity for ethical breaches in international

manufacturing plants, nothing compares to the debilitating repercussions of businesses violating Islamic ethics.

Just as the Middle East can be separated into modern-based and tradition-based countries, the degree of Islamic ethical standards upheld in practice can differ from nation to nation. "Modern interpretations of the Islamic Holy Scriptures, fostering separation of the followers of Islam, represent new reasons for contradictions that affect cultural unity in the region" (Marinov 104). Although the Middle East is majority Muslim, the intensity of faith incorporated into the society varies across the countries.

Furthermore, individual cities may contain their own unique set of norms, values, and behaviors that companies must learn and integrate into company policy. Anasti agreed with that concept. She said that while there were some consistencies in culture in a macroscopic view, to be successful, a retail store such as American Eagle must adapt to the minute details of socioeconomic norms of particular areas.

Growing up and functioning in a modern society where religion has little effect on governmental policies and legislation, it can be difficult for Western entrepreneurs to accommodate religious sensitivities when doing business in a different culture. Something that is completely normal in the United States market may be completely offensive or unlawful in the Saudi market. Since Western countries, such as the United States, are considered modern-based societies, it can be difficult for businesses headquartered there to understand the cultural norms and overall market structure of a developing, tradition-based culture.

Promotion

Coming from a family who always researches products before purchasing, it is hard to imagine solely relying on the advice and apparent expertise of a salesperson or advertisement to

influence your purchase decision. Even so, many people depend on these resources to help them choose which brand or item to choose. One must trust that the advertisement or vendor is looking out for the customer's best interest, which does not always happen in the real world. Persuasive advertising, like a shifty used car salesman, can make the product's glitches virtually disappear by way of empty promises, over-exaggerated benefits, and a false sense of trust. With regard to Islamic ethics, however, these over-the-top advertising and sales practices are strictly forbidden.

Islamic business ethics encourage a cooperative commercial atmosphere in which both parties, the merchant and consumers, have equal standing in negotiation. "The Qur'an condemns all forms and shapes of false assertions, unfounded accusations, concoctions and false testimonies" (Saeed et al. 133). The prohibition of false advertising ensures that consumers will not be taken for granted, and that all dealers have a fair opportunity in a free market. In accordance with the previous convention, merchants are expected to reveal all qualities—both good and bad—to a prospective buyer. Without disclosing any and all faults of a product, the merchant is falsely presenting a product to receive an undeserved sale. One of Muhammad's well-known prophets Jarir always revealed the defects in his products before offering them to customers (Saeed et al. 134). As others told him his honest business tactic would result in failure, he proudly responded, "We promised the Prophet to deal honestly" (Saeed et al. 134). Since such emphasis is placed on equity and justice in Islamic teachings, it is no wonder why trusting relationships and truthful business transactions are explicitly mentioned in the Qur'an and Hadith.

In the pursuit to become a key player in today's competitive world market, advertisers are pushing the envelope further than ever before to grab the attention and patronage of consumers.

Marketers are going to extremes to break through the clutter of advertisements, using all sorts of mediums and appeals to reach the target market. However, according to the Islamic scripture, some emotional appeals are forbidden to be used in advertising because "they are utilized purely to exploit the basic instinct of consumers worldwide with a view to gain profits and greater market share" (Saeed et al. 133). It is forbidden to use advertisements that influence actions based on fear, strong emotions, sexual images or suggestions, fabricated information, or anything that values extravagance (Saeed et al. 133). Basically, anything that places more value on material possessions than enriching the mind is looked down upon.

One of the biggest differences in advertising themes between the Middle East and America is the always controversial subject of sex. Through the years, one of the most infamous marketing mantras of the Western world has been "sex sells," and countless companies have incorporated sexual images and innuendos into their advertising campaigns. In contrast, exploiting the sexuality of women and indulging in stereotypical ideals are strictly forbidden in Islam, especially in advertising. Advertisers must not use sexual imagery of women and over-the-top fantasy situations for the sole purpose of persuading customers to buy a certain product. Basing a product on vulgar and impure ideas makes the product unclean and unfit for use by a devout Muslim.

American Eagle has become the essence of teen fashion in the United States. For their promotional tools throughout the store and advertising materials, the company illustrates their brand image through images of youthful, beautiful people clad in the latest fashions. The scenes usually depict a fashionable couple posed in a fun, flirtatious manner.

Although these playful images are expected of American Eagle in the U.S. market, it is considered lascivious in Islamic culture according to merchandiser Anasti, who notes that

"adapting marketing images is a big thing. It is so hard and so restrictive."   Before each floor set change, visual merchandising managers must make sure all in- and out-of-store promotional images are appropriate in Islamic terms. Thus, if women and men are in the same picture, they must not be touching at all, not even brushing arms. Anasti also recently faced a setback during the recent winter to spring floor change. Spring and summer brings beautiful weather for bathing suits, and American Eagle wanted to market the new release of swimwear into the stores. In the U.S., visual merchandisers would simply hang an enormous banner of a pretty women playing around in a bikini. But Anasti knew better, and she dismissed the idea immediately.

The Ministry, representatives of the Kuwaiti government, actually visit all the multinational retail stores to make sure all advertising means are appropriate. "Promotional wise, you can't have sales unless you get approved by the Ministry about three weeks in advance. In retail, if something's not working, you want to react immediately. Here, you don't have that liberty. You have to think ahead."

