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**Is Dubai's competitive advantage sustainable? A study of strategic planning in Dubai 1996-2010**

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**Is Dubai's competitive advantage sustainable? A study of strategic planning in Dubai 1996 to 2010**

**Ahmad Hassan Al Shaikh**

**PhD**

**2012**

**Is Dubai's competitive advantage  
sustainable? A study of strategic planning in  
Dubai 1996 to 2010**

**Ahmad Hassan Al Shaikh**

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE UNIVERSITY'S  
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**2012**

**Coventry University**

## ABSTRACT

This thesis provides a critical analysis of Dubai's approach to economic development planning over the period covered by its first three formalized plans that is 1996 to 2010. Dubai experienced a period of very rapid economic growth in the ten years before the 2008 global financial crisis, despite being a small economy with little oil; oil revenues only accounted for 2% of GDP in 2011. This dissertation analyzes and evaluates how the nature of Dubai's strategic planning changed over the period 1996 to 2010 and the factors underpinning those changes. The thesis also offers an assessment of the potential for Dubai to develop and maintain a sustainable competitive advantage in the future.

To help evaluate Dubai's first three formalized economic development plans, this thesis identifies and discusses a number of theoretical frameworks and concepts to identify key concepts and relationships between ideas and practice in the field of economic development planning. In particular, a comparison is drawn between corporate strategic planning and economic development planning approaches and their relevance to the Dubai context. Given the blurred boundaries between the state and commerce, both approaches have potential relevance, at least in part, to Dubai.

Dubai's economic development plans are set against the historical, political, economic, social and cultural and context of the Emirate. The plans are analyzed using computer-based text analytics and summarized in mindmap form. This allows the major themes of the plans to be compared and progression between the plans to be identified. The plans are analyzed from a number of perspectives including the role of government, the expected contribution of the private sector and the role of higher education and research in promoting development. However, the main area of analysis is the extent to which the plans successfully identify development paths which will result in sustainable competitive advantage for Dubai.

The thesis also reports on the results of semi-structured interviews with prominent experts. The interviews provide an important source of evidence and opinions on the successes and shortcomings of Dubai's planning and plans and the actions which need to be taken if Dubai is to achieve its long-term aim of becoming and innovation an innovation driven knowledge-based economy.

The main conclusions of the research are

- i. Dubai will need to strengthen its higher education system to ensure it is fit for purpose in helping Dubai's transformation into a knowledge-based economy

- ii. The need to invest in the systems, structures and institutions which will enable the state, the private sector and universities and research institutes to generate successful innovative clusters
- iii. The need to lessen the dependency of the Dubai economy on attracting talent from other countries through raising the education standards of Emiratis.

**Keywords:** Economic development; competitive advantage; national strategy; Dubai.

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# Chapter 1

## Introduction

### 1.1 Background to the Thesis

The Dubai economy has achieved much since its early days in the 1830s. The first milestone was when the ruler made Dubai a free port in the late 1890s. After that, in the 1930s Dubai became one of the pearl fishing and trading centres in the region. In the 1950s Dubai became a gold souk and supplier to the Indian market. Oil was discovered in the 1960's, but has now since all but run out. Since the 1990's the Dubai economy has grown strongly and developed an important position in the region and latterly has competed in the global market. The "Dubai Miracle" and the "Dubai Way" have been much discussed and are the subject of a number of populist books (for example Krane, 2009; 2010; Barratt, 2010) and a few more academically-oriented ones (notably Davidson, 2008a, 2008b). However, whilst much has been written about Dubai, little academic research has focused on it. This thesis attempts, in a modest way, to fill some of that gap. In analyzing Dubai's economic development plans it offers an assessment of Dubai's development over the past fifteen years and a possible glimpse into the near future.

This research began with an idea originated in a confidential paper written by the researcher in 2005 discussing potential problems resulting from the Dubai economy becoming overheated due to the rapid growth of both the real and financial economies. High government spending was leading to high levels of inflation and increases in the cost of doing business which might negatively affect Dubai's competitive advantage. The paper proposed a number of possible remedies for what were seen at the time as growing economic, social and security issues.

