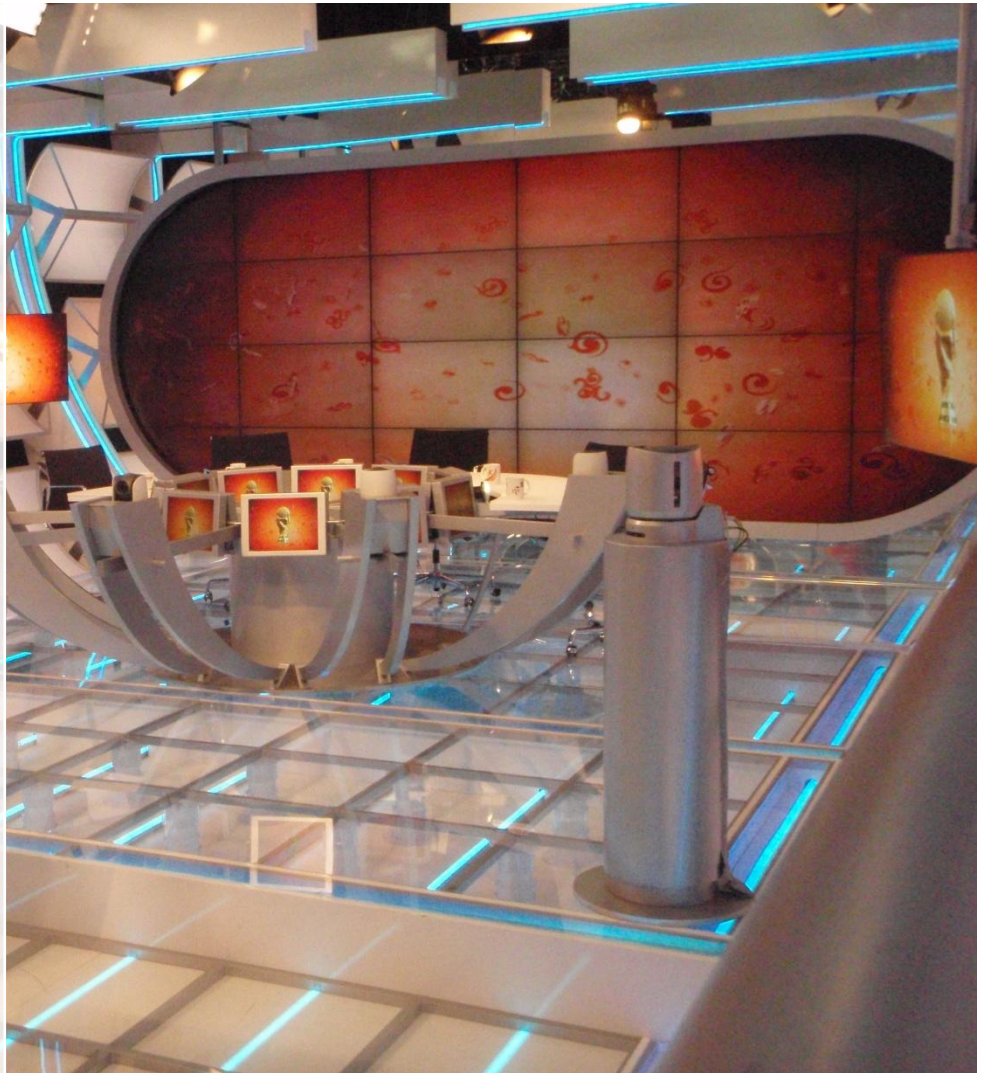


Expansion into the Gulf Region

Kloosterboer Decor Portugal Lda.

2010



Kloosterboer Decor Portugal Lda. is an international set and decor building company that has recently performed contracts in Qatar. With an interesting target market, an in-depth market research and business plan is constructed.

Vincent van der Wijk
1518498
Utrecht Business School

kloosterboerdecor
mind into matter

How Kloosterboer can make a successful entry on the set and decor market in the Gulf region.

Vincent van der Wijk

ID: 1518498

IBMS Year 4

Utrecht Business School,

Hogeschool Utrecht,

University of applied Sciences

Completion date: August 2010.

Words: 4.984

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Executive summary

With contracts performed in Qatar, Kloosterboer needed a deeper insight into how a successful entry on the Middle East set and decor market can be made. The research is done to assess where Kloosterboer can establish a subsidiary, the local market condition, and the financial position of Kloosterboer to support this potential expansion.

Bahrain, the United Arab Emirates (UAE), and when possible Qatar are the most preferable Emirates for Kloosterboer to establish a subsidiary. The Emirates have a central position in the region combined with favourable conditions such as low tax rates, positive demographic data, low political and corruption risk, full foreign ownership, and high level of economic freedom.

The markets in the Gulf region are highly interesting for Kloosterboer. There have been substantial investments in the television industry. Equal market attractiveness exists for adjacent markets as museum furnishing and interior design. In the set building market there is only one competitor. With the absence of more local competition, a large market lies open for Kloosterboer. In the museum and interior design market various competitors are active, but Kloosterboer could react on this with becoming a third party contractor.

The financial position of Kloosterboer has some restraints due to weak performance of the last years. However, key ratios have been sufficient and the return on investment and profit margin has been stable. With the financial history of Kloosterboer, combined with good future banks would be willing to finance the expansion of Kloosterboer at a favourable rate.

Three strategies could be followed by the expansion. A defensive strategy would keep investment to a minimum and most of the work would be done in Portugal, with only the mounting in the region. An aggressive strategy would need heavy investments in order to establish a subsidiary and increase (sales) workforce. The focus strategy would consider the short-term rate of return of every substantial investment made in the region. Whichever strategy Kloosterboer should use, the large target market and favourable establishment conditions make it a highly attractive market.

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Introduction

Kloosterboer Portugal Lda. Is a Portuguese based set and décor building company that has been active on the Portuguese market for the last 15 years. With the Portuguese set building market under heavy pricing pressure, Kloosterboer is looking for new and more profitable markets. After Kloosterboer has performed some contracts in Qatar, a profound business research of the market conditions of the Middle East is needed.

The business research is performed as focus of the Graduation Internship performed by Vincent van der Wijk, for completion of the Bachelor study “International Business and Management”, and is executed for Kloosterboer Portugal Lda. The main objective of the business research is to serve as a guideline of the export aimed activities of Kloosterboer and avoid unaccounted risks.

Restrictions on the research are that the main source of information is through secondary research, and especially concerning the market assessment, no local survey could be held. In addition, the research is limited to the Gulf region due to favourable market conditions and time constrains. In spite of these limitations, results stated in the report have a high validation due to cross checking.

This graduation report has four sub sequential sections. The first section is a further explanation of the methodology. The second section consists of a country analysis, followed by the third section consisting of a company and market analysis. The last section appoints the financial implications for Kloosterboer.

The Methodology section goes into detail about the various ways of how data is collected and how the research is designed. In addition, the methodology section also explains how the data is analyzed and what limitations the research had. The country analysis initially has all the Gulf emirates research for main topics. The second selection depends on key country figures, after which the two are combined. From this, the most preferable Emirates are selected.

In the company and market analysis, Kloosterboer and the market conditions are further analyzed. The company and market analyse are based on factors such as definition and description of applicable industries, a market and business assessment, Swot and confrontation matrix, and a Marketing analysis. The last section has details about the financial implications for the expansion of Kloosterboer into the Gulf region. The financial analysis is based on the liquidity, solvability, and profitability of Kloosterboer.

1. Methodology

The methodology¹ used to find the information on which the report is based is extremely important. Firstly, it shows the extent of the research. Secondly, the methodology shows the scope and limitation of the research. The research for Kloosterboer is based on qualitative methods. This means that the research included interviews, observations / communication, literature, and desk research. A description why the various techniques are used is given.

Various interviews with key persons within and outside Kloosterboer have been held. The interviews gave a deeper insight into the various areas. With the interviews held in an unstructured to semi structured nature, valuable additional information was gained next to the central issue. To increase responses the interviews have been held in a comfortable situation, and where possible one on one.

The interviews are complemented with observation / communication research “in the field.” Observational research was constructed to monitor everyday behaviour and attitudes of the interviewed persons towards exporting to the Middle East. Although the research question at first sight does not look suitable for observation, it gave significant insights in primarily unspoken values.

Literature research has been the main source of information on which the report and conclusions are based. Where possible primary and secondary literature is used composing the report. However, grey literature is often used while policy plans, and papers contained important information for the various aspects of the research.

Following on the ways of information collecting, the use of the data collected constitutes the quality of the research and subsequently conclusions. The quality is divined by the topics; reliability, validity, and usability.

Reliability concentrates on the random errors of the research. Often reliability is associated with quantitative research, some techniques are also applicable on qualitative research. Two methods have been used for the construction of the report; triangulation², and peer review. Triangulation is used as data and theory triangulation, meaning that where possible multiple sources and theories are used to construct the conclusion, an example is with the costs of living and wages paid, which

¹ Verhoeven N. (2007)

² Bonilla R. (2006)

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shows some variety. Peer review is used to get feedback on the various data and gave valuable feedback, which is performed by Mr Rustenburg and Mr Tuin.

Validity goes deeper into the information and in checking if there is a systematic error in the research. An important subject is internal validity, meaning that the conclusion drawn are free from bias and addressing the initial question. This is achieved by the triangulation and peer review.

Usability concentrates on the applicability of the research for Kloosterboer. Even if the information found has a lower reliability and validity, it is still highly useful for the research. Especially because the data is triangulated this means that the conclusions are based on more than one data set.