In wealthier areas such as Kuwait, the younger target market is more attuned to high perceived value, especially in terms of fashion and designer clothing, and they are more willing to spend top dollar to achieve a certain brand image. Retail advertising must stand out and emphasize a certain image and lifestyle that the target market craves, especially in shopping mall environments that are bombarded with marketing images of countless international brands. Marketing material must stand out as a desirable image without offending the cultural beliefs of the Middle Eastern market.

In recent years, a handful of international brands have incorporated Islamic themes and imagery—either explicitly or implicitly—into promotional projects and advertising appeals. When knowingly using any type of Islamic motif in a product design, promotional product, or

advertising effort, it is paramount to understand what is acceptable and forbidden in that culture. For example, corporations, like Nike and Burger King, which as world-wide businesses should know the importance of cultural differentiation, unintentionally offended the Muslim community with certain promotional efforts, resulting in bouts of bad publicity, and a tarnishing of their brand image. These types of avoidable incidents will be discussed in the following section.

Consequences of Violating Islamic Ethics

In the melting pot of America, the population consists of diverse cultural backgrounds with a variety of religious beliefs and countless unique customs. The United States was founded on freedom of religion, inviting those of all different backgrounds to practice at will without persecution. America also guarantees the separation of church and state, ensuring that the freedom of citizens will not be impacted by the ethics and values of any one religion.

However, with Islam being the most practiced religion in the Arab Middle East by an overwhelming majority, its influences are all too prevalent in government, business interactions, and everyday aspects of social interactions. Since Islam is a way of life, encompassing all aspects of existence, society is very sensitive to Islamic ethics in the Middle East. To offend the Islamic religion is to offend the entire Middle East. As illustrated in recent news, certain companies learned about the effects of Islam on business the hard way, and are still trying to recover from their mistakes.

Nike, one of the leading brands of athletic equipment and apparel, suffered a blow to its reputation after failing to research the impact of their marketing image for a certain brand of shoes. In the late 1990s, the company planned to release a new line of Nike Air shoes for the summer with clever bar-b-que themed names and a flame-inspired logo. However, only a few months before the release of the shoes, Nike's Saudi distributor realized that the script that Nike

used in the "Air" logo uncannily resembled the word "Allah," meaning God, in Arabic script (see fig. 4). Even though only a few sales samples were distributed to stores, there was an immediate uproar in the Muslim community. Muslim NBA basketball player Hakeen Olajuwon wrote to the president of Nike that "the placement of this holy symbol on shoes which will be soiled, walked on, and disposed of is very offensive to Muslims. It is very offensive to us when a major corporation such as Nike publicly shows disrespect for Allah's name" (Muslims Demand Apology from Nike" 1). To resolve the issue, Nike recalled all of the offensive items, agreed to train Nike designers in Islamic imagery, and offered to build playgrounds in three prominent Muslim communities throughout the United States ("Nike and Islamic Group End Logo Logjam" 1).

Similarly, Burger King released a series of ice cream treats with unintentionally offensive packaging. The logo was intended to symbolize a "spinning whirl" of ice cream, but when rotated, looks oddly similar to "Allah" in Arabic script (see fig. 4) (Kennedy 1). By printing something so similar to Allah on an ordinary piece of packaging that eventually will be thrown in the trash, Muslim consumers were extremely offended by the fast food chain's insensitivity to their religion.

Fig. 4: Comparison of Burger King Ice Cream (left) and Nike Shoe (right) Logos to "Allah" written in Arabic Script

Source: *BK-Allah-Air*. Photograph. *Have It MY Way!* By C. Houghton. The Captain's Comments, 25 May 2006. Web. 7 Apr. 2011. <http://www.captainscomments.com/comment/331>.

While Nike and Burger King were negatively impacted by their own mistakes, other corporations have faced repercussions for uncontrollable socioeconomic factors that affected whole societies. In 2005, a Danish newspaper decided to print a cartoon depicting a series of drawings of the prophet Muhammad (Ettenson et al. 6). Drawing any sort of illustrated depiction of Allah or his prophets is unthinkable in the Islamic religion, and in a few of the Danish cartoons, Muhammad was not only drawn and distributed, the prophet was depicted in a violent manner, completely contradictory to the peaceful teachings of Islam (El-Nadi 1). These cartoons enraged Muslims all over the world, especially those in the Middle East. The entirety of the Muslim population in the Middle East was offended by the Danish newspaper, so a vast amount of the Muslim society enforced a consumer boycott of all Danish goods. All because of the actions of one newspaper company, an entire country's goods and services were refused by an enormous societal market.

Arla Foods, a Danish dairy company completely non-affiliated with the aforementioned newspaper, witnessed their annual average sales in the Middle East fall from US $430 million to

mere pennies (Ettenson et al. 6). The Muslim population was so offended by the drawings that they formed a type of societal boycott of everything related to the Danish economy. According to the article *Rethinking Consumer Boycotts*, Ettenson et al. explains that "Societal boycotts have the potential for greater long-term harm. Animosities and their effect on sales may persist, both because they often are rooted in deeply held beliefs and because there are fewer options for addressing the protest" (6). Consumers of the Middle East agreed that Denmark's economy must suffer because of the perceived mockery of their core beliefs and religious sanctities.

