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ABSTRACT

The international entry mode strategies literature presents limited findings for the Middle East, particularly for Arab countries and the Gulf Cooperating Council Countries. Using a qualitative approach to understand the market entry strategies of multinational corporations, it is evident that the traditional entry modes are not the only form of entry strategy for MNCs in the Middle East. Semi-structured interviews were used to analyse data primary data collected from senior managers in Kingdom of Saudi Arabia and United Arab Emirates. Findings show that in addition to traditional entry modes, Multinational companies have developed an extra approach to entering Middle Eastern markets by forming joint ventures with individuals rather than with corporations. We label this entry mode as 'sponsorship' strategy. Implications for research and practice are offered.

Keywords: *Market entry strategies, Entry mode, Middle East, Sponsorship, KSA, UAE*

INTRODUCTION

The elimination of investment barriers and institutional restrictions that impede capital and business flows have resulted in a momentous increase in capital movement around the word over the recent decades (Mulder and Westerhuis 2015). Due to the level of resource allocation and commitment, level of control, market characteristics, which ultimately affect firm performance, the choice of entry strategy is crucial for the success of internationalization strategy (He et al. 2019; Nisar et al. 2017). A growing body of research have investigated the various entry strategies that companies adopt to enter foreign markets (e.g. Brouthers 2002; Guillén 2003), yet there remain inconclusive and unexamined research questions that may well enhance our knowledge (Hennart and Slangen 2015). In this study, we review, synthesize and extend the scholarly literature on market entry strategies by attempting to empirically assess the entry strategy process in two countries in the Middle East region, the Kingdom of Saudi Arabia and the United Arab Emirates.

The extant literature is solely based on entry strategies in either over-researched contexts, such as the US, Europe and China, whereas little attention has been given to markets in the Middle East. The main reason behind this dearth of research relate to the unavailability of data. Although the existing literature on international businesses in the Middle East is informative, it does not capture the full range of entry modes and why do multinational corporations decide on such entry strategy. Majority of work focuses on management culture, work values, marketing and HRM, but little is known on the entry mode as it is considered a fundamental decision an MNC makes when entering any market particularly the Middle East (Mellahi, Demirbag, and Riddle 2011). While the majority of entry strategy work is driven by four main perspectives; transaction cost economics, resource-based view, institutional theory and real options; few have adopted an integrative framework to provide a holistic interpretation of the entry strategy process. Such framework should include more than one perspective to look at entry modes from different angles to provide new insights. Additionally, prior research output applies a quantitative technique using either survey data or information available in online databases. Pereira et al. (2019) argue that researchers should pay attention to capturing more in-depth data to understand the underlying mechanisms of aspects related to emerging markets. These contexts can offer interesting insights into various theoretical frameworks and have critical management implications. Our study follows this approach by investigating the topic of entry mode in under-researched contexts using field study qualitative approaches. Our work provides a holistic view and an in-depth knowledge on the entry strategy process and develop new modes for businesses to consider. The Middle East region offers the full range of entry modes, franchising and joint ventures are widely dominant (Mellahi et al. 2011) with very limited choice of wholly owned subsidiary (Hanson et al. 2001). Though such hypothesis is valid, we have seen changes in the structure and form of entry mode, whereby multinationals are becoming increasingly intelligent to find new ways to integrate different modes together. Accordingly, we aim to revisit this proposition and unveil how these companies are overcoming the institutional challenges by coming up with new entry modes. We take into account the specificity of other firms and investigate entry modes for a mixture of different firm types. Second, while prior studies possess substantial explanatory and predictive power to understand factors enabling or hindering entry mode decisions based on internal and external antecedents (e.g., Canabal and White III 2008; Shaver 2013; Zhao, Luo, and Suh 2004), majority offer limited insights into the actual process. We present from a practical perspective on how MNC shields themselves with an entry mode that weakens the external threats and increases the embeddedness into the institutional environment.

ENTRY MODE STRATEGIES IN THE MIDDLE EAST

Strategic success and failure for international business is widely recognized to be linked to the mode of entry into new markets (e.g. Agndal and Chetty 2007; Brouthers 2013; Tse et al. 1997). Companies expand into other countries to gain an edge by its firm-specific advantages, including the firm’s assets, expertise, and resources (Utama et al. 2019). Each of the modes of entry entails distinct levels of control, resource commitment, risk exposure and financial return (Buckley and Casson 1998). The main aspiration is that the assets are reassigned to locations at lower costs (Temouri et al. 2010). In return, the home country may benefit by increasing efficiency, expanding skills, and decreasing the average costs (Du and Temouri 2010). Mainstream work in international business classifies international entry as either based on low versus high control, shared vs. full control, and/or equity vs. non-equity (Ahsan and Musteen 2011; Datta et al. 2002). A summary of entry modes is presented in table 1 below.

[Insert Table 1 about here]

Factors impacting Entry Mode Strategies in the Middle East

The various factors that have a direct impact on the choice of entry include culture, transaction costs, and institutional conditions (Brouthers 2013). A company’s embeddedness is affected by these factors that help overcome the difference between the home and target country (Munjal and Pereira 2015).

There is a rich international business literature on culture and entry modes (Brouthers 2002; Zhao et al. 2004). Culture includes factors that influence the entry strategy involving differences in practices, values, language, and work ethics. The importance of the culture in international business research stems from the concept of liability of foreignness (Johanson and Vahlne 2009). A firm inevitably encounters the liability of foreignness when it starts to engage in international market (Zaheer 1995). The cost associated with the liability of foreignness not only stems from the spatial distance, but also arises from the psychic distance between the home and host countries (Johanson and Vahlne 2009). Psychic distance addresses the cultural difference between a firm's home country and target host country (Zaheer 1995). Cultural implies cost increase resulting from a need to adapt to the local context and to gain legitimacy with a new set of stakeholders, such as distributors, clients, and local governments (Mezias et al. 2002). The higher the cultural difference, the more desire for lower resource commitment entry modes (Erramilli and Rao 1990; Tsai and Cheng 2002). Thus, licensing and joint ventures instead of wholly owned subsidiary are preferred in this context (Taylor et al. 1998).