Every research has limitations, also this one. Main limitations of the research where the dependency on qualitative research, no local field research with customers, and the heavy dependency on grey literature. Although qualitative research has benefits with large client or supplier basis, qualitative research was more applicable for Kloosterboer. Especially while the collection of data has a more informal and open approach it was more applicable to the situation. Limitations of qualitative research are that the research is highly depending on the skills of the researcher, large amount of collected data can be hard to analyze and is time consuming. The high dependence on grey literature could oppose a problem, however where possible grey literature is avoided. Without the possibility of doing field research with potential customers is somewhat limited with the extensive research the EVD³ has done into the interior design market.

³ EVD (2010)

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2. Country Analysis

Kloosterboer currently has contract-based work in Qatar. In order to increase the service level and attract more customers Kloosterboer wants to establish a subsidiary in the region. Countries that are considered are part of the Gulf Cooperation Council (GCC). In Appendix 1 an explanation of the GGC and Taxation Agreement is given.

2.1 Preliminary country Selection

The provisional country selection is made that analyzed key points that are important for Kloosterboer. Full ownership, economic freedom, tax rate, and the corruption index are key⁴. Bahrain, UAE, Kuwait, and Saudi Arabia have a favourable business climate and an in-depth analysis is made. Qatar, also having a good business climate will not be further examined due to the fact that it is not yet possible for foreign firms to have 100% ownership. This is visualized in

figure 1.

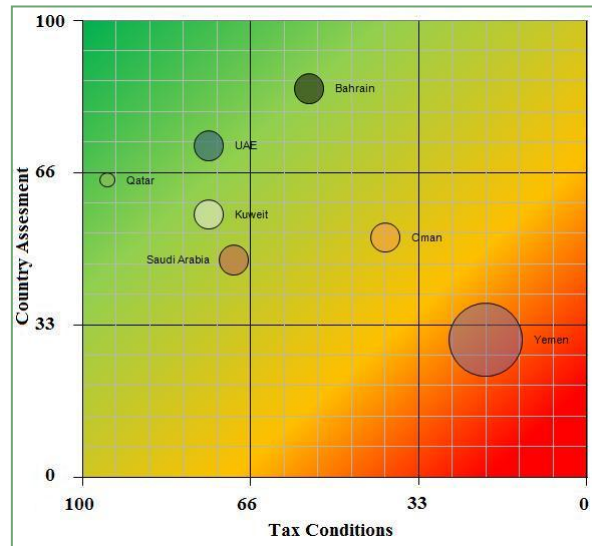


Figure 1; Preliminary country selection

2.2 In-depth country selection

For the overview only countries that have passed the first selection are examined. For the country risk analysis the Gross Domestic Product per capita, GDP growth, Inflation, Political risk, and unemployment are weighted to assess the conditions in the emirates. With the business costs minimum and maximum wages, cost of living, starting capital, and business start-up costs being ranked⁵. As shown, Kuwait has a favourable business costs assessment, but the country has the highest assessed business risk climate. Bahrain

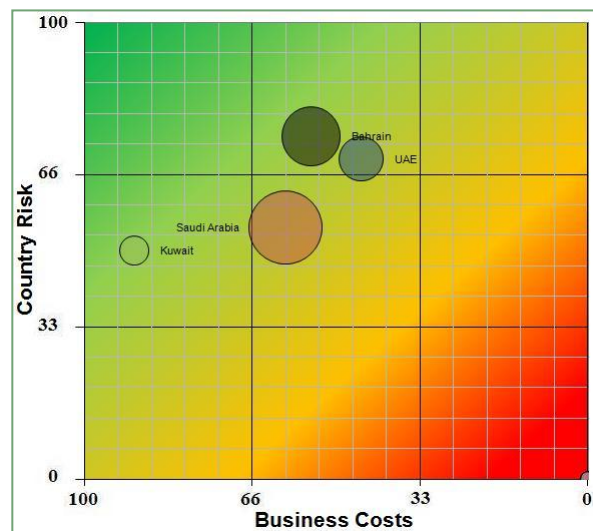


Figure 2; In-Depth country selection

⁴ The data on which the assessment is made of the various emirates are in Appendix 2. In appendix 4 the data is ranked and weighted according to the various key points.

⁵ The data on which the assessment is made of the various emirates are in Appendix 3. In appendix 4 the data is ranked and weighted according to the various key points.

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has both a reasonable risk and costs assessment, followed closely by the UAE, and at some distant Saudi Arabia. In figure 2, a graphical overview is given on which the various assessment points are implemented.

2.3 Country advice

Figure 3 has combined the two factors into one figure to present a clear overview of the country and business factors. Qatar is included in this scheme even though no local business yet can be established, the same criteria are used as before, except that possibility of establishing a business has been negatively assessed. Bahrain, UAE, and Qatar have the most favourable conditions for Kloosterboer to establish a subsidiary⁶.

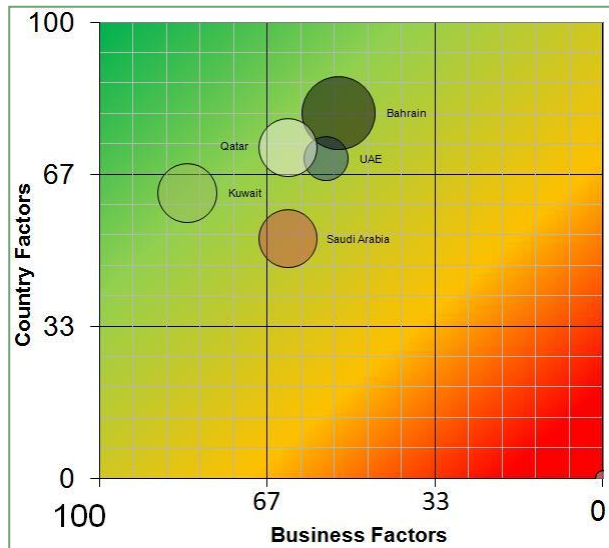


Figure 3; Country Advice

⁶ In appendix 3, the Aon country risk assessment is added. The Aon risk assessment presents the country risk from an insurer's side.

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3. Market and company analysis

The company and market analysis focuses on market and company forces. Central in the market analysis are the various chances for Kloosterboer, with a focus in the company assessment on how Kloosterboer can promote its core qualities.

3.1 Market Analysis

The market analyse examines the different markets in which Kloosterboer could be active, namely the set and decor building, interior design, and a museum industry. Per industry a description of the market size and customer location is given. Major competitors of Kloosterboer are expanded in appendix 6 and appendix 7.

3.1.1 Decor and Set building

The decor and set building industry in the Gulf region is becoming a serious market that enjoys great investments of private and (semi) government entities. With recent creation of seven studios, 15 local channels and the development of two movie studios it becomes an interesting market. In appendix 8 an overview of the available channels are provided.

Furthermore, with the presence of only one local competitor the market is highly attractive for Kloosterboer. With an outstanding strategy, an influential part of the market would lie open for Kloosterboer. The regional competitor Fitch also has a limited interface with Kloosterboer while the vision of Fitch is to be a global design company, instead of a production company. Even though the limited similarity, it will be the largest competitor of Kloosterboer.

3.1.2 Interior Design

The interior design industry has some similarities with the set building industry, while it is based on creation of high quality designer interiors. Therefore, the interior design market is interesting for Kloosterboer, but it would need different skills and

Project Value \$ Mln	2010	2011	2012	Total
UAE	18.500	22.000	27.000	67.500
Kuwait	11.400	14.200	17.800	43.400
Qatar	12.000	16.000	21.000	49.000
Bahrain	3.000	4.100	4.700	11.800
Total	44.900	56.300	70.500	171.700

Figure 4; Project value interior design industry coming year Emirates

approach than Kloosterboer is used to. However, the interior design industry is a huge market with new buildings erecting in the area on high speed. Figure 4 shows the total project value of the four emirates. Saudi Arabia has extensive plans to upgrade the living and working facilities focused around Jeddah. The foremost projects include the living and working area King Abdullah Economic

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Centre, the Knowledge Economy City, and a large living tower constructed by Western Doha Co. These three projects already have a joined investment of more than \$ 35 Bn⁷ and more projects in the coming year are expected.

Although there are numerous interior design companies, the manufacturing and the placement of the interior is mostly contracted to 3rd parties such as Kloosterboer. Leading industrial companies are Greenline interior, RMJM, Italian Design, Fino International, JC Maclean, and KPS.

3.1.3 Museums fitting

Abu Dhabi is becoming the cultural centre of the Gulf region with many museums already in place, and some large projects such as the Louvre and Guggenheim being under construction. Furthermore, Qatar, Bahrain, and other Emirates in the UAE are investing in cultural preservation. With over 40 existing

Project	Currency	Value \$ Mln
Guggenheim	AED	400
Louvre Building	US	108
Louvre Exhibitions	US	508

Figure 5; Project value museum fitting industry

museums and art galleries, of which 85% is in Qatar, Bahrain, and the UAE, and the new planned projects in Abu Dhabi the market for museum and art gallery fitting is large. Figure 5 presents the largest two museum projects. Main competitors are JC Maclean and Depa, both are also active in the interior design industry

3.1.4 Market and Business assessment

To make an exceptional assessment of the various markets, a business assessment is made for the set and decor industry, and the interior design industry. The museum fitting industry is included in the interior design industry while they are closely related, and key companies are active both segments. The Market and Business assessment is divided in a market assessment and business assessment. In figure 6 the positions per country is shown.