To lower animosities toward the Arla company, their public relations team took out advertisements all across the Middle East "to reprint the Danish government's explanation that respect for Islam and freedom of expression are both vital and indispensable elements of Danish society" (Ettenson et al. 7). It was vital for Arla's marketing team to reevaluate the consumers' perception of the brand after the severely damaging publicity. To gain the trust and respect of the Middle Eastern market once again, the massive marketing efforts were completely necessary. To this day, Arla is slowly but surely recovering Middle Eastern customers, but it will take years to recover from the cartoon-provoked boycott.

As a result of this international hullabaloo, hundreds of businesses were financially affected, even companies that were completely unrelated to the events. Nestle, a Swiss company, experienced a massive drop in sales from the Middle Eastern market shortly after the newspaper fiasco. Some Middle Eastern consumers actually thought that Nestle was somehow affiliated with Denmark, so the food company was unjustly affected. To combat the rumors that Nestle was a Danish company, the company bought advertisement space in Saudi newspapers to ensure the public that it was based in Switzerland.

A Kuwait-based and Muslim-owned company faced similar backlash just because of an unfortunate name choice. The Kuwaiti-Danish Dairy Company lost 95 percent of its sales in the Middle Eastern market, even though it had been independent from Danish ownership for more than 20 years (Ettenson et al. 6). Obviously, the power of a societal boycott can be damaging to the world economy, affecting countless innocent companies on account of a cultural insensitivity by one party.

Chapter 5

Styles and Values of Management in the Arab Middle East

Throughout Campbell's years of experience restructuring companies in the Middle East, he has become very familiar with the differences in management styles across cultures and how they affect productivity. He points out that "what you need to recognize is that the way in which business is led and executed here in the Middle East is not at all what you would recognize as business in the West. In comparison to the dynamic business strategies of Western companies that are always looking to improve efficiency and maximize profits, Campbell explains that most Middle Eastern businesses run according to traditional business guidelines that remain unreceptive to changing macro-environmental variables.

Fig. 5 lists basic managerial functions and characterizes how they usually are practiced in the Arab Middle East. It is important to understand the motivations and styles of these managers to avoid cross-cultural managerial conflict.

Fig. 5: Characteristics of Arab Management of the Middle East and North Africa

Organizational Design	Highly bureaucratic, over-centralized with power and authority at the top. Vague relationships. Ambiguous and unpredictable organization environment.
Patterns of Decision Making	Ad Hoc planning, decisions made at the highest level of management. Unwillingness to take high risk inherent in decision making.
Performance Evaluation and Control	Informal control mechanisms, routine checks on performance evaluation systems.
Manpower Policies	Heavy reliance on personal contacts and getting individuals from the "right social origin" to fill major positions.
Leadership	Highly authoritarian tone, rigid instructions. Too many management directives.
Communication	The tone depends on the communicants. Social position, power, and family influence are ever present factors. Chain of command must be followed rigidly. People relate to each other tightly and specifically. Friendships are intense and binding.
Management Methods	Generally old and outmoded.

Source: Kaynak, Erdener, *International Business in the Middle East*, Berlin: Walter De Gruyter, (1986) 30. Print.

Concept of Time

Irwin of Lockheed Martin says, "one of the very first things you get familiar with when you are dealing with [the Egyptians]…there is American time, and there is Egyptian time…time, in general, is a different concept between us and them." Egyptians tend to have a very relaxed view of time, according to Irwin. He explained that almost every time he shows up on time for a meeting, he is forced to wait at least a half hour until the meeting commences. This time discrepancy obviously causes problems for American businesspeople because the age-old American phrase, time is money, is completely irrelevant in Middle Eastern culture. Even when both parties want to have a short break in the meeting for a chance to use the restroom, Irwin explains that a "short break" in English does not have the same connotation in Arabic. He

continues that he and the Egyptians "actually joke about it because five minutes Egyptian time is about a half an hour or 45 minutes of American time."

Role of Fate

Irwin also states that in the Egyptian business world, there is no sense of urgency to get things done. "The phrase *Insha Allah*—if God is willing—often precedes action-oriented statements," stressing that the future is only determined by Allah, so nothing can be sure about what is to come in the future (Kirpalani 384). However, "this does not absolve the individual of responsibility; people should make strong effort and work hard to achieve their business plans. If these go awry, in hindsight, a Muslim would consider this to be the will of God" (Rice 353). If something does not happen that was previously planned upon, one can simply just say that God did not plan for it to happen, and although to Westerners it may seem as a cop out, that explanation would be completely understood by the Middle Eastern people.

Saving Face

In the Western business world, honesty and integrity are paramount in being part of a company with strong corporate accountability. A Central Intelligence Agency briefing describes the Arab perspective: "The Arab in his society is likewise expected to show personal integrity in order to be socially acceptable. He, however, manifests his honor and integrity by making a public, outward impression of dignity derived from an ostensible lack of guilt. Even if facts and conditions speak to the contrary, the social veneer of non-guilt must be maintained evident and dominant if he is to achieve the socially demanded face. Dignity and stature are granted only to those who show themselves as flawless: the society of the Arab world has no place or respect for one whose faults or errors come to public knowledge" (Naffsinger 1). That being said, it may be more socially acceptable in Arab culture to avoid embarrassment or judgment by denying fault.