Transaction cost is another essential factor to influence international mode choice decisions. Transaction cost aspect compares the costs of integrating an operation within the firm with the costs of using the resources of an external party when entering a foreign market (Brouthers 2013). Transaction costs include the costs of finding and negotiating with a local appropriate partner, and the costs of monitoring the performance of the partner firm (Makino and Neupert 2000). Foreign market entry is typically driven by the benefits from the scale economies of the new market place. Transaction cost aspect, however suggests that such benefits is contingent upon costs associated with the difficulties of estimating and including all contingencies in finding or negotiating agreement and the inability to receive a fair price due to problems with information asymmetry in the foreign market (Brouthers 2013). Additional costs may occur to monitor and enforce the market-based contract (Williamson 1985). Brouthers (2013) suggests that when the transaction costs associated with finding, negotiating and monitoring a potential partner firm are higher, firms tend to rely on more hierarchical modes, such as wholly owned subsidiaries to minimize the costs. A large number of studies have explored the role of transaction costs in determining the entry mode choices

(Brouthers 2002; Madhok 1997; Morschett, Schramm-Klein, and Swoboda 2008; Sestu and Majocchi 2020; Zhao et al. 2004).

The final factor relates to the institutional characteristics, such as the changes of political and legal conditions in the host market. It is proverbial that institutions, such as legal framework, property rights and information systems, play essential roles in developed economies to reduce uncertainty and support an effective market mechanism (Meyer et al. 2009). For example, Pak and Park (2004) argue that firms decide on high control entry modes when political and legal uncertainty is low. K.Brouthers, L.Brouthers, and Werner (2008) suggest that the impacts of MNE-specific resources on entry mode choice depends on institutional distance. Benischke, and Doh (2015) examine 673 cross-border acquisitions and alliances and illustrate the roles of cognitive and regulative institutional pillars in mimicking ownership modes in foreign market entry. Such conclusions were also corroborated by other studies (see Kostova et al. 2020 for a detailed review) that found that maintaining strategic flexibility is key in institutionally distant environments (Herrmann and Datta 2002; Rajan and Pangarkar 2000). On the contrary, Aulakh and Kotabe (1997) argue that companies should use full control when institutional uncertainty is high to internalise the international activities and avoid increased internal uncertainty, which negatively affects decision making.

In addition to considering institution as a background, Peng, Wang and Jiang (2008) has addressed the role of the informal institutions and suggested that in situations whereby formal institutions are weak, informal institutions rise to play a larger role in driving firm strategies and performance. Recent research has investigated the importance of the knowledge sharing between/among individual levels via the informal social network in the international joint venture process (Daellenbach, Seymour, and Webster 2020; Geddie, DeFranco and Geddie 2005; Magnini 2008). Ellis (2000), for instance, find that the knowledge of foreign market opportunities is commonly acquired via existing interpersonal links rather than collected systematically via market research. Boddewyn and Peng (2021) suggest that reciprocity is a new entry mode which is an informal arrangement based on mutual exchange of gratifications and governed by informal institutions that allows a firm to enter new foreign markets.

Theoretical Framework underpins entry strategy research

International entry mode research is one of the key research streams in international business field and it concerns whether a company has full control over the foreign unit or has to share control with a partner (Morschett et al. 2010). Entry mode selection is of high relevance to performance in the long term (Brouthers 2002), numerous empirical studies have addressed the entry mode decision using different theoretical framework (see the overviews by Brouthers and Hennart 2007). Despite the increased body of research in this field, results remain inconsistent to an extent (Seggie 2012).

One of the most compelling theories the study of foreign entry-mode choice has been based is transaction cost theory. Majority of studies using this theory relies on quantitative assessment, whereby they develop dependent and independent variables and test factors and their effect on respective outcomes (Seggie 2012). Transaction cost theory suggests that a company’s decision on entry strategies selection is conditioned by the uncertainty in the host market (Williamson 1985). Uncertainty includes two forms: Behavioral or contextual (Yiu and Makino 2002). Behavioral uncertainty related to the opportunistic behavior of transacting parties. As discussed above, behavioral transaction cost factors include the cost of finding a local partner, negotiating, and monitoring (Al-Habash et al. 2015). In the presence of high behavioral uncertainties, foreign firms tend to adopt high-control modes such as wholly owned subsidiary over low-control modes such as a joint venture.

Contextual uncertainty arises from external conditions where political stability, economic development, legal ground rules, and cultural and social relations may set up the rules for the transactions. The transaction cost theory suggests that contextual uncertainty is usually beyond the control of the firm (Brouthers 2002). This is evident when examining the uncertainty associated with country characteristics (Zhao et al. 2004). Under the situation of high contextual uncertainty, firms are better off to select low-control entry-modes (e.g., joint venture) or even avoiding ownership in order to retain flexibility against environmental changes and shift the risks to outsiders (Yiu and Makino 2002).

Institutional theory is another important theoretical framework underpins research on entry mode choice. Institutions have been viewed as the “rules of the game” and hence impelled the regulative (i.e. laws, rules), normative (i.e. norms, values), and cognitive (i.e. conceptions) forces to shape firm’s behaviour and activities (North 1990; Scott 1995). Many researchers indicate that there is an institutional logic expressed in concrete practices and organisational arrangements that influence what firm’s international strategies are conceivable and legitimate (Boddewyn and Peng 2021; Li, Zhou, and Shao 2009; Peng et al. 2008; Wright et al. 2005). According to institutional theory, firms entering new markets imitate other domestic firms to legitimize their activities and establish market presence (Yiu and Makino 2002), they also start to align their practices with the set norms and values of the host market, while maintaining dissimilarity to competitors (Pereira et al. 2019). This proves their commitment to the host country and reduce transaction costs and risks (DiMaggio and Powell 1983; Patnaik et al. 2017). Institutions thus directly determine firm’s entry strategy formulation and implementation and ways firms can gain competitive advantages.

Formal institutions play essential roles in driving market transition in developed economies. In emerging economies, institutional arrangements play even more salient and visible roles in order to compensate and supplement the underdeveloped market-supporting mechanisms (Meyer et al. 2009). Peng (2003, 275) suggests that a hallmark of emerging economies is that they are experiencing institutional transition, which embraces “fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect firms as players". Informal institutions are defined "as socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels" (Helmke and Levitsky 2004, 726). There is a rich literature on informal institutions and entry modes. For example, culture, as one type of informal institutions, has been studied using dimensions of culture such as collectivism and power distance with entry mode choices (Cao et al. 2018; Holmes et al. 2013; Liou et al. 2016).

