The Globalization of Business and the Middle East-Opportunity and Constraints

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For those of us involved in International business, either as academics or practitioners, globalisation has, for many years, assumed increasing significance. The fact that globalisation impacts on every aspect of business from ethics to consumer behaviour, from economics to financial markets is not of itself new, but what is new is the treatment it receives in terms of particular frameworks and regional coverage.

Globalisation of Business and the Middle East is a welcome addition to those interested in the often-neglected region of the Middle East in that often opportunities and constraints usually get submerged in the broader geopolitical issues surrounding this volatile part of the world. For most people, the Middle East is most readily identified with the Arab-Israeli conflict, the Gulf War, the Iranian revolution and that great game of the 20th century, the battle for control of oil. However, as the author points out, the Middle East has undergone tremendous changes in terms of modernisation, industrialisation and westernisation, in addition to the forces of globalisation-whether they be benign or malignant.

For many decades, most of the countries of the region thought, naively perhaps, that increasing affluence and prosperity could be enjoyed whilst still maintaining traditional cultures and by using an arms-length approach to business. Coupled with limited democratic institutions and lack of serious policy debate, much needed reforms had been neglected. Happily, the last decade or so has focused minds and opened up debate as to what identity individual nations have and what role the Middle East will (or hope to) play in the 21st century.

Among the issues being addressed is how to manage the transition process towards fully industrialised nations whilst ensuring that the more malign aspects of globalisation are avoided or their impact lessened. Specific issues being grappled with include attempts at regional integration, the role of Islam, the role of the state, economic and financial liberalisation etc.

This book is essentially a collection of disparate articles by the author, one suspects, written over the course of several years on important, although not of themselves innovative, themes affecting the Middle East. The book begins by analysing attempts by the countries of the Persian Gulf to improve their international competitiveness. Central to this analysis is that rapid developments in technology, transport, information and broader improvements in infrastructure are fast propelling the countries of the Middle East to the ranks of industrialised nations. The author goes on to undertake a strengths and weaknesses assessment of the region and makes pertinent recommendations. One foible of this chapter is that it focuses on the Persian Gulf rather than taking a more broader regional perspective. This, one feels, would have set the tone for the subsequent chapters.

Chapter two focuses on the need for and benefits of, privatisation and uses, as examples, two countries-Egypt and Iran. While the author makes a strong argument for privatisation of state industries and suggests how the process can be better implemented, he fails to adequately address how the conflicting needs and aspirations of the various stakeholders is to be overcome to make privatisation a success. Once again, limiting the progress of privatisation to two countries detracted to what would otherwise have been a useful perspective.
Consumer behaviour is an area of immense interest to those interested in international business. In the Middle East, however, our traditional understanding of determinants of consumer behaviour either do not apply or have to be significantly re-interpreted. The significant driving force behind consumer behaviour in the Middle East is, of course, Islam. Islam as most readers will no doubt know, is more akin to a way of life rather than a religion. The third chapter explores the determinants of consumer behaviour in an Islamic society. The author devotes a significant proportion of the chapter to explaining the Islamic business environment and the contextual framework within which the individual, businesses and community interact. This chapter will be of particular interest to those not familiar with Islamic culture. An example is the concept of “buyer beware” in the west, whereas in Islamic law this would not hold. In Islam the buyer is entitled to the same information as the seller, otherwise a contract is null and void. The chapter concludes by pointing out the inevitable conflict between two opposing ideologies and the likely sources of tension.

Following on from the previous chapter, chapter four describes the results of an empirical study on the role of languages in advertising in the Middle East. It highlights the relationship of information content to language use and culture, going on to explore social roles, beliefs and attitudes as moderators of an effective communications strategy.

As the author states, culture has a significant relationship with management policies and practices. Given the theme of the previous chapters, with emphasis on the role of Islam, chapter five explores, in essence, the whole debate of whether there is such a concept as “Islamic Management”. The central thesis is that with the re-emergence of Islam as a credible alternative to traditional Western ideology, there is, for the first time in centuries, a real debate taking place among Islamic social scientists about some very fundamental issues vis-à-vis corporate governance, the role of the state, individual and collective responsibility, the concept of an “Islamic society” as opposed to a “civil society”, business ethics etc. What is likely to emerge, warns the author is something akin to a new paradigm of management that offers radical alternatives to traditional understandings of authority, ownership, labour, law on contracts and indeed the concept of profit itself. One aspect of this, while not directly addressed by the author, is that of the role of company directors. Whereas in the West the legal responsibility of the board of directors is to the shareholders, in an Islamic context, this responsibility would extend to that of “stakeholders” in the business, which by implications includes the workers, the consumers etc. The author uses the example of Iran to illustrate human resources and the issues arising from the need to balance corporate and Islamic ideals.

For economists and finance aficionados, chapter six on interest-free banking is a good introduction to the subject. While perhaps dwelling a little too long on peripheral issues, the authors eventually describes the nature, extent and success of Islamic banks, most of which are naturally domiciled in the Middle East. It was interesting to note that there are nearly 170 banks and financial institutions that operate according to Shariah laws. The author also describes techniques used in Islamic banking such as Murabaha, Muddaraba, Mugarada, Musharaka, Ijara-Ijara Wa Ikina and Salam. The author goes on to highlight some limitations of interest-free banking and concludes by outlining some policy recommendations.

Regional integration is much in vogue, with enlargements within EU and NAFTA under negotiation, potentially deeper cooperation within ASEAN etc., so it is appropriate that attempts at regional integration by the Middle East countries receive some coverage in this book. In chapter 7, the author provides a brief recap of earlier attempts at integration as a means of demonstrating “Arab” solidarity, as a means of developing competitiveness etc and goes on to suggest that integration attempts have been hindered due to differences within nations of the Middle East in terms of their level of development, political and cultural factors etc. The author puts forward credible arguments for and against the idea of a “Middle East Free Trade Association” and comes to the conclusion that at present the conditions for this to become a reality do not exist.

The theme of integration is developed further in the next chapter by exploring issues in terms of The Economic Cooperation Organisation. Essentially the arguments put forward in the previous chapter are reexamined but from a inter-regional perspective. Three members of the ECO-Azerbaijan, Iran and Turkey-are used to develop the arguments for and against such groupings, followed by a look at broader issues in terms country specific factors.

The final two chapters focus on Iran, possibly due to the author’s affiliation with that country, and explore exporting prospects and the role of agriculture. Both of these seem somewhat out of place in
the context of the book and would probably have a limited audience.

Conclusion

As stated at the beginning, this book appears to be a collection of research papers that the author has assembled. As it stands the book is erudite and broad in scope. However the breadth is also a weakness, and the book suffers in the process. The book is intended for both international business scholars and practitioners, but one suspects neither will be fully satisfied with the result. For most seasoned scholars there is little that will be new, and much of it dated, for practitioners, other more practical books on “how to do business in…” would be more beneficial. I think the purpose of the book would have been better served if the original articles had had been "decomposed" and given a fresh perspectives within a more coherent framework.