Campbell oftentimes noticed that some of his Middle Eastern colleagues evaded outright refusing offers in fear of disappointing business partners. Instead, Campbell explained that the Arab businessmen would just avoid giving an answer. He referred to this constant delaying as the "slow no." In the Western business world, people are used to hearing a definitive "yes" or "no" when it comes to decision making. In the Middle East, Campbell says that "they feel it would be too rude to say no, so they will just say later, tomorrow, or God willing." Instead of refusing an offer, the decision will just be postponed until later. Irwin agrees that in Egyptian culture, it is very important to save face and avoid disappointing the other party. He explains that you must "try to give them a way that they could escape [the situation] without making them look bad." To avoid rejecting an offer by saying no, it would be more acceptable to avoid coming to a conclusion and subtly drop a hint of dissatisfaction. This ambiguity is the antithesis of the black-or-white, yes-or-no business culture of the West, so multinationals must be prepared to face these types of negotiation outcomes.

This "slow no" mentality is completely opposite of corporate America, and it is difficult for companies on a strict deadline to come to an agreement with the nonchalant Egyptians. In recounting a series of meetings involving a contract, Irwin explains that, "Americans would like to plow through the business, yet after maybe a couple hours [the Egyptian counterpart would say], "Okay, maybe we will meet again tomorrow, *Insha Allah*." Instead of meeting for a whole day, you are lucky to meet a couple of hours with them." Since little was accomplished during a daily meeting, the meetings were always continued the following day. Throughout his 20 years of experience in Egypt, Irwin has constantly had to postpone his return to America because of meetings being delayed and rescheduled. With headquarters calling to check up on the status of the nonexistent contract, pressure mounts on the American's shoulders to get down to business.

Negotiation Tactics

In terms of negotiation tactics, Irwin repeatedly noted that to the Egyptians, "no means maybe." No matter how many times he has refused a stipulation of a certain offer, the Egyptian counterpart continues asking. Even though he already said no, the Egyptian thinks Irwin could be swayed when presented with more reasoning. Though this drawn out act of negotiation is normal for Egyptians, it only aggravates the American businesspeople, especially when they are receiving pressure from higher-ups halfway across the world to seal the deal immediately.

As Irwin explains, the Egyptians "keep pushing and keep pushing. Their whole strategy is just to outwait you. They know Americans are impatient. They use time to their advantage." They know that the Americans want to quickly discuss details and draft a contract as soon as possible, but the Egyptians highly value the act of negotiation and getting the best deal possible. Irwin says that they ask for more and more benefits in a business dealing, and you have to be willing to concede on your own terms. He continues that throughout the years, other companies have tried to enter the Egyptian markets, but they refused to participate in the negotiation games that are so essential to Egyptian business culture.

In Middle Eastern terms, a written contract does not have as much legal standing as in America (Yavas et al. 73). Unlike the strict contracts that are legally bound and strictly enforced, contracts in the Middle East are more dynamic and terms are continuously revisited and revised (Yavas et al. 73). When explaining the differences between Saudi Arabian managers and American managers, Yavas et al. says, "in Saudi Arabian ventures, the initial contracts are typically imprecise, non-exhaustive, and also subject to change by Saudi partners…the driving force of the concept of responsibility and obligation is internal (relating to conscience) rather than external (relating to rights of the other party)…Saudi partners are more interested in

nurturing relationships and establishing mutual trust than complying with contract requirements"

(73). That being said, Middle Eastern business relationships are based on confidence in the other

party. Instead of writing down all legal details and caveats, the Arab contract relies on a moral

obligation of both parties cooperating in an honest, valuable business relationship without legal

stipulation.

Describing a typical week of dealings with his Egyptian partners, Irwin recalled that after

a few hours of negotiation, both parties seemed to agree on an issue. However, when

reconvening the next day, the Egyptian party usually revisited the issue and disagreed with the

terms that were agreed upon the previous day. This kind of behavior, though frustrating, can be

common when dealing across cultures and through language barriers because misunderstandings

can be prevalent. As Irwin explains, "even though you think you have an agreement, it's a

constant negotiation." He continues, "Their wants are always greater than the money they have.

Unless the project is over, they are constantly working you over to get something else. To be

successful, you have to play the game with them. You can give a little bit...it is showing good

faith to them, but you have to know when to say no." Without the patience to understand and

openness to compromise, Western companies are destined to fail in the Middle East.

Indeed, one must understand the "game" of negotiation that the Egyptians "play" with

Irwin and his colleagues. In Middle Eastern culture, "the real consumer is shrewd and

understands competition, value, price, and availability," so the consumer will use clever tactics

to get the best deal through seemingly incessant reasoning and bargaining. (Kirpalani 385)

Thrall, also of Lockheed Martin, said that his boss often jokingly said that Egyptians employ

"bazaar" negotiation tactics. This clever play on words suggests that their tactics are similar to

the "bazaar" or marketplace, where everything is up for barter. At the same time, since this style

of contracting is so different from American practices, the Egyptian way of business can seem "bizarre" to Western companies. To ensure that your company forms a successful contract, "direct confrontations may occasionally be necessary, but then they are best done with humor and through softening devices that signal to the other party that his particular demand is a must in the negotiations (Kapoor et al. 4).