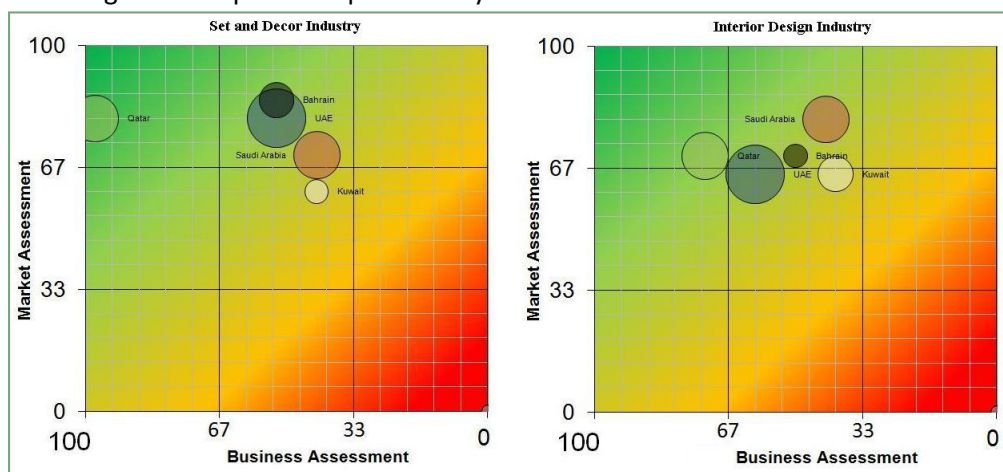


Figure 6; Market and business assessment; two industries.

⁷ Gorvett J. (2008)

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The five emirates are all excellent expansion markets for Kloosterboer. However, Kloosterboer as a newcomer on the market should invest most efforts in Qatar and Bahrain and when possible in the UAE while the (set) markets are most attractive, the emirates are relative close and cultures are similar. A smaller amount of marketing efforts should be directed towards Saudi Arabia and Kuwait while the markets are less attractive, the projects are out of the region, and the culture is more diverse than the three emirates.

3.2 Environmental Analysis

The environmental analysis explores the different market forces that are applicable on Kloosterboer. These forces range from economic influences, government, and regulation, bargaining power of several parties, up to competitive forces.

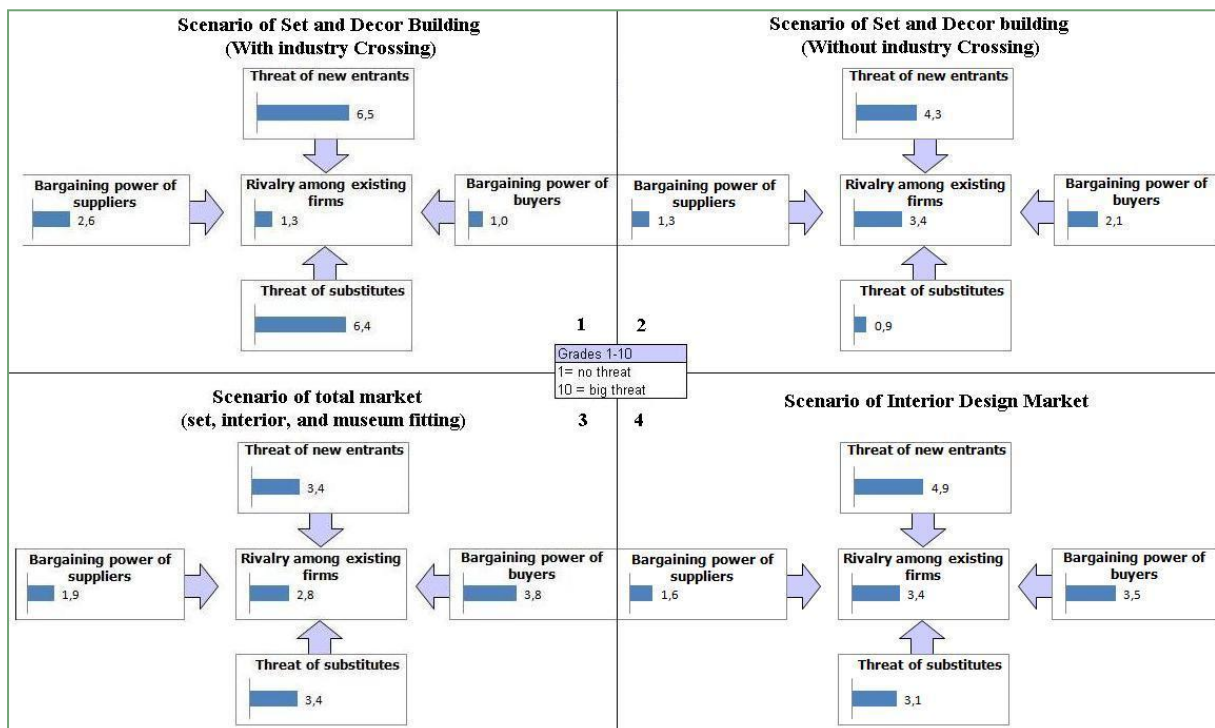


Figure 7; Environmental Analysis with 4 scenarios

In figure 7, four scenarios are provided for different settings. The large difference between the scenarios is the level of competition, which markets are served, and the level of industry crossing. Scenario 2nd is the current situation, and is not expected to change in the near future. In scenario 3rd the global situation is presented seeing the set building, interior design, and museum fitting as one large market with cross company activities. With an overview of the different scenarios a positive and exiting markets are existing. The majority of factors per scenario are low and present a favourable market situation for Kloosterboer to enter.

3.3 Strategic Management Analysis

Based on the SWOT and Confrontation Matrix there are several strategies possible with which Kloosterboer could eliminate threads and weaknesses, and increase strengths and opportunities. The SWOT and Confrontation Matrix are shown in appendix 11, and 12. Based on the confrontation matrix, Kloosterboer should increase the local presence to ensure maximum effectively and ensure a successful market entry.

Moreover, the majority of issues can be solved by committing enough funding and work force in order to establish a local office with a (semi) permanent presence. Local presence would increase customer service, local presence, market research, regulation research, and an enlarged customer basis. In addition, a good relation with reliable suppliers and workforce could be established, which would benefit Kloosterboer increasing the easy with doing business. Moreover, with expanded local presence Kloosterboer would get more work with which it can build up a good brand image.

3.4 Marketing Analysis

The marketing mix consists of four P's, namely price, promotion, product, and place. A 5th P of People is added while the employees are a core business of Kloosterboer. According to the strategic model of Porter, a focus strategy should be followed to market the product of Kloosterboer⁸.

Product

With the basic product being the building, erection, and possible demolition of custom-based sets, Kloosterboer can offer the same product as in Portugal. However, the market conditions are more demanding in terms of planning, management, and deadlines. Kloosterboer already has implemented these new services in order to fulfil this need.

Pricing

The current price setting of Kloosterboer is cost price based with a profit ratio. Although the market in the Middle East is less sensitive for prices, Kloosterboer is not intending to change the pricing policy dramatically. This price setting could be of a disadvantage for Kloosterboer while it is not representing the high quality product that is delivered. In addition, when Kloosterboer has established a reputation of high quality low pricing Kloosterboer could miss out extra profits and get a diluted image.

⁸ Armstrong, Kotler, Harker, Brennan (2009)

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Place

With a strong basis and the availability of trained and flexible labour in Portugal, Kloosterboer will keep producing in the current facility. Transportation to the Middle East will mainly be through airfare while the set building industry is fast paced and last minute decisions are more common than exceptions. For the transportation, Kloosterboer will use the assistance of an Export Management Company such as Geostar that is currently used.

Promotion

The set building market is small and relies heavily on personal relationships and personal contact. With this in mind, Kloosterboer should retain and extend close contact with current and potential customers on a regular basis. To extend the customer basis to the adjacent areas trade shows such as the Index exhibition or the FM Expo in Dubai are highly effective in order to network and get in contact with potential customers.

People

The people make up Kloosterboer, this involves the customers, management, employees, suppliers, etc. With the high-paced last minute business, educated and flexible employees are core elements of the product of Kloosterboer. In essence, multiple companies can produce the products that Kloosterboer produces, therefore and Kloosterboer should focus on add value with its current flexible and high skilled workforce. In addition, personal contact is extremely important and there should be sufficient resources made free for the sales activities. Moreover, with the cultural differences, good preparation and cultural flexibility are highly important for customer contact employees, a short cultural guide is given in appendix 9, and how to behave in business situations is given in appendix 10.

4. Financial Analysis

The financial Analysis gives a thorough understanding of the financial position of Kloosterboer according to key figures such as current ratio, working capital, profitability, and the profit margin. The liquidity is the ability of Kloosterboer to fulfil its short-term invoices on time. The solvability ratios give a representation of the degree in which Kloosterboer can fulfil long-term obligations. To give a good representation of the financial position of Kloosterboer the ratios are calculated for the last 5 years, and are based on the data showed in appendix 13⁹.

4.1 Liquidity

Key figures to assess the liquidity of Kloosterboer are the current ratio and the work capital. The current ratio is a rate in which short-term debts are covered with current assets and a rate of > 1.5 to 2 is standard and Kloosterboer meets this rating. The working capital represents the difference of the current assets and the short-term debts. A positive figure represents the easiness of paying the creditors on which a preferential credit treatment of banks and creditors. The working capital has been tremendous in the first 3 years, but has been slightly negative in 2008, to recover in 2009. The current ratio of Kloosterboer has been positive in the early but has gone down in the last year, but is expected to reach preferential levels this year.

4.2 Solvability

Key figures to assess the solvability of Kloosterboer are the solvability ratio and debt ratio. The solvability ratio is a percentage of the company's equity in relation to the total equity available with minimal rates between 0.25 and 0.50 . The debt ratio is a representation of the rate of which foreign financing compared the total equity is financing Kloosterboer. Although the debt margin of Kloosterboer has gone up fast from 0.21 foreign credit to 0.74 , the solvability ratio has been at a save height of minimal 0.53 in the last year.