Entry Mode Strategies in the Middle East

According to Budhwar and Mellahi (2007), the Middle East region is said to be "a cultural area which does not have precise borders." This region extends from Iran as its east, to Morocco in North Africa as its west. Budhar and Mellahi (2007) continue to assert that the Middle East region grew almost half as much as other developing countries, even though the region is known to have around 65 percent of the world's oil reserves. However, the spark of cultural and religious wars caused the region to face a slow economic growth. These conflicts are contributed by the ethnic diversity evident as well as political instability. Given its situation, the Middle East seems to have succeeded at attracting multinational corporations (MNC) to its territory (Kavoossi 2000; Mellahi et al. 2011). Nonetheless, that does not mean that barriers do not exist for foreign direct investments since the Middle East is still considered an "underperforming region" (Apaydin 2009; Mellahi et al. 2011, Haj Youssef and Christodoulou, 2017). For instance, GMF AerioAsia, an Indonesian national airline, showed interest in starting a subsidiary in the Middle East by establishing a joint venture with a local partner in the United Arab Emirates (UAE), however, the region lacked some crucial facilities for maintenance. Nevertheless, its benefits exceeded its drawbacks since the industry in the Middle East was expected to grow by almost 4 percent annually. The bloom increased morale and performance that lead to a forecasted increase of $300 million in just one year, thus GMF realized the potential of the region that promoted a sustainable competitive advantage (Saragih and Sinaga 2019). It is worth mentioning that in spite of its potential in market mechanism, the structure barriers are still under the control of the state in many areas in the Middle East; as a case in a point, Saudi Arabia still relies on the Islamic Sharia Law in many of its activities, including investments (Kappen et al. 2019). Moreover, the Middle East region, UAE in particular, are to known to rely on its government support and subsidies especially for large-scale infrastructure projects, however, firms also rely on transaction cost analysis to determine the type of entry mode that best fits the "cost and competitive environment" (Anwar 2015). Table 2 reports entry modes in the Middle East.

[Please insert table 2 about here]

Factors that influence the foreign direct investments in the Middle East include the market size, the market entry mode, and the type of operations. Older studies, (Fiegenbaum et al. 1997), have indicated that MNC that have operations carried out in this region are more likely to be larger than those who do not. Furthermore, the affiliation with a local partner is considered more desirable, especially in this area, to gain a shield from external forces as well as acquire crucial political resources. Furthermore, the dominant entry modes into the Middle East are international joint ventures and franchising, depending on the industry. Additionally, the relationship with stakeholders is rather complex due to the ongoing crisis and turbulence during difficult times, and cooperative in nature during better times (Mellahi et al. 2011).

As seen in previously mentioned cases, each country in the Middle East has its own distinctive set of factors that need analysis from foreign firms before applying entry strategies. A holistic study is needed for this region to gain a deeper understanding of updated situational factors as the Middle East encounters continuous conflicts, abundance of resources, and poor political systems (Budhwar and Mellahi 2007). Evidently, foreign firms seem to adopt a few market entry strategies, particularly wholly owned subsidiaries and joint ventures; therefore, a more integrative framework is required to tackle different companies and relate them to the theories that justify their entry strategies. Moreover, investors have to look at the market entry determinants of that region including its market size, openness to trade, environmental risk, and natural resources endowments (Rogmans and Ebbers 2013). Other researchers included additional factors such as the legal framework, country risk, GDP growth, R&D expenditure, domestic investment among others (Alessandrini 2000; Moosa and Cardak 2002).

According to Mellahi et al. (2011), among the different modes of entry, joint ventures are the most popular in the Middle East region since international businesses find themselves in the midst of political and international tensions. The conflicts that arise cause a challenging environment for international companies, especially when animosity of consumers rises against western-based products. Therefore, establishing a traditional joint venture reduces the risks of an international company by affiliating with a local entity, obtaining local knowledge, and gaining flexibility to act upon the learned information. In addition, the company has less risk as it can either buy more equity stakes or dissolve its partnership depending on the situation and prospects of the environment (Li et al. 2009). Furthermore, as the theories are based on conceptual concepts that convey strong economies, the Middle East is usually faced with uncertainty and volatility; thus, businesses may be in need of a local sponsor, rather than a company, to overcome country and governmental regulations; this strategy is called the ‘sponsorship strategy’.

As the market entry strategy literature received a lot of attention in the international and strategic management field, Shaver (2013) asked whether there is a need for additional studies investigating entry modes. Our answer to such question, is a definite yes for several reasons. First, majority of studies have focused on large international corporations that entered markets for production purposes rather than small and medium enterprises. These firms predominantly prevail in studies on entry strategies (e.g. Hennart and Slangen 2015; Laufs and Schwens 2014), however paying attention to other type of firms is of great importance as they differ significantly in terms of sensitivity to external influences, ownership structure, control, management style, financial resources, etc. (Cheng and Yu 2008; Fernàndez and Nieto 2006; Nakos and Brouthers 2002). Only Buckley and colleagues (2007) provided a stepwise decision-making process amongst decision makers, however their findings were contradicted by Chen (2008). With the advancement of work in this field, scholarly output become centered around the econometric and statistical advancement and neglected answering the how and the why of entry strategies. Our approach is different as we move away from complex econometric models, but instead focusing on providing in-depth understanding of the how and why of entry strategies. Lastly, dominant work in the internationalization literature emphasizes the use of certain aspects of theories/models while neglecting others. No single theory is beneficial in the explanation of entry strategies, an interesting approach would be to combine and integrate different school of thoughts in order to provide a holistic understanding of the entry strategy process. Our paper adopts such perspective and uses a mixture of the previously mentioned theories to investigate entry strategies in the middle east.

METHODOLOGY

We select two countries to represent the sample of our studies, the Kingdom of Saudi Arabia (KSA) and United Arab Emirates (UAE). The reason behind our selection refers mainly to the institutional (formal and informal) differences between these two countries within the Middle East region. Also, they are both considered to be prominent markets for international businesses. Saudi Arabia is a country with deep root in tradition yet racing for the future with its new vision of 2030. It is an important business location in the Middle East with significant market size. It has been one of the best performing countries in the G-20 economies in the past years. However, Saudi is characterised by a rigid institutional environment that constraint foreign businesses. On the other hand, UAE is the business hub of the Middle East, representing a microcosm of globalization (Damyanova and Singer 2005). The country has one of the most dynamic and open environments for international and foreign companies, with vibrant enterprises and positive planning. UAE is characterised by an easy, outgoing, modern, open, free and tolerant lifestyle which has played an important role in attracting foreign investments (UHY 2012). Having such cases with diverse backgrounds will provide interesting insights that will enhance our understanding of the process of entry modes and the reason behind the selection of the entry strategy.