Whilst it is easy to encapsulate "Dubai" in geographical terms and many people would have an understanding of what "Dubai" means to them, a recurring interest and difficulty in this thesis, or any taking Dubai as its core context, is encapsulating Dubai in other than spatial terms. Is it a city state like Singapore? Or should it be considered as a semi-autonomous region within a federal state? Or is it best viewed as "Dubai Inc." (Matley and Dillon, 2007), that is a conglomerate corporation?

## **1.2 Overall Research Aim**

This study analyses strategic planning for the Emirate of Dubai over the period of the development and implementation of its first three formalized development plans. *It aims to evaluate how the nature of Dubai's national strategic planning changed over the period 1996 to 2010 and the factors underpinning those changes.* The thesis also offers an assessment of the potential for Dubai to develop and maintain a sustainable competitive advantage in the future based on its latest strategic plans.

## **1.3 Research Objectives**

This overall aim will be approached through achieving a number of more specific research objectives. These are to:

- Place Dubai's strategic planning processes in the context of historical, cultural and economic change in Dubai
- Provide a comparative analysis of the content of the three Dubai strategic plans (1996; 2003; 2007) published during the period covered by the research
- Identify and evaluate any theoretical and/or conceptual frameworks which have influenced the development of Dubai's strategic plans
- Elicit and analyse expert opinion on the planning process and the outcomes from it
- Identify the major environmental influences, both internal to Dubai and external to it, which have influenced the shape and content of Dubai's strategic plans
- Identify potential sources of past and future national competitive advantage for Dubai, as expressed in the plans, and analyse whether or not these are likely to be sustainable
- Identify actual and emerging sources of weakness in Dubai's economy and assess the strategic planning response to those sources of weakness

## **1.4 Research Questions**

It is also useful to express the purposes of this research in terms of a set of questions. Whilst it may be impossible to provide definitive answers to these questions, it is helpful to keep them in mind at all stages in the research. Potential research activities can be tested for their relevance and usefulness by asking whether or not they are likely to help shed light on one or more of the research questions posed here.

The overall question posed by this research is:

*Has strategic planning in Dubai been successful in helping Dubai achieve a sustainable competitive advantage?*

This question can be criticized for taking a narrow view of what the aims of strategic planning might be. For example, it seems, superficially at least, to ignore the wider social objectives that are often part of modern economic development planning, for example poverty alleviation, improved health and quality of life, adverse environmental impact reduction and so on. However, particularly in the context of a place such as Dubai, long term success may depend on eliminating such conflicts. The question is framed in terms of competitive advantage since that has been the overarching concern of the plans themselves.

In order to help answer this core question a number of sub-questions will be explored:

*What conceptual frameworks are useful in understanding the potential future sources of sustainable competitive advantage for the Dubai economy and strategies for developing them?*

*What are the current sources of sustainable competitive advantage for the Dubai economy?*

*What are the economic, cultural, social, political and environmental drivers for change in the Dubai economy?*

*To what extent are current sources of competitive advantage likely to be sustainable in the future?*

*What weaknesses does the Dubai economy exhibit?*

*What are the critical success factors for the successful future development of Dubai?*

The relationship between research objectives and research questions is outlined in Figure 1.1. This is not intended to be exhaustive; it is presented as a way of summarizing the main logical links between objectives and questions. The chapters of the thesis do not follow objectives or questions exactly, for example the literature review (Chapter 2) will shed light on many, if not all, the questions.