4.3 Profitability

The profitability of Kloosterboer is assessed by key figures such as the return on capital and equity, and the gross and net profit margin. The return on capital and equity represents the profitability of the total capital, with the return on equity being the return on own capital. According to the key ratios, Kloosterboer has a sufficient positive position in order to undertake the next step of establishing a subsidiary in the Middle East. The needed investments will put some temporary restrains on the balance of Kloosterboer, but with the lack of long term debt and a positive balance in the last years banks will be positive towards additional financing.

⁹ Madura (2009)

4.4 Forecast

The forecast is based on known orders and expected adhering turnover. For 2010 several projects are still in the pipeline with a total value of minimum €1.150.000. The forecast for 2011 is based on one project in the beginning of the year. Nonetheless, more orders are expected to come in the end of 2010. The figures are based on an average percentage of the figures of 2007 and 2008 while the figures and ratios are comparable.

In Appendix 14 the foreign exchange rate risk is elucidated. The foreign exchange rate risk could become a serious issue when large dealings in foreign currencies are done.

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Discussion

In this section, a short conclusion of each subject is given after a conclusion and three possible strategies that Kloosterboer can follow are provided. The conclusion will follow the structure of the report; first, the country selection, followed by the company and market assessment, and concluded with the financial figures.

With the Gulf region having an first-rate economic climate and rich investment climate due to oil investments, there is a favourable expansion climate for Kloosterboer. Bahrain and the UAE have the most attractive establishment practises. Qatar would have the most preferable establishment position, but with the current law changes, it is not clear when Kloosterboer could fully own a subsidiary.

The market analyse is based on three different markets; set and decor, interior design, and the museum industry. The various markets are well represented in Bahrain, the UAE, and Qatar, moreover the other emirates in the Gulf region are well underway to develop similar markets. The environmental influences that are active on Kloosterboer will have a limited impact while Kloosterboer has a flexible basis, large supplier market, and large potential markets.

Based on the SWOT of Kloosterboer the confrontation matrix has highlighted various aspects that Kloosterboer should improve. Prime target areas are; maintaining flexibility, focus on customer service, improve financial position, establish local presence, and gain a good image. This would solve most of the negative forces on Kloosterboer, and would strengthen the core business and increase contracts.

Focus point for Kloosterboer in promotion are the people. Kloosterboer is active in a market with high specific customer demands and therefore has a focus-differentiated strategy. Personal contact in promotion and place are important. This is even more strengthened with a culture that places a strong emphasis on personal contact. With Kloosterboer based on a low pricing strategy the required high quality image could be undermined, but with a market that requires instant solutions done yesterday, a highly flexible and willing workforce is extremely important to offer this service, and could solve the possibility of a diluted image.

The financial position of Kloosterboer has had some difficulties in the last years, but with the recent orders, Kloosterboer is back on track. However, it will take a while until the profitability of

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Kloosterboer will be back on the old level. Although the ratios have been under pressure, banks would have a favourable lending rate for the expansion into the Middle East.

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Recommendations

With a limited Portuguese set and decor market Kloosterboer is searching for markets that are more attractive. With current contracts being performed in the Gulf area, and more contracts are being expected Kloosterboer wanted to research the possibilities how Kloosterboer can successfully enter the set and decor market in the Middle East.

The various markets are highly attractive in the Middle East region, although the focus has been on the Gulf area in this report, surrounding countries and Emirates are having great potential as well. To ensure a successful market entry of Kloosterboer in the Middle East numerous strategies are possible, of which three will be elaborated. Figure 8 provides a representation of the three strategies and their relative attractiveness towards Kloosterboer.

Defensive Strategy

The defensive strategy is a reactive way of introducing Kloosterboer to the Middle East markets. This strategy has a passive approach towards creation of current liabilities, such as the establishment of a subsidiary or local promotion. This would keep the (long-term) investments to a minimum and would free up money that could be used to finance the current and upcoming projects.

Major downsides of this strategy are that it would have a limited return on invested efforts. In addition, there would be a strong limit to the availability of customer service, limits local presence, and keep promotion and attaining of orders in the hands of others. Moreover, it would limit Kloosterboer to the set and decor business and minimal amount of emirates (Qatar and possibly the UAE). In addition, the defensive strategy could harm the high quality image that Kloosterboer pursues and thus limited the long-term position. In addition, contracts could become too large for Kloosterboer when large sets and short leading time are required.

Aggressive Strategy

With large markets and enough potential customers, the aggressive strategy would engage in a full market conquest resulting in attracting a large market share in the different

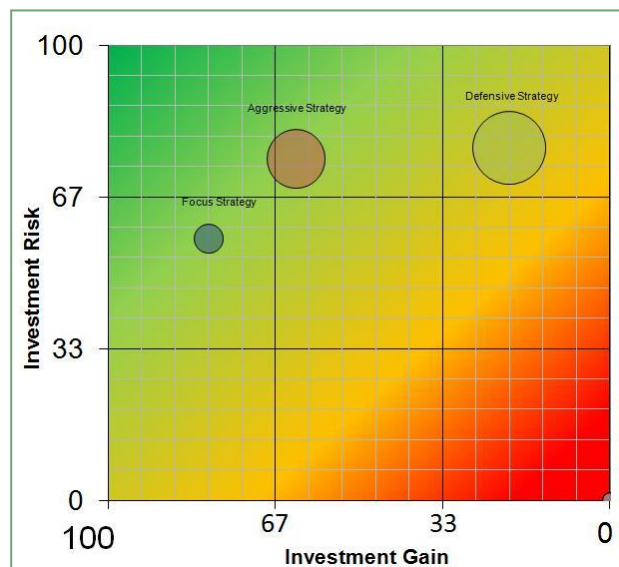


Figure 8; Overview of the three strategies

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segments. This strategy would require substantial investments in the area in order to establish a subsidiary and a sales / management force. In addition, the aggressive strategy would require investments in the production facility and personnel in order to be able to produce the large demand.

The downsides of this strategy are that the risks are substantial, both monetary risks as missed alternative investment opportunities. Additionally, a strong expansion could harm the image of Kloosterboer when this is not well anticipated and promises cannot be delivered. Furthermore, strong expansion and large contracts could put a strain on the available working capital.

However, there are large benefits to this strategy. One of the biggest advantages is although the risks are high, the rewards will also be high with high return on investment rates and a large diversification of contracts. Next to the high return on investment, Kloosterboer would become a strong company, which is represented across the three industries and the whole gulf area. With an excellent image that is created by the expansion, a favourable investment opportunity is created when Mr. Tuin would want to take a step back and de-invest in Kloosterboer. Next to the monetary gains the local presence would increase business knowledge and would increase customer and supplier ties, which results in more contracts and easier doing business. In addition, local presence could increase customer intimacy and customer service.

Resource centred strategy

The focus strategy is somewhat in-between the defensive and aggressive strategy. With the focus on limiting the risks and maximizing the results this strategy balances the investments with expected returns. The resource centred strategy could include the establishment of a local warehouse or subsidiary, but limits the investment in local labour force. Kloosterboer would limit itself at first to contracts focused around Qatar, the UAE, and Bahrain, but with the drive to expand throughout the Gulf region.

Downsides of this strategy are that market share is left to competitors, customer service would be lower than possible, and false economy could restrain good investment opportunities. Benefits would be the limited initial investment combined with a higher control over customer contact and market information. In addition, it would create a good image of Kloosterboer while a more selective amount of projects are going to be performed and to a lesser degree the home situation would be

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adapted. Moreover, it would still increase the saleability of Kloosterboer if Mr. Tuin decides to de-invest his presence in Kloosterboer.

The Gulf region is a highly attractive market for Kloosterboer with large potential customers in diverse industries. Even if a minimal investment strategy is pursued, adequate returns are expected. With a full order book and improving financial position, Kloosterboer should have enough resources to expand into the UEA or Bahrain.

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Appendix 1; GCC and Tax Agreement

The researched countries are members of the Gulf Cooperation Council (GCC). In the end of 2002, the finance ministers of the GCC erected the Custom Union. The Custom Union allows free trade between the various countries, eliminates the need for additional customs, and partially lowers the documentation load. Products have a Single point of entry after which a 5% custom is collected. After this entry, the product can move freely among the member states without customs and non-custom restriction. Products that are not allowed certain member states have to enter the emirate where the products are being used, or an accompanying emirate, which also allows the product¹⁰.

In addition, the United Arab Emirates (UAE) and the Netherlands have signed a double taxation agreement. In the taxation agreement, the UAE and the Netherlands have agreed that the taxation on UAE income will be lower from 15% withholding tax, to 5%¹¹.

Appendix 2; Preliminary country selection background data

Country	World	Region	Local Shareholder
Bahrain	13	1	No
Qatar	39	2	Yes, in transition ¹²
Kuwait	42	3	Yes
Oman	43	4	Yes, with exceptions
UAE	46	6	Free zones
Jordan	52	7	No
Saudi Arabia	65	8	No
Yemen	121	14	No
Netherlands	15	6 ¹³	No

Figure 9; economic freedom ranking, and the need for a local shareholder in a foreign entity.

Tax Rates % ¹⁴	TTR Rate	Profit taxes	Labour Taxes	Other taxes	Time	Total payments
Qatar	11,3	0	11,3	0	36	1
UAE	14,1	0	14,1	0	12	14
Saudi Arabia	14,5	2,1	12,4	0	79	14
Bahrain	15,0	0	14	1	36	25
Kuwait	15,5	4,7	10,8	0	29	15
Oman	21,6	9,7	11,8	0,1	62	14
Jordan	31,1	15,1	12,4	3,6	101	26
Yemen	47,8	35,1	11,3	1,4	248	44

Figure 10; The total tax rate, divided into the individual rates, total amount of payments and time it cost to apply.