Data collection

We adopted multiple-case approach, whereby we select a sample of same foreign companies who has operations in both KSA and UAE. Such approach is helpful as it will help examine multifaceted phenomena (Fathallah et al. 2020). Driven by access reasons, we selected 10 MNCs from 10 different industries operating in both KSA and UAE. Through personal experience and networks, we got in touch with general managers of each company in KSA and UAE and established a direct contact with them. The industries selected were consultancy and business services; construction; fast moving consumer goods; home appliances; heavy industries; medical appliances; technology; real estate; restaurant; and wood manufacturing. These companies originate from: Australia, Kuwait, Lebanon, Sweden, United Kingdom, United States. Such mix will provide fruitful insights to assess whether MNCs coming from culturally distant environments behave differently than their counterparts coming from less distant cultures. We scheduled a field trip visit to carry all the face-to-face interviews with the respondents. We first started data collection in UAE around the last quarter of 2018 and then moved to KSA in early 2019. All interviews were carried out in the individual respondents' offices with the presence of the author only and were recorded after taking the consent of all interviewees. Each interview lasted around 75 minutes with questions centred around company business arrangements, impact of the environment along with opportunities and limitations of the adopted strategy. Table 2 below shows a description of the cases, interviewees and their positions.

[Please insert table 3 about here]

Data Analysis

The process of qualitative data analysis is an ongoing and non-linear process which continues to occur until the topic of investigation has been understood in order to draw related findings. The problem in analysing qualitative data is the limited number of well-established accepted rules for doing such analysis (e.g. Fathallah et al. 2020) which are not applicable to all fields of research (Bell et al. 2018). However, consider our research objective, and the nature of our data, we found thematic analysis as most appropriate. It is a cluster of techniques used to search for themes that refer to the topic and can be used accordingly to draw key findings (Bell et al. 2018). Such thematic cluster include grounded theory, critical discourse analysis, narrative analysis and content analysis, for this research we adopt a thematic analysis to approach to analyse our data. Furthermore, data analysis consists on examining, categorizing and tabulating evidence to tackle the initial intentions of a study (Yin 1994). In other words, during the analysis procedure, we divide our work into three stages: organizing data, summarization and categorization and finally identifying patterns and themes (Patton 1987). We use NVIVO to perform our data analysis, whereby we explore each interview in detail and then start the coding procedure. The coding has generated different themes that are related and relevant to the topic under examination and as a result there were eleven nodes created. These nodes represent: Motives, Collecting Info, Entry Mode, Reason of Choosing the Entry Strategy, Impact of Business Environment, Challenges, Difference of Reality and

Intended Plan, Entry Strategy and Company Objectives, Alternative Strategy, Effect of the Strategy on Company Performance and Advice. While visualizing the themes and the coded data, we run various NVIVO features in order to see the link between interviewees point of view regarding each theme and also to understand generally what are the variables that constitute each theme? Each theme findings are visualized and summarized based on the below.

FINDINGS

Findings are being reported based on the different themes that were generated from each of the cases. These themes were directly related to the main research questions of this study. Table 3 below provides description on the cases and respondents per country.

[Please insert table 3 about here]

Difference of Reality and Intended Plan: All participants have agreed that when company plan for a strategy before starting the execution, everything looked nice and seemed no changes to be made. However, when starting the field work and the implementation of that strategy there were a number of changes that took place. Mainly describing it as the reaction of the market due to its interaction with the new entity. This has led to some adjustments in order to make sure that the entry strategy is successfully implemented. Very few companies (A1, A4, A7, A8) considered these differences to be extremely challenging as they threaten the initially planned entry mode. With some (A1, A7 and A8) had to actually change their entry mode and selected a new strategy that was not part of the options they studied before the implementation. It appears that all these companies were coming from a totally distinct institutional environment, which has made it even more challenging to them to adopt to the new environment of UAE. As opposed to their counterparts that are coming from neighbouring countries, these differences were already taken into consideration. Reinforcing the idea that cultural distance matters, the more distant the institutional environment, the more differences there will be between intended plan and implementation.

On the other hand, in KSA, all interviewees have agreed on the differences between the intended execution plan of the strategy and the reality, in which they considered that any company should comply with the market changes. However, companies (A2, A3, A5, A9) from similar institutional backgrounds didn't experience a lot of differences. This is mainly related to the suggestions and recommendations that they have built their strategy upon as previously stated that they took the advice of previous companies including some of their partners that earlier started their operations in KSA.

Entry Strategy and Company Objectives: In terms of achieving companies' objectives, senior managers have confessed that their adopted strategy was very useful in reaching company goals, especially those who changed their entry mode. In KSA, the entry strategies implemented by the interviewed companies have been helpful in terms of achieving each company objectives, even for new entrants like A4, their strategy was considered the right decision to take when entering the KSA market and this has allowed the company to reach their primary objectives. Correspondingly, A1 based on its entry mode has attained its primary objectives. Interestingly, the entry mode adopted by A2, A6, A9 and A10 has positively contributed to the achievement of their objectives in terms of getting the financial support from their local sponsor and because of that sponsor; they have got the support and credit facility from local banks. For instance, respondent A3R2 argued that: "when we understood the market properly, we were 100% sure that having a sponsor is the best strategy but it was a bit late for us as we already established a JV". Similarly, A3R1stated that "we knew it from the beginning when we did our market study that to have full control and yet be able to establish a strong presence, we need to have a powerful sponsor. By powerful, I mean someone with strong network".

Alternative Strategy: Generally, no one has argued that their adopted strategy wasn't good or there were some alternatives for it, however one company (A9) has started as a local entity then shifted to be a free zone because of the introduction of this new form that wasn't available when first started operating in UAE. Moreover, another company that started as a joint venture now became a wholly owned subsidiary after acquiring the local firm and that was because of their growth in the market (A3). Distinctly, one of the companies (A4) that recently started as a representative office is planning to change its entry mode in the future and become more involved in the market in terms of physical active presence. As a result, and in-line with the Uppsala model of internationalization, entry mode strategy is not fixed and it changes during time based on different internal factors like company growth, increasing opportunity, boosting profit, etc. and external factors such as: introducing new entry forms by the government, lowering governmental regulations and laws, changing the market demographics, etc. For KSA, participants have argued that they wished to have used other entry modes. For instance, A1 would have decided on a wholly owned subsidiary if it was an available option. A1R2 argued that such strategy is absolutely reasonable because any company wishing to operate outside its home-borders and having the financial capability doesn't look for any partnership and prefer not to have a partner that will share the profit or some percentage of the company revenue. On the other hand, A4 and A6 stated that the adopted strategy is the most suitable for their companies because it is best for new entrants and because there are no alternatives that would provide the same support. However, A4 is seeking to have a representative office in the future similar to UAE's office that will handle the parallel work with local distributors.