Importance of Relationship

"Arabs are essentially oral people; they do not like to negotiate by paper. They want to feel out—to talk, to assess, to bargain—and to take their time, without pressure" (Kirpalani 386). Even if American representatives are on a strict time schedule to make a deal, it is crucial to be patient and pleasant. Although it is important to be friendly and understanding, one must be assertive enough to make sure meetings are progressing, if even at a snail's pace. However, being firm and assertive can oftentimes be misinterpreted as being pushy and somewhat impatient to a society with relaxed views on time. It is difficult for American businesspeople to rely more on spoken agreements than written concessions, especially when a language barrier is involved. To be successful in these contract situations, one must be willing to accept that deadlines may have to be extended for deals to be made.

Though the slow-paced atmosphere is frustrating at times, Irwin knows that by accommodating to their norms, Lockheed Martin earns more respect from Middle Eastern nations. Irwin explained that Lockheed Martin was one of the first American companies to have a successful venture and maintain a good relationship with their Egyptian partners. "Because we were one of the few companies who completed a project, we walk on water now…we do command respect. We have been on this job so long, it took us a long time to earn that respect," Irwin states. Thrall agreed that when dealing with Egyptians, "the longer you work with them

and prove that you're genuine and have integrity, it makes a big difference in dealing with them. They are very loyal after you have a track record with them. You perform as a team, and they will stick with you." Strong relationships and loyalty among those groups is characteristic of collectivist principles in the Arab Middle East, according to Hofstede's aforementioned cultural dimensions. By being patient, trying to adjust to cultural differences in business tactics, and placing less emphasis on individualistic attitude, Lockheed Martin has gained a lot of trust and respect throughout the Egyptian business world.

Body Language

To succeed in a Middle Eastern nation, one must be very aware of every aspect of the business environment, especially nonverbal cues of the foreign culture. Kirpalani explains that it is characteristic of Middle Easterners to pay "close attention to body language—[they] sit closely, establish eye contact and can tell if [the other party is] interested or not. Frequent touching and thermal, olfactory, and kinesthetic cues help to decide how they feel about a person. Integrity of person is more important than deal itself" (Kirpalani 386). Since the integrity and reliability of a person is so vital in a business bond, one must be familiar with all the nuances of their culture.

In their first few times of visiting Egypt for business, Irwin and several of his coworkers in Lockheed Martin learned quickly from their simple "rookie" mistakes. Once, in the middle of a business meeting, Irwin's coworker casually crossed his legs, exposing the bottom of his shoe. The Egyptian man they were conducting a meeting with was visually bothered by this action, but the meeting continued without any confrontation. At the end of the gathering, the American was told by his Egyptian friend that in Islamic culture, it is extremely disrespectful to show the

bottom of your feet to another person. Solely because of a sitting position preference, a potential business partner was offended and could have cost the company a lucrative agreement.

In another instance, while Irwin was boarding a train from Cairo to Alexandria, he offered a tip to one of the workers who helped him with his bags. The Egyptian employees, as Irwin explained, are very receptive to take gratuity. However, to Irwin's surprise, the man refused to accept the money that Irwin had extended in his hand, and the Egyptian man began to speak very fervently in Arabic. Then, one of Irwin's coworkers realized that Irwin was holding the money in his left hand, which in Islamic culture is considered unclean and reserved for toileting-related purposes ("Muslim Populations" 3). As soon as Irwin switched the money to his right hand, the Egyptian worker graciously accepted the money. Through this experience, Irwin learned how even the most minute idiosyncrasies can impact relationships across cultures.

Differing Ethical Codes

With the ever-increasing trend of globalization, one reoccurring problem in international business negotiations is differing ethical codes across cultures. If two companies from completely different cultural backgrounds are engaged in commercial transactions, whose moral code should hold sway? What if something is permissible in one culture but completely forbidden in the other? In one instance, Anasti and a few of her American coworkers were interviewing Kuwaiti applicants for a merchandising assistant position. After asking questions about job requirements and qualities of an ideal assistant, one of the applicants asked Anasti what particular gender, race, and age range they were looking to hire. After years of being in America and hearing about discrimination lawsuits against all types of people, Anasti was set aback by the interviewee's frank inquiry. After this story, Anasti then exclaimed that "this would *never* happen in America."

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Bribery and Corruption

Though Islam contains moral laws for business transactions, people in financially strapped countries do not always follow these ideals, perhaps due to economic hardship. As a result, it is necessary to study each particular country before pursuing a business opportunity. Campbell sums up his view on the breaches of Islamic ethics: "When you have an economy that has grown very wealthy very quickly, you go from having very little to having businesses where there are billions flowing through them (because of the oil revenues), you're going to have all kinds of issues. Whereas the economy and commercial architecture of the West has had many hundreds of years to evolve control systems as well as corporate competencies that protect the organization and people from temptation, here [in the Middle East] a lot of that is missing. You do get situations of significant corruption, and I have been involved with getting people out of companies on this basis."