¹⁰ The cooperation counsel for the Arab States of the Gulf (2003)

¹¹ Toumi (2010)

¹² Global Insight (2010)

¹³ Place in European ranking

¹⁴ World bank Group (2010)

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Country ¹⁵	Qatar	UAE	Oman	Bahrain	Saudi Arabia	Kuwait	Yemen	Netherlands
ranking	7	6,5	5,5	5,1	4,3	4,1	2,1	8.9
Low	5,8	5,5	4,4	4,2	3,1	3,2	1,6	8.7
High	8,1	7,5	6,5	5,8	5,3	5,1	2,5	9.0

Figure 11; Corruption Index per country and the confidence range of corruption.

Appendix 3; In-depth country selection

Country ¹⁶¹⁷	Bahrain		Saudi Arabia		Qatar		UAE		Kuwait	
Year	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Inhabitants	728.709		28.686.633		841.000		4.798.491		2.692.526	
GDP*	€ 28,00	€ 27,21	€ 581,30	€ 584,80	€ 101.400,00	€ 92.620,00	€ 200,40	€ 208,70	€ 148,70	€ 151,30
GDP Growth	2,9%	6,3%	-6,0%	4,4%	9,50	13,40	-4,0%	7,4%	-1,7%	8,5%
GDP Per Capita	€ 38.400,00	€ 37.800,00	€ 20.300,00	€ 20.800,00	€ 121.700,00	€ 112.300,00	€ 41.800,00	€ 45.200,00	€ 55.800,00	€ 58.200,00
Unemplment	15,0%		11,6%		0,50%		2,4%		2,2%	
Investment	27,0%		24,2%		32,60%		28,9%		31,40%	
Inflation	3,0%	7,0%	5,0%	9,9%	-4,90%	15,20%	1,5%	15,8%	9,9%	10,6%
Export*	€ 12,50	€ 17,49	€ 180,50	€ 313,40	€ 37,24	€ 54,91	€ 174,00	€ 239,20	€ 49,77	€ 86,94
Import*	€ 10,30	€ 10,37	€ 86,61	€ 108,30	€ 20,89	€ 25,14	€ 141,00	€ 176,30	€ 20,80	€ 22,94
Political Risk ¹⁸	Short term	Medium / Long term	Special Transaction	Commercial Risk	War risk	Expropriation /Government	Transfer Risk			
Bahrain	2	2	2	Stable	2	2	3			
Saudi Arabia	1	2	1	Down	3	3	2			
Qatar	1	2	1	Stable	2	2	2			
UAE	2	2	2	Down	1	3	3			
Kuwait	1	2	1	Down	2	4	2			

Table 1; Data on which the in-depth selection is based., demographic information, political risk, wage costs, and cost of Living (next page)

¹⁵ Transparency International (2010)

¹⁶ CIA (2010)

¹⁷ * in Billions

¹⁸ Office Du Ducriore (2010)

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Wages ¹⁹	Car mechanic	Skilled industrial worker	Engineers	Department head	Cost of living: low ²⁰	Cost of living: high
Bahrain	€ 8.000,00	€ 27.100,00	€ 38.400,00	€ 44.100,00	€ 24.312	€ 43.920
Saudi Arabia	€ 12.000,00	€ 17.000,00	-	€ 25.000,00	€ 15.768	€ 35.304
Qatar	€ 10.300,00	€ 9.500,00	€ 31.900,00	€ 59.800,00	€ 20.148	€ 40.200
UAE	€ 13.500,00	€ 25.800,00	€ 61.700,00	€ 75.400,00	€ 13.608	€ 50.352
Kuwait	-	€ 5.800,00	€ 9.000,00	€ 40.000,00	€ 10.812	€ 38.256

Appendix 4; Preliminary and in-depth country selection ratings

		Qatar	UAE	Saudi Arabia	Bahrain	Kuwait	Oman	Yemen
Country Assessment Factors								
	Weighting	25	25	25	25	25	25	100
Foreign Ownership	0,3	100	75	25	100	75	75	0
Economic Freedom	0,3	0	50	100	100	50	50	100
Total Tax Time	0,2	75	100	25	75	75	25	0
Corruption Index	0,2	100	75	25	50	25	50	0
Total score	1,0	65	72,5	47,5	85	57,5	52,5	30
Tax Assessment								
	Weighting	Qatar	UAE	Saudi Arabia	Bahrain	Kuwait	Oman	Yemen
Total Tax Rate	0,2	100	75	75	50	50	25	0
Income Tax	0,2	100	100	75	100	50	25	0
Labour Tax	0,3	75	0	25	0	100	50	75
Other Tax	0,1	100	100	100	50	100	75	25
Amount of Taxes to com	0,2	100	100	75	75	75	25	0
Total score	1,0	92,5	65	62,5	50	75	37,5	25
Country risks								
	Weighting	Kuwait	UAE	Saudi Arabia	Bahrain			
GDP per Capita	0,2	25	50	100	75	0	0	0
GDP Growth	0,2	75	50	25	100	0	0	0
Inflation	0,2	25	100	50	75	0	0	0
Political Risk	0,2	25	75	50	100	0	0	0
Unemployment	0,2	100	75	50	25	0	0	0
Total score	1,0	50	70	55	75	0	0	0
Business Costs								
	Weighting	Kuwait	UAE	Saudi Arabia	Bahrain	0	0	0
Wages High	0,2	75	25	100	50	0	0	0
Wages Low	0,2	100	50	75	25	0	0	0
Cost of Living	0,2	100	75	50	25	0	0	0
Starting Capital	0,2	100	50	25	75	0	0	0
Business Startup Costs	0,2	75	25	50	100	0	0	0
Total score	1,0	90	45	60	55	0	0	0

¹⁹ UBS (2009)

Figure 12; Ratings according to the various data used for the two selection criteria

²⁰ Mercer (2007)

Appendix 5; Aon country rating

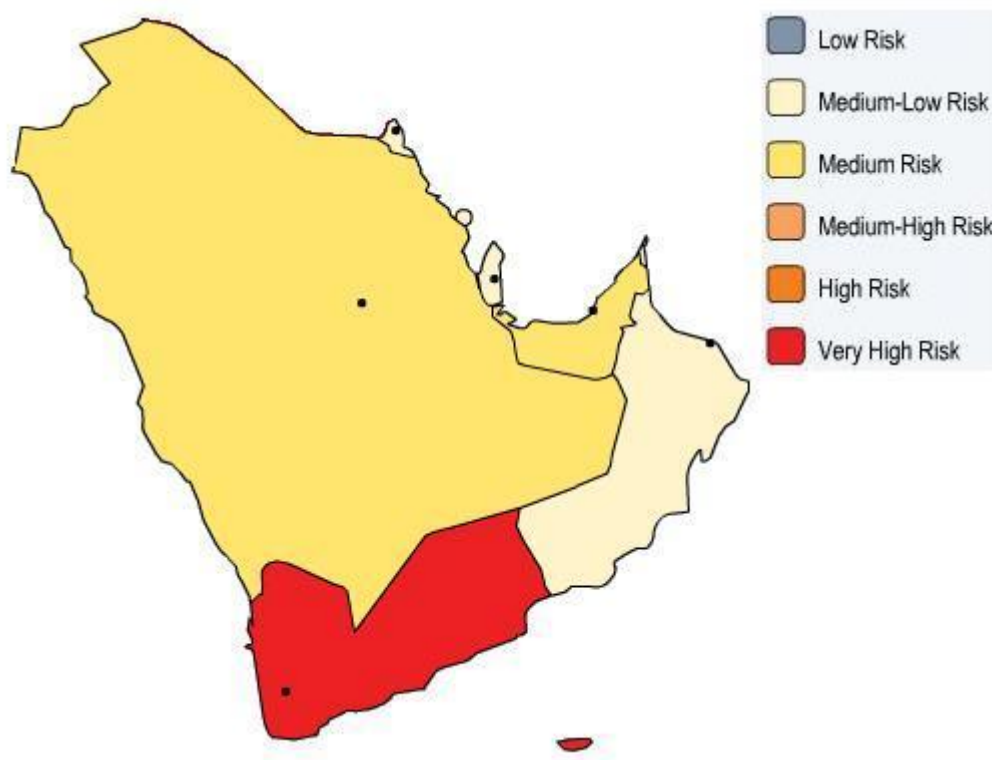


Figure 13; Aon risk assessment for each emirate.

Appendix 6; Competitor analyse

Set and decor industry

With worldwide 350 employees and a presence in 6 countries including UAE (Dubai) and Qatar (Doha) Fitch is a major company in the design and set building industry. With the presence of two studios in the region, Fitch as a competitive advantage to make in-house productions and the ability to provide turnkey solutions. With the award winning designs and solutions, Fitch has a superb reputation in the industry. A disadvantage for Fitch is the company size that can decrease flexibility, and the need to create award-winning solutions. A core capability of Kloosterboer is its flexibility, independence of designer, and execution of outdoor designs.

Interior design and museum industry

Greenline interiors is a worldwide company with over 1000 employees. With Dubai as its headquarter Greenline has a central position in the gulf Area, and is well connected in between the

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large projects. With a mission statement directed to “provide superior custom interior design, quality products and professional solutions and services” Greenline creates high expectations.

RMJM is a leading architectural and interior design company that can perform turnkey projects from designing and constructing the building, up to the design and manufacturing of the interior design. With over 1000 employees worldwide and key offices in Dubai and Abu Dhabi it has an excellent presence between the mega projects. With a vision statement build around “the care and improvement of the environment and community”, RMJM connects perfectly with the recent concerns about the environment and the excessive energy consumption.