Effect of the Strategy on Company Performance: Due to sensitivity of the financial data, we were unable to quantitively asses the effect of the strategy on company performance. However, most companies agreed that their adopted strategy has had a positive impact on the company performance and productivity in terms of cost savings, operational activities, centralization of decision-making and ease of distribution, etc. On the other hand, A4 as a new entrant still not able to define the return of its entry strategy, but according to A4R1, the company is moving in the right direction in which it has benefited from being more involved into the field work, had closer relationship with local distributors that helped in increasing their commitment and the company started to gather more relevant and practical experiences of the market which will play an important role in understanding its characteristics in order to successfully operate. Finally, and due to their confidence in the success of their chosen entry mode, majority of respondents (A2R1, A3R1, A5R1, A6R1, A7R1, A8R1, A10R1) have given some advice in regard to any international businesses wishing to operate in UAE. According to them, the most important factors when developing the entry mode are:

- Recognizing and properly understanding government regulations, including available business arrangements, labor laws, trade regulations, etc. For all these participants being fully aware of all government regulations is the most important success factor for the entry mode. Moreover, all these participants heavily relied on the advice received from international companies that previously entered the market.
- Market research to understand the specification of the market, including consumer demographics, preferences, purchasing behavior and knowledge of the product or service offered.

Accordingly, the company will decide to enter the market and choose a market entry strategy which mainly relates to the type of the business; however, interviewees have argued that joint venture is one of the most important entry strategies that international and foreign companies use and can benefit from at the beginning when penetrating the UAE market.

In line with UAE, respondents from KSA argued that entering the market by appointing a local distributor is a cost-oriented entry strategy that will reduce the expansion cost of the foreign company to its minimum which will affect the profitability of that company; this is what happened with A4. According to A4R2 their adopted strategy has positively affected the company performance and profitability in which 100% of products sales have grown from previous year without having to incur additional cost. Also, A2, A3, A5, A6, A7, A8, A9, A10 have been positively affected by its entry mode as it has got lots of local banks credit facilities and other local advantages because of the Saudi sponsor. Finally, majority of participants believe that building good and sustainable connections with local Saudis with strong networks within different governmental departments is crucial for company success and will definitely help the company achieve its objectives and work smoothly without any external unexpected problems. In such environments there is still heavy reliance on people's connections and power in order to perform lots of things and especially business. However, the trick in implementing this entry mode is to select the right sponsor. Surprisingly, such strategy is like international joint ventures but with a local person instead of company.

Comparing both cases

Majority of companies stresses the fact that the main motivation behind entering both countries were related to market characteristics. For instance, A1 because of the opportunity presented in the market, whereby their type of business is limited in the both environments they decided to enter. A4, A6 and A9 argue that because of the huge demand, growth and size of the market they decided to enter. On the other, A2 and A3 entered these markets because of the expansion orientation of they have in the Middle East. Lastly, A5, A7 and A8 decided to enter after knowing that the government direction towards investing in the country infrastructure and inject more money in the economy. However, the general terms that in both cases participants have showed positive interest are generally categorized into market needs and characteristics, growth of the market and the customer purchasing power/ability.

But the distinction is that in UAE the motivations to invest were also related to the openness of the country to international trade and foreign markets in addition to the existence of mixed culture in the country that will not act as an obstacle for foreign firms. Whereas in KSA, such atmosphere was absent, they all stressed that in reality Saudi Arabia has more restrictions, therefore the motives to invest in KSA are limited to the general categories identified previously.

Both cases have demonstrated lots of similarities because mainly gathering market or country information prior to entering a specific market is a standardized logical process of data collection, but the variables that companies looked at varies based on a firm's business activities and types. This is evident in cases A1, A4, A7 and A8 that all are coming from distant environments. These companies focused more on professional market research and relied on measures related to consumer spending, IT infrastructure, market size, customer preferences, buying criteria, and market characteristics in general. Hence, collecting info can be grouped as studying the market by doing market research that are related to the company activities either by using internal research methods or accessing the knowledge and help of external independent research agencies which is applicable in both cases. Despite that, companies (e.g., A2, A3, A5, A6, A9 and A10) from less distant countries especially A9 relied more on the recommendations of previously operated companies in the same business sector in UAE and KSA.

In UAE, one company started as a joint venture and then changed to being a wholly owned subsidiary, another one was a local registered entity and now becomes free zone registered but all other companies started as a representative office and in the future are looking to have a more involved entry mode. On the other hand, in KSA companies haven't changed their entry mode where only one company has an export arrangement and all the rest appointed a local sponsor and established a joint venture with them. This shows that the UAE is changing and become more flexible in terms of openness to foreign markets and provide a good context for the application of the Uppsala model. Some MNCs decided to change their strategy and that was mainly due to governmental regulations and the limited availability of a broader array of business arrangements in both countries as some of the examined firms have been operating for long time. However, there are additional factors that played a role in choosing the adopted strategy by companies that are associated to specific aspects like choosing a joint venture because the local company has more market knowledge, previously established market share, local connections, etc. Others linked to operational and costs aspects.

The common variable seen in UAE and KSA cases is the governmental regulations which include lots of sub-variables like trade rules, labour laws, etc. and customer preferences which are mainly common among many countries. Nonetheless, the UAE business environment specifically governmental regulations have had positive impact on companies in terms of open trade rules, ease of entry in the market, duty free areas, tax free, low import tariffs, etc. all of these sub-variables were under the umbrella of governmental regulations. While the Saudi environment have had negative impact on companies, whereby governmental regulations are very tough and restricted including labour law specifically Saudization Law, high entry barriers, power of locals, rigid system, etc. In addition, to that culture has been emphasized as a major impact for foreign businesses because of the differences between the country of origin and the local community that is characterized. The challenges in both cases are common in terms of government rules and regulations and customer preferences, but the distinction is only seen in the case of Saudi where the challenges were also related to cultural differences that acted as an obstacle facing international businesses.

Changing entry strategy or business arrangements in the market is related to different factors where government rules and regulations play a crucial role in shaping this strategic decision. For instance, in the UAE because of the development of the country and its openness and flexibility towards foreign firms, the country has widened its entry mode portfolio and allowed companies to change their arrangements based on their needs. This is what happened with A2 which changed from a local registered entity to a free zone company in order to benefit from the duty-free area. Also, A3 has changed from a joint venture to a wholly owned subsidiary but this was a result of an acquisition transaction and is not related to the environmental influences. But, in contrast in Saudi Arabia, none of the companies have attempted to change their existing entry modes. Table 4 summarises the findings from both cases by showing similarities and differences.