Hasan also believes that "corruption is prevalent in the Arab world," but stressed that "we in MSA do not get involved in any unethical behavior, and the customers know this." Campbell added that corruption and bribery have become "more the rule than the exception," where it is now commonplace for Middle Eastern companies to act unethically in Western business terms. Regulations like the Foreign Corrupt Practices Act (FCPA) of 1977 prohibit American companies from participating in this type of unethical behavior. The FCPA was enacted by the U.S. Congress "for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business" ("USDOJ: CRM: FRAUD: Foreign Corrupt Practices Act (FCPA)"). Because a lot of the Arab Middle East countries have grown rich quickly from taking advantage of oil revenues, they have not had sufficient time or experience to develop steadfast, corporate governance laws like the

FCPA that prohibit individuals from acting opportunistically and exploiting others for unlawful gain. Although the code of Islamic ethics stresses the importance of hard work and improving the quality of life for all, these principles will just remain idealistic concepts unless enforced by some type of governance.

Throughout his 20 years of business travels to Egypt, Thrall of Lockheed Martin witnessed differences in ethical standards. He noticed that in Egypt, "incentives and trying to influence officials with gifts were more commonplace." American companies must refuse to give or receive "grease" payments or bribes according to ethical edicts, but certain other countries do not prohibit such payments quite as strictly. Since some foreign competitor companies can offer "under-the-table" payments to persuade Middle Eastern counterparts, Thrall believes that, "American companies are handicapped somewhat because of our ethics laws that we must follow." American businesspeople must be aware that this "handicap" may exist, and they must know how to seal a business deal with companies in the Middle East while upholding the integrity of U.S. business standards.

Conflict of Management Styles

The managerial frameworks of Western and Middle Eastern firms differ greatly in many aspects, and as discussed previously, these variances can often cause frustrations for both parties. Campbell explains that Western businessmen unfamiliar with the Middle East oftentimes think that "these [Middle Eastern] corporations operate in the most incredibly basic ways, and there is absolutely no consideration of any exceptional circumstances or anything that you might do to improve the process." However, Middle Eastern businessmen regularly see Westerners as pushy, impatient, and insincere in business negotiations. Being sensitive to the other party's concerns is the only way to create a harmonious, successful business environment.

Obviously, when parties from different cultures are looking to work together in a business partnership, there are going to be major conflicts of value and attitude. Fig. 6 highlights the results of a study between Saudi and U.S. joint ventures. Managers of both parties were asked to elaborate on specific conflicts they had with managers of the other country, rate the importance of the issue that was being argues, and rate how severe the discrepancy was. This study illustrates that one of the most important, hotly debated issues was making changes in contracts and the exhaustive negotiation tactics.

Fig. 6: Classification of Conflict Sources Between Saudi and U.S. Partners

Severity of Disagreement

<table>
<tr><td></td><td></td><td>**High**</td><td>**Low**</td></tr>
<tr><td rowspan="2">**Conflict Importance**</td><td>**High**</td><td>making changes in contract
control over key decisions
performance of roles/functions by partners</td><td>profit retention
division of benefits
interpretation of contract terms
separating operations from parent company</td></tr>
<tr><td>**Low**</td><td>product line expansion
procuring input needs from parent company
pricing of input by partner
expanding/maintaining operations</td><td>hiring policies
access to parent company technology
committing output to parent company</td></tr>
</table>

Source: Yavas, Ugur, Dogan Eroglu, and Sevgin Eroglu. "Sources and Management of Conflict: The Case of Saudi-U.S. Joint Ventures." *Journal of International Marketing* 2.3 (1994): 70. Print

Chapter 6

Preparation for Doing Business in the Arab Middle East

Anasti of American Eagle was given the opportunity to help start up the first AE retail store in Kuwait, and she was more than willing to pack up her life and move halfway around the world to a completely different culture. Although American Eagle did not provide a formal training program for employees like Anasti traveling to the Middle East, she recognized the importance of cross-cultural relations and how businesspeople must study every aspect about a country before attempting to invest there.

Despite her excitement to have a coveted merchandising position, Anasti was extremely nervous to have so much responsibility in a country she, and American Eagle, knew very little about. Anasti diligently read and researched all there was to know about Kuwait, and she even created an in-depth country profile to give her an idea of what to expect in the business world. Despite all her investigation, nothing could prepare her for what she was about to do. "I read everything I could about the Middle East before I came here, and I was totally surprised by a lot of things still. I didn't actually learn until I got here. There is nothing like being in the country that can ever prepare you for it."

Like Anasti, Campbell did not receive any formal preparation for living and working in the Middle East. He suggests that prior to traveling to that area of the world, it would be greatly beneficial to study the history and culture, but "it is no substitute for actually getting in there and talking to people, being with people, and understanding how the situation works."

Irwin of Lockheed Martin said his company provided ample information about the country of interest before venturing into a foreign business situation. Whichever country he was

going to, Irwin would go to that regional office of Lockheed Martin and get a debriefing report of the overall purpose of the venture. The company then refers Irwin to in-country consultants, in this case Egyptian consultants, who provide Irwin with more in depth information about the culture. He learns all about the dos and don'ts, social customs, security issues, how the political system works, how funding operates, and particular budgeting processes all before talking to any potential business partners.

Irwin recommends to any business venturing into a new country, especially the Middle East, to study and understand "the whole process of how they get their money, how they conduct business, [and] how they can sign agreements or contracts with you. It took me almost 20 years to figure out these steps." Obviously, it takes time to understand a foreign culture and adapt our own embedded beliefs, but being open-minded is the key to international success.