Italian Design is an Italian based interior design company with its local headquarter in Abu Dhabi, a sales office in Kuwait, and a production facility in Dubai. With the presence of 250 employees in the UAE, Italian Design is capable of handling any size job, including mega projects. Italian Design is specialized in the design and installation of office and palace furniture. In addition, the possibility of a feasibility study, and installation of a security system are options offered by Italian Design.

Fino International is specialized in the design and execution of turnkey interior design projects. With its headquarter in Dubai, and a workforce of 1000 employees in the UAE, Fino is one of the larger turnkey providing companies in the gulf. With a mission stating “to enhance the interior, furnishing and fit out industry” Fino is well situated in the demanding industry.

JC Maclean is the leading entity in interior design industry with its head office in Dubai and a workforce 1600 employees in the UAE. With a strategy build around originality and quality, JC Maclean can handle the most demanding Turnkey projects on the market.

KPS is well established in the gulf region with the head office in Doha, and sales offices in Oman, UAE, Bahrain, and Saudi Arabia. With a focus on enhancing your working environment on an environmental friendly basis, KPS delivers a completely new office experience. An annual turnover of more than \$ 100 Mln places KPS in the main interior design industry.

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Appendix 7; Contact data competitors

Company	Place	Country	Website	Email	Focus
Artventure Design	Al Barsha	Dubai	www.homeradecor.com	artvent@emirates.net.ae	Set Building
Kips	Salmiya	Kuwait	www.kips-kw.com	info@topexpo.com	Expositions
Ace Creative	Jeddah	Saudi Arabia	www.acecreative.com.sa	site@acexpos.com	Expositions
Seven stars	Sharjah	UAE	www.sevenep.com	sevenep@eim.ae	Set Building
Vivacious	Dubai	UAE	www.vicacious.ae	info@vivacious.ae	Set Building
Gorgeous Creative	Dubai	UAE	www.gorgeous-creative.com	info@gorgeous-creative.com	Set Building
Al Fajer Décor and Display	Dubai	UAE	www.alfajer.net	alfajer@emirates.net.ae	Shopfitters
4 Seasons	Dubai	UAE	www.4seasonsent.com	info@4seasaonsent.com	Expositions
Action Impact	Dubai	UAE	www.actionimpact.com	info@actionimpact.com	Expositions
Event Works	Dubai	UAE	www.eventworks.ae	info@eventworks.ae	Expositions
Gemaco Interiors	Abu Dhabi	UAE	www.gemacointeriors.com	info@gemacoitneriors.com	Interior Design
RMJM	Dubai	UAE	www.rmjm.com	Dubai@rmjm.com	Interior Design
KCA International	Dubai	UAE	www.kca-int.com	dubai@kca-int.com	Interior Design
Greenline Interiors	Dubai	UAE	www.greenline-interiors.com	glinfo@greenline-interiors.ae	Interior Design
Depa	Dubai	UAE	www.depa.com	info@depa.com	Interior Design
Fino International	Dubai	UAE	www.finointeriors.com	finointl@gmail.com	Interior Design
KEO	Multiple Locations	UAE	www.keoic.com	info@keoic.com	Interior Design
Luxe Interior	Multiple Locations	UAE	www.luxe-interior.com	info@luxelinterior.com	Interior Design
DXB Interior Design	Dubai	UAE	www.dxbid.com	dxbid@dxbid.com	Interior Design
DWP	Dubai	UAE	www.dwp.com	uae@dwp.com	Interior Design
JC Maclean	Dubai	UAE	www.jcmaclean.com	jcmaclean@jcmaclean.com	Interior Design
Fitch	Dubai	UAE	www.fitch.com	info@fitch.com	Competition
Dubai Interior Design	Dubai	UAE	www.dubaiinteriordesign.net	info@dubaiinteriordesign.com	Interior Design
Conex	Dubai	UAE	www.conexqatar.com	info@conexqatar.com	Expositions
Economic Group	Doha	Qatar	www.economic-group.com	exhibition@economic-group.com	Expositions

Table 2; Competitor data of Kloosterboer.

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Appendix 8; Overview of channels

Company	Place	Country	Website	Email	Type
Abu Dhabi Media Company	Abu Dhabi	UAE	www.admedia.ae	contact@admedia.ae	TV Channel
Al Alam	Tehran	Iran	www.alalam.ir	-	TV Channel
Al Arabiya	Dubai	UAE	www.alarbiya.net	distribution@alarbiya.net	TV Channel
Al Hurra	-	Iraq	www.alhurra.com	media@alhurra.com	TV Channel
Al Jazeera Studio	Doha	Qatar	www.aljazeera.com	-	TV Channel
Arab Radio and Television Network	Jeddah	Saudi Arabia	www.artonline.tv	info@artonline.tv	TV Channel
CNBC Arabiya	Al Khobar	Saudi Arabia	www.cnbcarabia.com	info@cnbcarabia.com	TV Channel
CNBC Arabiya	Dubai	UAE	www.cnbcarabia.com	info@cnbcarabia.com	TV Channel
Dhahran International Exhibitions Co.	Dammam	Saudi Arabia	www.diec.com.sa	operations@diec.com.sa	Expo
Dubai Media Incorporated	Dubai	UAE	www.dmi.ae	info@dmi.ae	TV Channel
Dubai World Trade Centre	Dubai	UAE	www.dwtc.com	Info@dwtc.com	Expo
Experience Media Studios	Abu Dhabi	UAE	www.experiencemediastudios.com	info@experiencemediastudios.com	Studio
Ferrari World	Abu Dhabi	UAE	www.yasisland.ae	info@aldar.com	Movie Studio
Fujairah Media	Fujairah	UAE	www.fujairahmedia.com	info@fujairahmedia.com	TV Channel
Kuwait Television	Kuwait city	Kuwait	www.moinfo.gov.kw	info@moinfo.gov.kw	TV Channel
Middle East Broadcasting Centre	Dubai	UAE	www.allied-media.com	info@dialoguecomm.com	TV Channel
OIEC	Muscat	Oman	www.omanexhibitions.com	oiocoman@omantel.net.om	Expo
Persian Music Channel	Dubai	UAE	www.pmc.tv	contact@pmc.tv	TV Channel
Rusiya Al Yaum	-	Russia	www.rtv.com	info@rttv.ru	TV Channel
Studio52	Multiple location	UAE	www.studio52.tv	moiz@studio52.tv	Studio
Studio52	Al Khobar	Saudi Arabia	www.studio52.tv	moiz@studio52.tv	Studio
twofour54	Abu Dhabi	UAE	www.twofour54.com	intaj@twofour54.com	Studio
Warner Bros Studio	Abu Dhabi	UAE	www.yasisland.ae	info@aldar.com	Movie Studio

Table 3; Overview of channels and studios as potential customers of Kloosterboer

Appendix 9; Cultural Factor on business

When exporting to a foreign market cultural differences occur and are an everyday fact. When there is no awareness of these differences, miscommunication can happen with negative consequences. A comparison between the culture in the Netherlands, Portugal, and the Arabic emirates is made because these are the three regions that are important for Kloosterboer. Geert Hofstede²¹ has done extensive research in cultural differences and he concluded that there are four main cultural pillars, namely the Power distance (PDI), individuality (IDV), Masculinity (MAS), and Uncertainty avoidance (UAI). These pillars represent cultural believes and can explain the general culture. Figure 6 presents an overview of the cultural values including the world average.

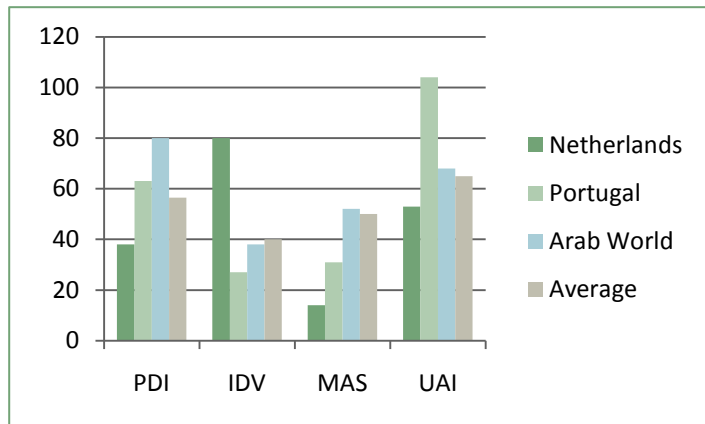


Figure 14; Cultural assessment countries relevant for Kloosterboer

The PDI is increasingly larger from the Netherlands up to the Arab world, meaning that there is a large difference between high and low society in the Arabic world. The Dutch are highly individualistic, especially compared with the Arabic culture that is highly socialistic. Status and power are more important in the Arabic world than in the Netherlands that is shown by the masculinity. The UAI is somewhat similar between the Netherlands and the Arabic world.

Cultural Factor Index is an index²² that addresses five social issues and is based on the research of Hofstede. The Blue colour is for the Middle East, red colour for the Netherlands, and green colour when both scores similar. A downside of this model is that it based on the general idea of Hofstede, which is used in a way it is never meant for and provides in some cases a misrepresentation. For example with the environment, according to the model the Netherlands is in favour of less environmental legislation, which is untrue.