[Please insert table 4 about here]

DISCUSSION

International business scholars have realised the importance of the institutional environment on entry mode selection and proposed that international business research should devote more attention to the distinct contexts in which firms are embedded as entry strategy may be exogenously determined by institutional environments (Peng et al. 2008; Wright et al. 2005). According to Barney (1991), companies need to exploit their internal strengths by responding to the environmental opportunities and limiting the external environmental threats of the market.

This work provides new approach to understand entry mode and the different factors that play a crucial role in formulating such strategy. Majority of earlier work focus on one aspect of entry mode, in contrast, our work provides an integrative slant to provide in-depth analysis of how MNCs come to formulate their entry mode. Most importantly, we presented 'sponsorship strategy' as a novel entry mode, which shows that MNCs find ways to overcome institutional obstacles.

Highlighting the significant roles of the external institutional environment, this paper makes two important contributions to international business literature. First, we propose the 'sponsorship strategy' as a new form of joint venture in the Middle East region. Based on the previous analysis and the explanation of each case, we find that the common entry strategy adopted by foreign investors in both markets is to set up a local registered entity or company with a local sponsor. We argue that it is a special form of international joint venture between the foreign company and a local person who has strong social network and connections within the desired industry and most importantly the host government.

In both KSA and UAE neutralizing the external threats was mainly complying to the limitations and negative impact of the business environment. Major threats were related to formal institutions, such as governmental rules and regulations that include trade laws, investment rules, import tariffs, labour laws, etc. However, for KSA those threats were higher and extremely important to be considered by the foreign company operating or wishing to operate in this market. Such risky environment compels foreign investors to either form joint ventures with local entities or seeking a local sponsor to overcome the liabilities of foreignness. Due to the importance of having full control over the operations and the strategic decision of the subsidiary, most companies opted for the innovative sponsorship strategy as opposed to a traditional joint venture. In this way, they will simply have a local sponsor, who is considered the legal owner of the company, but in fact is only facilitating the legal establishment of the company and most importantly bypassing government rules and regulations. In return the sponsor only receives a fee, which acts as a compensation for their services on an annual basis, without being able to control or even interfere in the decision making and management of the subsidiary. While, it is an interesting approach adopted by foreign businesses, it has negative consequences on the host country. Such arrangement will encourage locals to only look for 'easy money' from international businesses and reduced the need to find jobs and work to earn their living. Additionally, such arrangement will limit the ability of local businesses to learn from international companies and to develop their skills. Knowledge transfer will mainly be absent. Notwithstanding its disadvantages for the foreign country, the sponsorship strategy is an option to overcome institutional obstacles and to reduce its threat.

Second, we contribute to institution-based view by exploring the role of the formal institutions (e.g., governmental regulations) and informal institutions (e.g., social network and connection) in shaping foreign investors' entry strategy in Middle East region. Through examining different types of companies operating in various economic or business sectors, this paper explores the effects of the external institutional environment on the entry strategy selections. Our results reveal the importance of both formal and informal institutions in shaping the choices of entry modes. It has been identified that governmental rules, regulations, local culture including customers' culture in terms of their preferences and the orientation of the country towards international trade play a crucial role in formulating the entry strategies of different companies. Therefore, it is important to match between the company strategy and the external business environment in any market particularly in KSA and UAE.

In addition to that, the aim of finding a local sponsor is to facilitate the market penetration through gaining access to local knowledge and potential resources via a selected agent. Sponsorship strategy was efficient in reducing the uncertainty from the less developed market and limit the threats of governmental regulations. By having a local sponsor, foreign investment can be protected under the name of the well-connected person, which provides many advantages for foreign companies. In this sense, we extend the territory of the institution-based view by articulating how foreign companies reply on informal institutions to gain competitive advantage under the circumstance where the formal institutions are not well established (Meyer and Peng 2015; Meyer et al. 2009).

Managerial implications

This paper has important practical implications. Extant international business literature mainly discussed the institutional challenges and their impact on company's entry strategy selection. Limited work has offered solutions that have practical implications. Our paper, by contrast, presents the problem and provide a solution to overcome those challenges.

Both UAE and KSA present number of opportunities for international businesses in terms of market size and growth. However, each plays a different role in encouraging foreign companies, where UAE is an example of a country that acts in partnership with foreign businesses or even in some cases as a dependent entity in which both parties heavily rely on each other in order to develop the country. Whereas KSA is an example of a country that has limited encouragement to foreign businesses due to high entry barriers and empowerment of local participation with any foreign investment, it can be said that both parties act as adversaries in terms of their relationship.

As a result, understanding the host-country institutions is of critical importance to the success and role of the entry mode. This could be done through internal research methods implemented by the company but also by a more efficient manner which is outsourcing market research from independent research agencies that have a presence in these environments. Additionally, taking the advice from other foreign businesses that previously entered the country is a good option to follow. Majority of the entry modes were considered to be most efficient particularly in Saudi Arabia.

It can be argued that joint venture mode can be implemented in the KSA market as an alternative but most domestic companies are small in terms of size, market share and have a distinct management style comparing to the foreign firms. Therefore, it is hard to start based on this mode as it will create lots of difficulties for the foreign company to cope with these new circumstances. However, the crucial thing is to carefully select the local sponsor and mainly look for powerful local people that have strong connections with official parties so it can really provide help to companies.

On the other hand, for UAE the government has various available entry modes that make entering the market bit different, which means in this market the entry mode is basically related to companies' business activities. But for companies operating in different markets like the Gulf and the Middle East region it is advisable to have a free zone registered company that will provide more advantages in terms of operational, cost, efficiency, speed and flexibility of business activities (import/export). Finally, once operating in any of those countries, the foreign firm can upgrade their entry scale based on external changes and according to the company performance. Consequently, based on the past performance and experience in a specified market, companies can follow the process of Uppsala model which focus on incrementally increase the scale of their involvement in that market. Logical incrementalism acts as a guidance framework for strategy planning, that allows a company to combine the rational strategic plan, political and power theories, and organizational behavioural concepts, hence it is purposeful, conscious, proactive and lead to a good management.