Additionally, according to Irwin, "patience is a virtue" when doing businesses in the Middle East, and it is imperative to allow yourself significant time to understand the culture before attempting to interact with the inhabitants. By being patient and understanding, Irwin has seen his division grow from their first ambitious project to what they are now—a group well-respected by the Egyptians.

Though cost leadership strategies are looked down upon as profit hungry schemes, people in the Arab Middle East do appreciate a value price, especially in the lesser developed areas. To successfully advertise an inexpensive product that could appeal to a poor majority, it would be wise to emphasize the benefits and attributes of the product instead of solely stressing the everyday low price, which has a stigma in the Islamic culture.

"Investors with no experience of doing business in the region perceive the Middle East as politically risky, and even companies that are already established in the region fear that their

operations will be disrupted by political forces, the instability of social structures, the complexity of the regulatory climate, and unforeseen problems such as terrorist attacks and social unrest" (Marinov 101). Any international venture involves some sort of risk, whether it be financial, political, or economic. In the often-unstable area of the Middle East, there are a plethora of potential risk factors that can deter multinational corporations from investing.

Even so, some believe that with great risk comes great reward. Some Western companies that boldly entered the Middle East throughout the years have endured, and some have failed. Some companies were unsuccessful because of internal mistakes, and other companies met their demise due to unpredictable social/political factors. For instance, due to the recent riots and political upheaval in Egypt, Lockheed Martin pulled out their representatives in the area until further notice. According to Irwin, his particular team was evacuated from Egypt on the first of February, and they are waiting for a vote of clearance from the State Department, so they can move back into the area and continue doing work. However, Irwin warns that if power falls into the wrong hands, Lockheed Martin may have to eliminate their branch of business in Egypt due to overwhelming political risk. After all the years of becoming familiar with a completely different culture, learning the ways of negotiation, forming resilient relationships, and building a respectable reputation, Lockheed Martin may very well lose their entire business connection with Egypt because of an uncontrollable macro-environmental event. As risk brings great reward, it also can bring great disappointment.
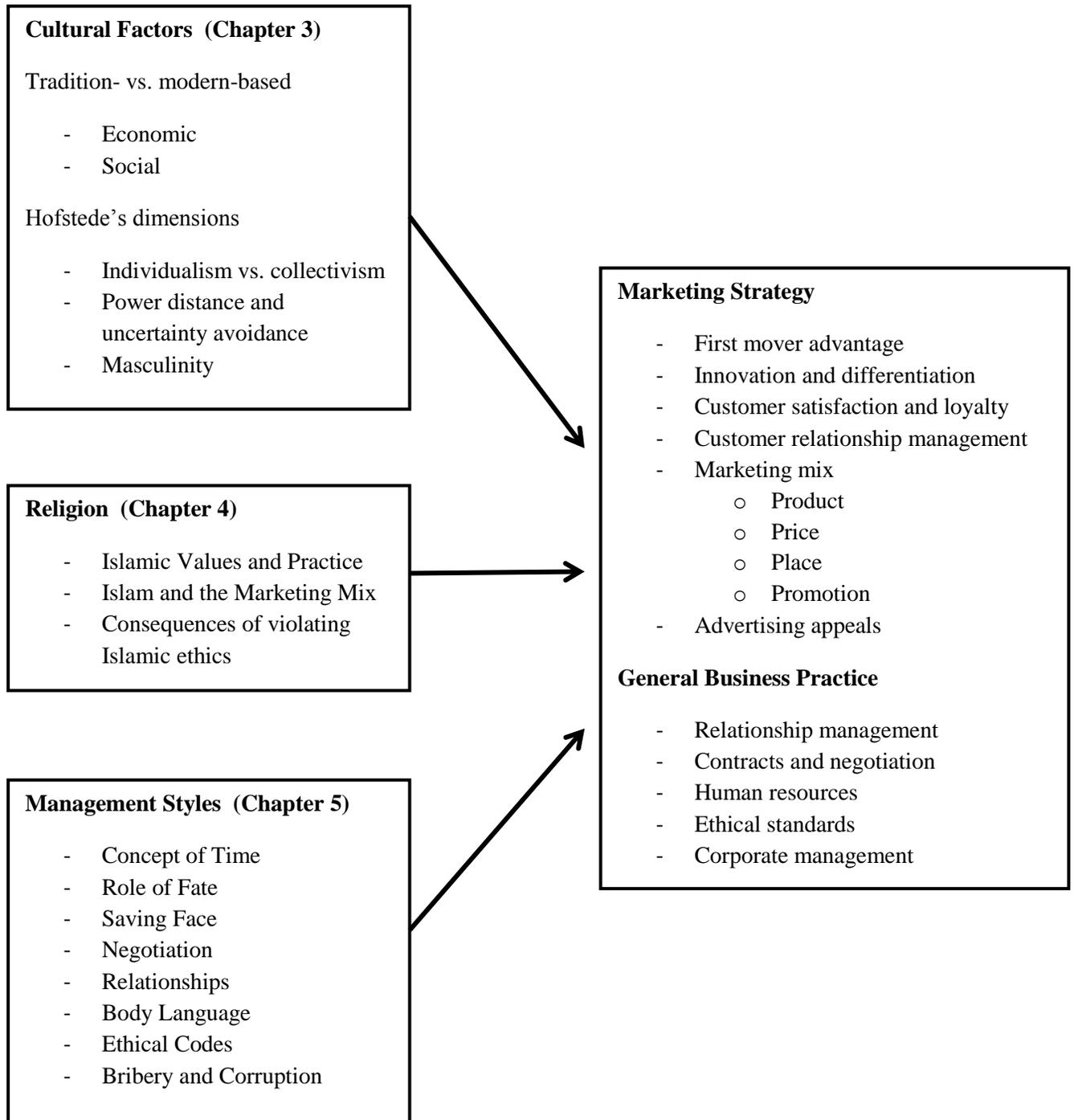
Chapter 7