²¹ Hofstede (2009)

²² Katz, Swanson, and Nelson (1999)

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What the model shows in figure 15, is that in most cases the large differences between the Dutch and Arabic culture²³. Knowing this a better understanding and response can be given in situations and more effective persuasion techniques can be applied to get a maximal effect out of inter relational situations.

social issue	CFI	PDI	UAI	IDV	MAS
Consumerism	High	Opinions of friends and relatives	Less tolerance for consumer activism	more consumer activism	more emphasis on money
	Low	reliance on outside sources	tolerate consumer activism	Less consumer activism	more emphasis on people
Environment	High	less concern for environment	more environmental legislation	more focus on profit seeking and concern for broad social welfare	economic growth takes precedence
	Low	more concern for environment	less environmental legislation	more focus on local and family welfare	conservation important
Employees	High	more emphasis on rigid and hierarchy and unequal standing	more value on employee loyalty	employee personal life important	greater emphasis on salary and recognition
	Low	equality and legitimacy of power	more conflict involved, higher turnover	employee involvement more important	focus on cooperation, more overtime
government	High	Centralization of power that favours the wealthy and powerful	greater adherence to formal structures, written rules	balance of power between business and government	less public welfare funding
	Low	decentralised power, redistribution	more emphasis on negotiation and settlement	Greater relative power of government	more welfare public
Business	High	Greater protection of elites	business tends to obey authorities	Profit oriented with more disclosure to public	more profit oriented
	Low	more concern for interacting with public	business is more concerned about the expectations of the society	less disclosure, more collectivism	more service oriented

Figure 15; cultural factor index assessed for Arabic and European rating

In addition to the work that is based on the research of Hofstede, Hall²⁴ has developed a different system, based on information flow. The Dutch culture is low context, meaning that information is channelled through persons and not flowing freely and that for every situation extensive background information is needed. In low context cultures such as the Netherlands, information is through verbal communication and the listener is unaware of the context where the information is in, whereby extensive background information is needed. In addition, what is said has more importance than the way it is brought. A high context culture such as Arabic culture²⁵ and to a lesser form the Portuguese culture the listener is aware of the context of the data and requires less background information and the way of bringing is more important than what is said. The high/low culture diversification also has impact on how persons see time and deadlines. In most low context cultures such as the Netherlands time is seen as valuable, and has to be carefully planned in order to be as efficient as possible, missing of deadlines is not appreciated and “time is money” is a common phrase. In high context cultures such as the Middle East and Portugal, the interpersonal relationship is more important than time, meetings, and deadlines are postponed if an interpersonal relationship needs attention.

²³ Ararat (2006)

²⁴ Hall (1976)

²⁵ Lindquist, Kaufman-Scarborough (2007)

Appendix 10; Business behaviour

To have a successful foreign business relation it is important to understand the local business culture, be aware of the differences with the Dutch and Portuguese culture, and get a feel for the Arabic way of conduction business. Although the globalization has brought some similarities, different business ethics and conduct are still in place. A brief guide into local Arabic business behaviour is explained on different points, and in combination with the cultural assessment, a good basis for the local culture is gained²⁶.

Clothing

As in most cultures, the appearance gives an impression of the person wearing it. In business situations it is common for men to wear modest clothing such as a suit, and should cover the whole body. Shorts are not accepted and a preference for a long sleeved jacket exists. Although there prevails a masculine culture, showing off jewellery is not appreciated. When jewellery is worn it should be modest and preferable not be visibly worn. Wearing the traditional clothing can be well meant but often is seen as offensive.

Behaviour

In the Arabic world including the selected countries, the Muslim religion has a large impact on everyday life, and on the behaviour of the people. Foreigners are expected to respect and adapt to the Muslim lifestyle. For Dutch persons this mainly means that the praying times have to be respected, any usage of pork meat or images of pork's are forbidden and that alcohol is a highly restricted item and should only be consumed in private and not be offered to a Muslim. In addition, the left hand is unclean and the usage especially with greeting and eating should be avoided while seen as being offensive. Pointing to other persons is perceived as rudeness, while showing your feet to another person or the thumbs up sign is insulting. While business is only conducted with friends, a gift improves the relationship and creates an increases business environment. When giving gifts avoid to all costs products that are from local origin, contain alcohol, pigs, port, personal items, products with sharp blades, any object displaying dog's, woman, or any form nudity.

²⁶ Butler (2007)

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Communication

Greeting is an important custom and due to the large power distance, greetings should go from most important person in the room to least important person. A normal greeting consists of a firm handshake combined with the words “Kaif Halak” which is similar to the English “How are you”. When addressing a person, the title and proper pronunciation of the name is important especially with high ranked persons.

Women have a special place in the Muslim culture, which is separate from the man’s culture, and any reference towards woman can be seen offensive. Normal small talk about the family should limit itself to children. With small talk, sensitive topics such as the situation in Israel, and Iran should be not be addressed while these topics are a regional issue and foreign interference is not appreciated and seen as intrusive.

Compared to the Dutch culture communication is slow and have numerous pauses and silent periods while having a conversation. When an Arab says “yes” this normally implies that there is a possibility, but does not mean that it will happen.

Meetings²⁷

In comparison with the Dutch culture, meetings are scheduled on short notice in Arabic countries, only 3 to 4 days in advances to avoid forgotten meetings. The shorter lead-time also applies to important meetings whereby high placed officials are meant to be present. In addition, set deadlines for meetings and the ending of visits widely used in the Dutch culture, are not greatly used in Arabic countries while it disrupts the natural flow. If a foreign delegation is fixed to a strict deadline this will be exploited by negotiators to increase the pressure to make a deal less attractive for the foreigners.

Negotiation²⁸

Negotiation is important in business and good negotiation skills highly improve the outcome for Kloosterboer. The Middle East has a long tradition of negotiating and the population enjoys hassling. When negotiating respectfully, a better relationship and mutual trust is build.

Time spend during negotiation is longer than in the Netherlands while a good bond must be carefully maintained. The interpersonal relation and adherent relating social network is having the highest

²⁷ E.T Hall, M.R Hall (1997)

²⁸ Hendon D.W, Hendon R.C, Herbig P. (1996)

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importance above other matters such as product pricing or specifications. Furthermore, negotiation tends to be longer with reoccurring topics and extensive explanations to avoid any possible uncertainty or ambiguity.

The time during Ramadan can be compared with the Dutch Christmas when business is running slow, and successful negotiation has limited effect. In addition having a woman on the negotiation team can be an advantage in Dutch negotiation, but has a negative effect when dealing with Arabs.

With a cultural background of excellent negotiation, the first offer that is made will be absurdly out of range from both parties after which slowly towards a mutual position is reached. Compared to the Dutch reserved way of communicating and persuasion Arabic persons can be seen as exaggerating with overstatements and extravagant body language. This is custom in Arabic conversation and because of the high context culture, the meaning would be different when exaggeration would not be employed.

In the Arabic language exaggeration is natural, has an explicit meaning, and creates the context for the words spoken, this overstatement is also when Arabic's speak in English. This often creates misunderstanding between other cultures who speak without exaggeration such as the Dutch culture. When a successful deal is reached for either or both parties, status and power is gained and fulfils the need to achieve and be successful.

While negotiations in the Netherlands are highly structured and planned, negotiations in Arabic cultures are part of social activities and can be brought up and be dropped at any moment, depending on the situation and the progress of the relationship. The social activities have a double purpose. The main purpose is to create a sounds relationship and to see if a good business partner is found. This is followed by the actual negotiation of the product or service provided. While the natural pace of life has to be respected agreements are slowly agreed upon and do not accept rushing tactics.

With a strong group focus saving face open disagreement and protesting to a higher ranked person is not accepted. When disagreeing it is custom to agree with the person and try to move him by subtle hints towards a different direction. For Dutch untrained negotiators this can be seen as backing off or unwillingness of performing, while disregarded the obvious signs of disagreement. In addition, verbal

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agreement is more important than the contract and not being able to perform the verbal contract will result in lost interest of the relation and depletion of business.

Individual differences

The differences between the countries are mainly caused by strictness of religion and the influence and presence of foreign workforce. Emirates such as Bahrain and UAE undergoing large influences of foreign workforce and consequently are freer in customs, values, and believes. Emirates such as Saudi Arabia and Kuwait have less foreign influences and especially Saudi Arabia has strict religious rules and regulations. Qatar is in the transition from a stricter regime to an open and free society with the large influence of foreign workforce in the last decade, and a groundbreaking law reforms.

Implementation

There are large differences between the Dutch, Portuguese, and Arabic culture. Most important for Kloosterboer is to acknowledge the cultural differences and anticipate and clarify obvious procedures and expectations in order to avoid miscommunication and distrust. Learn basic sentences such as “Kaif Halak” and other formal communication forms. An important issue, especially for the Dutch impatience nature is that business cannot be rushed, and trying to fix schedules and deadlines will create unwillingness from the Arabic partner. Also taking into account the strict Islamic rules and the stricter living rules in general are important to obey.

Although the key contact person in Kloosterboer has a good relation with the French designer, and has a strong connection with the contact person of Al Jazeera a specialized training for the top management could be useful. Companies such as Communicaid²⁹ offer specialized courses to become more effective in communication and can have a focus improvement points such as negotiation and communication.