Research limitations and future research

We faced some difficulties and problems that should be acknowledged. First problem was the single respondent dilemma (Bowman and Ambrosini 1997); however, some authors justify it by arguing that any management member is likely to provide accurate information about organizational strategies (Hrebiniak and Snow 1980). Hence, because all of our respondents were senior managers, the effect of such problem is reduced. Second, this study has been based on the participation of some and not all businesses in the investigated markets which operate in different industries that have distinct sizes, so there might be factors unique to the industry selected that would have very little in common with businesses in other industries. Finally, some of the interviewees were reluctant to answer the interview questions and tried to change the subject as they considered some information to be confidential. Researchers are encouraged to get engaged in such scholarly work that not only have theoretical implication but also practical one. Future work should consider looking at the subject in a hybrid fashion by not only stating the problem and its effect, but also provide solutions for each of the challenges faced by MNCs. For instance, as an extension of this work, researchers can study the selection process of the sponsor. Not all sponsors are powerful or positively contribute to the establishment/development of the company, even some may cause problems. An important enquiry into this subject is how to select the sponsor? What are the criteria that MNCs follow in this selection? How MNCs protect their interest once they establish such relationship with the sponsor? Providing in-depth understanding of this step in the ‘sponsorship’ entry mode is crucial for company success and performance.

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List of tables:

Table 1. Summary of entry modes

Entry mode	Description	Advantages	Disadvantages
Exporting	The process of selling goods and services produced by a firm in one country to customers residing in an overseas country (Daniels et al., 2013)	•Low risk •Less costly and help increase profitability •Accumulate experience of the foreign market without doing any direct investments	•Lower cost locations for manufacturing product in other markets •Transportation cost can play a negative role •Tariff's barriers if higher can make it harder on exporters and currency fluctuations
Licensing	The arrangement that allows a licensor to grant the rights to intangible property to another entity within a specific period and in return of that the licensor will receive royalty fee from establishing such license (Hill and Hult, 2019).	•No asset ownership risk •Avoid tariffs and foreign locations entry barriers •Less costly as the licensee is responsible to put up the necessary capital for overseas operations	•Lack of control •Poor knowledge of the foreign market, thus limited options for future development •Putting the core capability of the company at risk of exploitation by the licensee
Franchising	The original firm or the franchisor provide the franchisee or the foreign firm by its trademark, products, services and operating principals in return to an initial fee and ongoing royalties (Deresky, 2005).	•Reduced ownership risk •Bypassing foreign market institutional challenges and barriers •Less costly to establish and protect the core capabilities of the franchisor	•Exposing brand reputation to potential risk •Reduced flexibility for future development •Slow growth
Turnkey Operations	It refers to a firm designing and constructing a facility in a foreign market along with training operating personnel for a specified period of time and then when the project finishes, it will be given to the local management in return to a fee (Deresky, 2005).	•Build international experience in different markets rapidly •Boost internal reputation •Offers flexibility to move from one market to another	•Short term, thus little strategic effect •No potential for growth •Failure to build strong connection with local partners

Joint Venture	It occurs when two or more legally separate bodies form a jointly owned entity in which they invest and engage in various decision-making activities (Geringer, 1991).	•Rapid entry in new markets •Overcoming institutional barriers •Ability to acquire managerial capabilities	•High degree of investment risk •Lack of control over foreign activities •Conflicts in decision making and ownership arrangements
Wholly Owned Subsidiary	The investing firms own 100 percent of its subsidiary in the foreign location, and this form can be done either by Greenfield venture or Acquisition	•Full control •Freedom in decision making •Develop extensive experience of foreign market	•Increased resource commitment and risk •Offers little flexibility and agility •High degree of uncertainty for future operations
Strategic Alliance	It is a form of collaborative arrangements between companies that ranges from formal joint ventures, to short-term contractual agreements in which two firms agree to collaborate on a particular task/project (Hill and Hult, 2019).	•Facilitate the entry into foreign markets •Enable partners to share risks and cost •Transfer skills and knowledge between partners	•Potential issues in decision making •Non-equity alliance can threaten future development and growth •Risk of reputational damage
Representative Office	It is a fast and simple method to establish a formal presence in a foreign market and become familiar with a target market. A representative office mainly is prohibited to engage in direct and profit-making business activities, but it can perform business communications, product promotion, market research, contract administration, negotiations and other non-commercial activities on behalf of their head office (Chen, 2005).	•Simple and fast to establish •Less costly •No risk	•Offer peripheral and theoretical understanding of the market only •Take time to provide useful insights on how to develop and grow •No income generation

Table 2. Theories

Theory	Characteristics	Examples in the Middle East
Transaction Cost Theory	• Companies face sunk costs that involve cultural, political, economic, and institutional aspects (Patnaik et al., 2017). • Market closeness between both countries reduces the transaction costs and market risks (Munjal and Pereira, 2015). • This theory does not provide an in-depth view of how entry modes are developed.	In Syria and Jordan, the high importance of a corporate governance has a strong positive relationship to choosing wholly owned subsidiaries, since the MNC will have a high international background that increases its competitive advantage, which in return decreases transactional costs (Al-Habash et al., 2015).
Real Options Theory	• This theory reinforces the importance of providing more flexibility to investment decisions, which allows firms to defer engaging in an upfront commitment to a specific course of action to gain more information. • Mainly focuses on the structure choice and overlooks important internationalization steps.	Due to the Middle East's political uncertainty, foreign owners need an exclusive offer of growth opportunity to make investments (Li et al., 2013).
Isomorphism and Institutional Theory	• Isomorphic pressures have a significant effect on the choice of entry into the host market (Brouthers, 2013). • The rigidity of the host country institutional environment increases the likelihood of firms to enter flexibly using low control or ownership strategies (e.g., joint ventures) (Hill et al., 1990; Meyer and Nguyen, 2005). • Institutional and transaction cost theories go hand in hand as isomorphic define the 'rules of the game' in which transactions occur (North, 1990; Arregle et al., 2006; Davis et al., 2000).	Companies in the GCC confirm with isomorphism by adapting to local laws and practices of competitors to gain a place in the market (Sidani and Al Ariss, 2014).
Resource-Based View Theory	• Resources are also referred to as "dynamic capabilities," that include the knowledge of the intra-firm and global network (Barney, 2011; Thite et al., 2016). • Country risks triggers the need to establish protection mechanisms to ensure the safety of key resources by avoiding entry using full control/ownership (Agarwal and Ramaswami, 1992). • This theory incorporates the role of the decision-maker and its influence on the market entry choice (Herrmann and Datta, 2005).	In the context of Syria and Jordan, the higher the level of intangible assets of a MNC, the more likely it was to choose wholly owned subsidiary over a joint venture. (Al-Habash et al., 2015).
Eclectic Theory	• As long as the three advantages (ownership, location, and internationalization) are met in the host country, then ideally firms should enter by high control/ownership modes (Ruzzier et al., 2006). • Ownership advantages are accumulated as intangible assets: company size, skills, international experience and the ability to develop a differentiated offering. • Although the eclectic theory is multi-dimensional, it presents descriptive explanation on whether other forces could alter the decision on the entry mode.	Turkey's OLI paradigm includes the size of the market, level of attractiveness to foreigners, and political stability. Turkey surpasses others in the region with its market size and attractiveness, however, it falls behind in political stability (Apaydin, 2009).