Conclusion

The Middle East is full of opportunities for multinational corporations, especially in modern-based or oil-rich countries. After working in the Gulf region for six years, Campbell joked that "you can reverse buses into the gaps in the market here, and you would still have plenty of room." Campbell's exaggerated metaphor suggests that the market of the Arab Middle East, though ignored by many multinational corporations today, has strong potential for Western businesses looking to expand internationally. However, entering into the Middle Eastern market may pose a greater challenge than entering into other more Westernized countries.

It is no surprise that Middle Eastern culture is vastly different from Western countries. The Arab Middle East has a rich history that has influenced customs, behaviors, and norms of its inhabitants over several thousand years. To develop a greater understanding of this unique area of the world and successfully create strong business relationships, multinational companies must do their best to research and respect the vastly different culture.

While the Middle East may seem to be a homogeneous culture to the ill-informed or unaware, it is a region of economic, cultural, and societal diversity. Though the area can be categorized into modern-based and tradition-based countries, the scale of Islamic influences vary across these nations. After analyzing the components of a marketing mix that incorporates Islamic ethics, it is clear that the essentials of American and Islamic marketing ideals differ because of dissimilar consumer and societal values. Since beliefs, customs, and values, which impact purchasing habits, differ over cultural boundaries, it is necessary to alter a Western marketing mix to become a strong international competitor (see fig. 7)

Fig. 7: Organizational Frameworks: Factors Affecting Business in the Arab Middle East

Cultural Factors (Chapter 3)

Tradition- vs. modern-based

- Economic
- Social

Hofstede's dimensions

- Individualism vs. collectivism
- Power distance and uncertainty avoidance
- Masculinity

Religion (Chapter 4)

- Islamic Values and Practice
- Islam and the Marketing Mix
- Consequences of violating Islamic ethics

Management Styles (Chapter 5)

- Concept of Time
- Role of Fate
- Saving Face
- Negotiation
- Relationships
- Body Language
- Ethical Codes
- Bribery and Corruption

Marketing Strategy

- First mover advantage
- Innovation and differentiation
- Customer satisfaction and loyalty
- Customer relationship management
- Marketing mix
  o Product
  o Price
  o Place
  o Promotion
- Advertising appeals

General Business Practice

- Relationship management
- Contracts and negotiation
- Human resources
- Ethical standards
- Corporate management

To succeed in an emerging market like the Arab Middle East, a multinational company must understand the culture and, where necessary, revolutionize its traditional norms. As Thrall from Lockheed recommends, you must "recognize and respect the culture—the more that you are aware of, the better off you are." Recognizing differences and respecting the beliefs and practices of the Arab Middle East will grant savvy companies an edge over competitors. Though the Middle East may be daunting to inexperienced multinational companies, any company can rise to the challenge and ideally become a strong international competitor by dedicating time and effort to studying the Middle Eastern culture, having a great deal of patience to create a cooperative relationship, being flexible and adapting to the surrounding elements, and, most importantly, keeping an open mind.

After witnessing several Western businesses attempt to venture into the growing market of the Arab Middle East, Campbell best sums up the importance of adaptability in planning and strategy. "There are two different types of people. There are the people that try to enforce their way of doing things, regardless of how other people operate. And they are the ones who come out here [to the Middle East], sweat for a very long time, and leave with nothing because they can't make it work. Then there are those sort of people who are adaptable and changeable and they will adjust their style, behavior, and mode of operation to the situation that they are in, and those tend to be the people that succeed in this environment."

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VITA
MAGDALEN LUCCI

656 13th Street Rear (412) 719-9415
Oakmont, PA 15139 MEL5068@psu.edu

Education:	Bachelor of Science in Marketing
	Bachelor of Science in International Studies
	Minor in International Business
	Schreyer Honors College
	Pennsylvania State University, University Park, PA
	Expected Graduation: May 2011
	Charles University in Prague, Czech Republic (spring semester 2009)
	Egypt Study Tour (May-June 2008)
Awards and Honors:	Dean's List for seven semesters
	Earned A- in 12-credit summer immersion program at Middlebury College Arabic Language School (June-August 2010)
	Lion's Club 2006 Senior Class Scholar Athlete Award
Professional Experience:	Three Rivers Arts Festival
	Pittsburgh, PA
	Booth Supervisor
	Summers of 2007 and 2008
	Conco Systems, Inc.
	Verona, PA
	Manufacturer
	Summers of 2006 and 2007
Activities:	Member and Treasurer of Savoir Faire, PSU's original all-female a cappella group
	Conversation partner with native Arabic speaker through Global Connections program
	Penn State Thespian Spring 2007 Musical