²⁹ Communicaid (2010)

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Appendix 11; SWOT

	Helpful	Harmful
Internal	<p>S 1. Flexibility S 2. High Quality products S 3. Know how S 4. Trained HRM S 5. Flexible HRM S 6. Pricing strategy S 7. Excellent management S 8. Time planning S 9. Customer service S 10. Experience with demanding customers</p> <p>Strengths</p>	<p>No local Presence. W 1 No name and or brand. W 2 Limited exposure. W 3 Missing in-house Design Capabilities. W 4 No Basic trend research. W 5 Foreign production facility. W 6 Investments for interior design industry. W 7 Intermediate financial position. W 8 Highly depending on 1 person. W 9 Lack of export strategy and vision. W 10 Lack of marketing experience . W 11</p> <p>Weaknesses</p>
External	<p>O 1. Large Markets O 2. Product diversification possible O 3. Notion to Quality instead of price O 4. Wealthy status sensitive population O 5. Focus on Customer service O 6. Growing Population O 7. Growing cultural awareness and interest O 8. Industry diversification towards tourists O 9. Limited competition set building industry</p> <p>Opportunities</p>	<p>Currency risk. T 1 Lack of control due to strong customer control. T 2 Availability of local workforce. T 3 Opacity of market. T 4 Opacity of competition. T 5 Missing of local management. T 6 Changing of regulation. T 7 Change of Reign. T 8 Heavy competition design industry. T 9</p> <p>Threats</p>

Figure 16; SWOT assessment of Kloosterboer

Appendix 12; Confrontation matrix

	Opportunities	Threats
Strengths	<p>O 1. Large Markets - Flexibility, Trained HRM, Flexible HRM, Excellent management, Time planning O 2. Focus on Customer service, Notion to Quality instead of price, Wealthy status sensitive population - Experience with demanding customers, Customer service O 3. Focus on Customer service - Flexibility O 4. Limited competition set building industry - High Quality products, Know how</p> <p>Offensive Strategy</p>	<p>Pricing strategy - Currency risk. R 1 Excellent management, Time planning - Lack. R 2 of control due to strong customer control Missing of local management -Trained HRM. R 3 Flexible HRM Heavy competition design industry -Pricing. R 4 strategy Availability of local workforce, Opacity of. R 5 market - Flexibility</p> <p>Reinforcing Strategy</p>
Weaknesses	<p>A 1. Large Markets - No local Presence, No name and or brand, Limited exposure A 2. Focus on Customer service - No name and or brand, Limited exposure A 3. Growing Population, Growing cultural awareness and interest, Industry diversification towards tourists - No Basic trend research, Missing in-house Design Capabilities A 4. Large Markets, Product diversification possible, Limited competition set building industry - Lack of export strategy and vision, Lack of marketing experience</p> <p>Defensive Strategy</p>	<p>Intermediate financial position - Availability of. D 1 local workforce No name and or brand - Lack of control due. D 2 to strong customer control No Basic trend research - Opacity of market. D 3 Opacity of competition No local Presence, Highly depending on 1. D 4 person -Missing of local management, Changing of regulation, Change of Reign</p> <p>Terminating Strategy</p>

Figure 17; Confrontation Matrix based on the above SWOT matrix

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Appendix 13; Financial data Kloosterboer

Year	2005	2006	2007	2008	2009	2010*	2011*
Current assets	€ 303.398,59	€ 356.735,16	€ 369.378,19	€ 217.041,03	€ 552.897,50	€ 382.516,28	€ 66.524,57
Current Liabilities	€ 114.285,84	€ 119.127,33	€ 136.832,86	€ 74.556,85	€ 305.136,80	€ 134.567,11	€ 23.402,98
Net profit	€ 7.493,18	-€ 138.714,24	€ 58.739,02	€ 15.676,92	€ 9.763,88	€ 58.506,01	€ 10.174,96
Profit before interest and tax	€ 11.543,98	-€ 138.044,04	€ 60.313,59	€ 16.451,94	€ 9.763,88	€ 59.303,66	€ 10.313,68
Capital	€ 25.000,00	€ 25.000,00	€ 25.000,00	€ 25.000,00	€ 25.000,00	€ 26.357,90	€ 4.583,98
Own Equity	€ 398.968,75	€ 260.254,51	€ 318.993,53	€ 334.670,45	€ 344.434,33	€ 304.146,50	€ 52.895,04
Total Equity	€ 513.254,59	€ 379.381,84	€ 455.826,39	€ 409.227,30	€ 649.571,13	€ 438.713,61	€ 76.298,02
Debt	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00
Interest	€ 0,00	€ 1.690,91	€ 0,00	€ 886,39	€ 0,00	€ 926,17	€ 161,07
Short term debts	€ 110.870,84	€ 253.392,21	€ 199.113,31	€ 295.487,65	€ 478.508,18	€ 239.658,85	€ 41.679,80
Turnover	€ 88.091,15	€ 1.049.775,78	€ 1.135.062,68	€ 854.371,02	€ 302.010,23	€ 1.150.000,00	€ 200.000,00

Year	2005	2006	2007	2008	2009	2010	2011
Current Ratio	2,65	2,99	2,70	2,91	1,81	2,84	2,84
Working Capital	€ 192.527,75	€ 103.342,95	€ 170.264,88	-€ 78.446,62	€ 74.389,32	€ 142.857,43	€ 24.844,77
Solvability	0,78	0,69	0,70	0,82	0,53	0,69	0,69
Debt Ratio	0,22	0,67	0,44	0,72	0,74	0,55	0,55
Return on Capital	1,46	-36,12	12,89	4,05	1,50	13,55	13,55
Return on Equity	1,88	-53,30	18,41	4,68	2,83	19,24	19,24
Gross Profit Margin	13,10	-13,15	5,31	1,93	3,23	5,16	5,16
Net Profit Margin	0,09	-0,13	0,05	0,02	0,03	0,05	0,05

Table 4; Financial Data Kloosterboer, including forecast for 2010 and 2011

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Appendix 14; Foreign Exchange Risk

With current business paid in euro's Kloosterboer expects that in the near future the contracts will continue to be billed in Euros. However, with the increase in regional activity, establishment of a subsidiary, and the presence of local suppliers a foreign exchange rate risk can become an issue of consideration. With an expected turnover of 1 Million euro, the foreign exchange rate risk could be substantial, especially when no adequate precautions are taken.

Most of the local currencies are fixed against the dollar with an exception of Kuwait and Yemen. This means that any fluctuation in the dollar / euro exchange rate is influencing the exchange rates of the diverse currencies in the same way. A positive side of the fixed exchange rates are that multiple risks in the region can be hedged in one time and that the various currencies are interchangeable for a fixed rate. A downside is that there is no currency diversification possibility present and that the exchange rate between the euro and dollar is sensitive with outside events.

Kloosterboer will have continuing changing contracts in the Gulf region with contract billing time running between 3 and 8 months Kloosterboer could have substantial foreign exchange rate risk. With an initial focus of Kloosterboer directed at the prospering emirates such as Qatar, UAE, Saudi Arabia, and Bahrain it has the advantage that the currencies are fixed against the dollar and exchange rates among the different states are consequently fixed and no exchange rate risk exists.

The dollar exchange rate has been highly fluctuation since the introduction of the euro and even in the last 6 years there have been extensive differences, as is shown in figure 15³⁰. In the last 6 years,

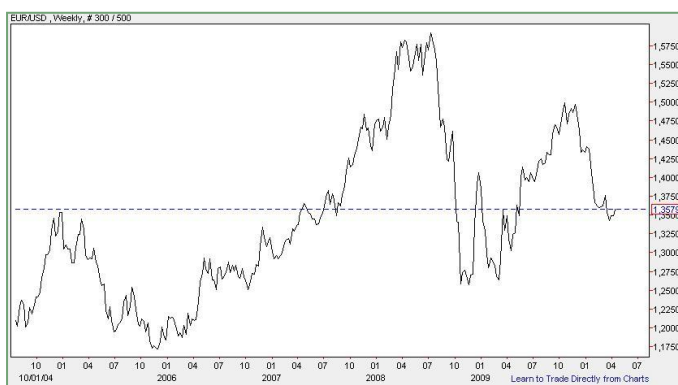


Figure 18; Dollar- Euro exchange rate 2005-2010

the exchange rate has ranged between as low as € 1.17 and as high as € 1.57, which is a difference of € 0.40 cents per US dollar. Because Kloosterboer has in the foreseeable future no foreign exchange rate exposure detailed analyze of the current situation has limited applicability and will not be elaborated. However an elaboration of the applicable techniques for Kloosterboer will be given, which can

³⁰ Dailyfx (2010)

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be applied after a good assessment of the future foreign exchange rate risks. Potential hedges are, no hedging, money market hedge, leading and lagging, forward hedging, options, and increasing local expenditure.

No hedging

No hedging is a good option when there is a limited time span involved, the exchange rate is stable, or when the costs of hedging are relatively high. In addition, a favourable exchange rate can realize an increased profit. The biggest disadvantage of this method is that with a negative exchange rate there is no limit of liabilities or the profit can be substantial lower than expected.

Forward hedge, future contracts

The forward hedge, and future contract work in similar way, and give Kloosterboer the right to buy or sell a currency on a beforehand specified date for a beforehand specified price. When a forward or future contract is bought, Kloosterboer has locked in the specific amount of local currency to receive the amount beforehand calculated.

Call / put Options

A call option gives the right to buy a specified amount of currency for a specific price, with as counterpart the put option that gives the right to sell a specific currency at a specific price. The advantage is that both options do not have to be exercised when there is no beneficial outcome for Kloosterboer.

Money Market Hedge

The money market hedge locks in a foreign exchange rate risk with borrowing the amount expected to be received in the future, transferring that to euro's and putting it on deposit. This mainly works when the currency borrowed has a lower deposit rate than the rate on which the currency is placed on deposit. With this hedging technique, the exchange rate risk is covered and a possible deposit rate profit is achieved.

Comparison hedging

Figure 16 shows the differences between no hedging, call option, and a money market hedge.

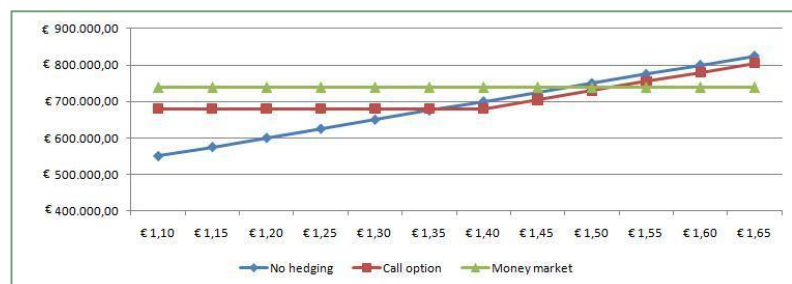


Figure 19; various hedging options and effects