Uppsala Internationalization Model	• Firm engage in relationships with local stakeholders that are crucial in facilitating complex cultural, economic, and institutional settings for the company (Davis and Frank, 2014; Patnaik et al., 2017). • The criticism received was mainly doubting the validity of the model since it appeared too deterministic, which does not account for the variability in decision making and the availability of strategic choices top managers have (Andersson, 2000). • The development is clearly challenged because organisations may well opt to omit stages in the aim of accelerating the process (Schellenberg et al., 2018)	In the Syrian and Jordanian context, the higher the importance of a corporate governance, the more likely for firms to choose wholly owned subsidiaries since the MNC will have a high international background that increases its competitive advantage and position (Al-Habash et al., 2015).

Table 3. Description of cases

Company	Country of Origin	Number of employees	Type of business	Year founded	Number of interviews	Respondent title	Respondent ID
A1	Australia	1,000	Real Estate	1978	2	General Manager	A1R1, A1R2
A2	Lebanon	200	Technology	1986	2	General Manager	A2R1, A2R2
A3	Lebanon	1,500	Heavy industries	1984	2	General Manager	A3R1, A3R2
A4	Sweden	55,400	Home appliances	1919	2	General Manager	A4R1, A4R2
A5	Lebanon	300	Restaurant	1990	2	General Manager	A5R1, A5R2
A6	Lebanon	500	Wood manufacturing	1982	2	General Manager	A6R1, A6R2
A7	US	98,000	Medical appliances	1949s	2	General Manager	A7R1, A7R2
A8	UK	250,000	Consultancy and business services	1998	2	General Manager	A8R1, A8R2
A9	Kuwait	650	FMCG	1985	2	General Manager	A9R1, A9R2
A10	Lebanon	30,000	Construction	1970	2	General Manager	A10R1, A10R2

*R1 respondent in UAE and R2 respondent in KSA

Table 4: UAE & KSA Cases

Themes	**Respondent** A 1	A 2	A3	A4	A5	A6	A7	A8	A9	A 10	*Number of companies out of 10*
Reasons to enter the market											
UAE & KSA Cases											
Growing market in UAE	X	X	X	X			X	X		X	7
Growing market in KSA	X	X	X	X	X	X	X	X	X	X	10
UAE Case											
Young population	X	X			X		X		X		5
Expanding outside the home market	X	X			X			X		X	5
Good banking system	X	X	X			X				X	5
Flexibility	X	X					X		X		4
Early adopters of technology	X	X						X			3
Openness to international businesses	X	X	X	X	X	X	X	X	X	X	10
Availability of good infrastructure		X	X		X					X	4
Diverse culture	X	X			X		X	X	X		6
Developed infrastructure		X	X	X		X			X	X	6
KSA Case											
Population	X	X		X		X	X	X			6
Reputation of the market		X	X			X	X			X	5
Economic growth	X			X	X		X	X			5
Market size	X				X	X	X	X		X	6

Consumption	X		X	X			X	X	X	X	7
Consumer purchasing power	X			X			X	X		X	5
Low risk	X		X	X	X	X	X			X	7
Market stability		X		X		X	X	X		X	6
Stable environment	X	X	X	X	X	X	X	X	X	X	10
Research prior to enter the market											
UAE & KSA Cases											
Independent research agencies in UAE	X			X			X	X			4
Independent research agencies in KSA	X			X			X	X			4
UAE Case											
Cost of entry		X	X			X				X	4
Market size		X		X	X	X	X		X		6
Consumer demographics	X	X		X		X	X	X		X	7
Government regulations	X	X	X	X	X	X	X	X	X	X	10
Market specs and characteristics	X		X		X	X		X		X	6
Ease of entry	X	X	X	X	X	X	X	X	X	X	10
Government spending on related sector	X			X			X	X			4
KSA Case											
Word of mouth		X	X		X	X			X		5
Field market research	X			X			X	X		X	5
Desktop research	X			X			X	X		X	5
Suggestion from other companies		X	X	X	X	X			X		6
Entry mode											

UAE & KSA Cases											
Joint venture in UAE			X							X	2
Joint venture in KSA							X				1
Local registered office in UAE		X					X			X	3
Local registered office in KSA									X		1
Sponsorship strategy in UAE	X				X	X					3
Sponsorship strategy in KSA	X	X	X		X	X	X	X		X	8
UAE Case											
Representative office				X							1
Export											0
Wholly owned subsidiary			X					X	X		3
Free zone		X									1
KSA Case											
Local registered office									X		1
Distributor				X							1
Reasons for choosing the entry mode											
UAE & KSA Cases											
Government regulations in UAE	X				X	X					3
Government regulations in KSA	X	X	X		X	X	X	X		X	8
Limited choices earlier in UAE	X		X			X	X			X	5
Limited choices in KSA	X	X	X		X	X	X	X		X	8
UAE Case											
Established relationships	X			X	X		X		X		5
Operational reasons		X	X		X		X	X		X	6

Availability of new forms		X	X	X		X		X	X		6
Better understanding of the market		X	X				X	X	X	X	6
KSA Case											
Complexity of the market				X					X		2
Culture	X	X	X		X	X	X	X		X	8
Entry barriers	X	X	X	X	X	X	X	X		X	9
Impact of business environment											
UAE & KSA Cases											
Government regulations in UAE	X				X	X			X		4
Government regulations in KSA	X	X	X	X	X	X	X	X		X	9
UAE Case											
Ease of market entry	X			X	X		X	X	X		6
Taxation		X	X	X		X		X		X	6
KSA Case											
Culture	X	X	X	X	X				X		6
Business style	X	X			X	X	X	X	X		7
Consumer preferences	X						X	X	X		4
Entry barriers	X	X	X	X	X	X	X	X		X	9
Networking power of locals		X	X	X	X	X				X	6
Challenges											
UAE & KSA Cases											
Government regulations in UAE	X		X	X	X			X			5
Government regulations in KSA	X	X	X	X	X	X	X	X		X	9

UAE Case											
Customer preferences		X			X	X	X			X	5
Building brand awareness		X		X		X		X	X	X	6
Customer characteristics	X		X		X	X	X			X	6
KSA Case											
Hard to access market info	X						X	X	X		4
Unstructured market	X			X		X	X		X	X	6
Absence of transparency	X			X	X	X	X		X		6
Labor market	X			X		X	X	X			5
Culture	X	X	X	X	X	X	X	X		X	9