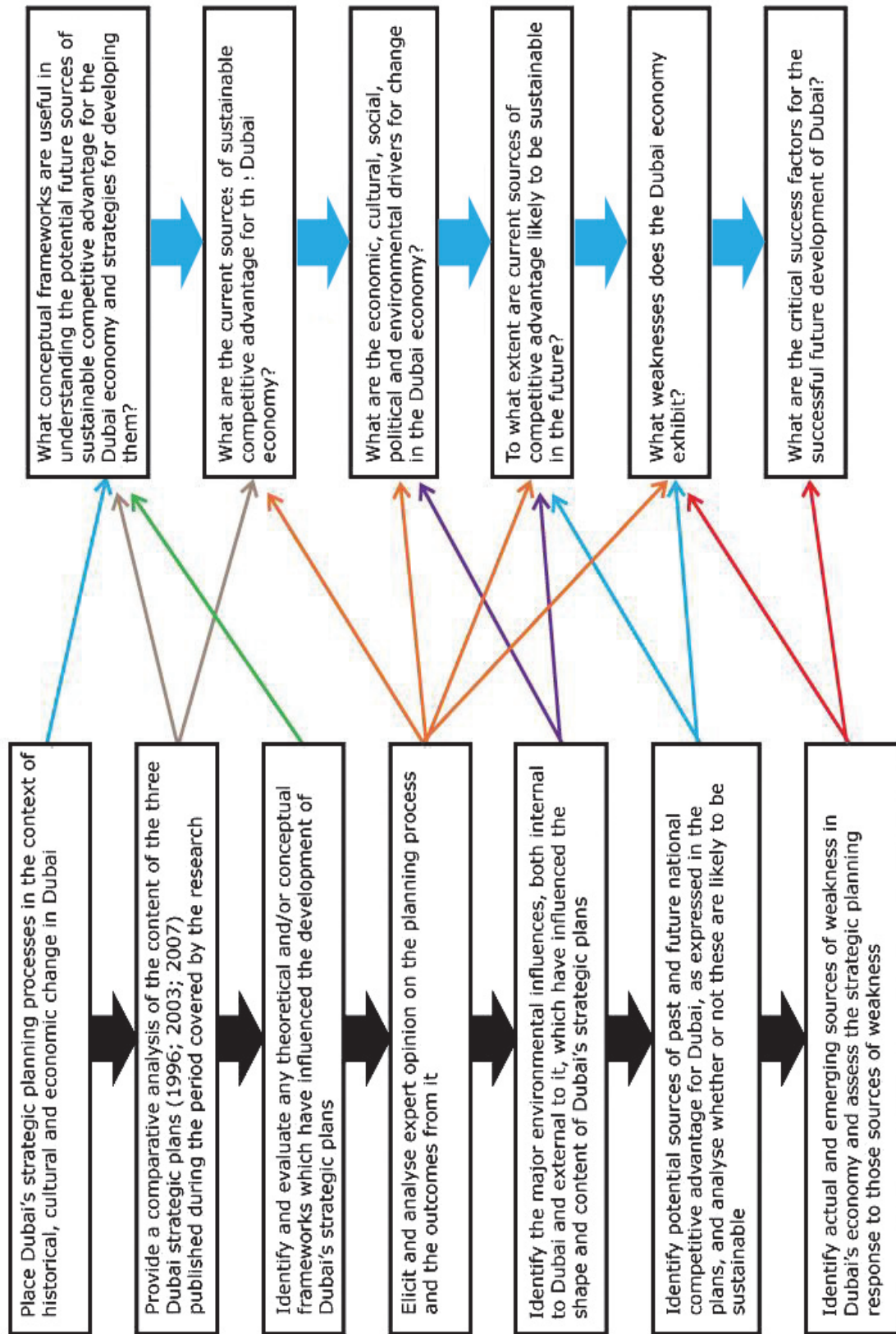
## **1.5 Scope of the Research**

All research is bounded in a number of ways. Research which has an unlimited scope and few boundaries may be incapable of leading to conclusions or recommendations which are of any

use. This is particularly the case in social sciences where “general theories” are rare and the phenomena under investigation often heavily influenced by the context in which they are located. This is not to say that the experience of Dubai cannot be, with care, applied in other contexts; it is to recognize that care must be taken in generalizing from the specific situation of Dubai to other contexts. The Emirate of Dubai, rather than say the UAE as a whole, has been chosen for a number of reasons. Firstly, it is where the researcher is located and is closest to the researcher’s own experience and interest (see below). Secondly, Dubai is largely autonomous in its economic development strategies, policies and activities. Economic development policy is a matter for individual Emirates, but with due recognition being paid to federal (UAE) development concerns (see Chapter 4). For example, the paths followed by Dubai and Abu Dhabi have been markedly different (see Davidson, 2005, 2008b). Thirdly, Dubai was a pioneer in formalising economic development planning amongst Middle East countries. For example, Dubai’s first plan, published in 1996, predates those of Abu Dhabi (Abu Dhabi Economic Vision 2030, published in 2007), Qatar (Qatar National Vision 2030, published in 2008) and Bahrain (Bahrain Economic Vision 2030, published in 2007).



**Figure 1.1: Relationship Between Research Objectives and Research Questions**



The time frame chosen for this research covers the period from the publication of the first published strategic plan for Dubai, that is 1996, to the implementation period of the third plan (2010). Whilst the study could have stopped at the point of publication of the third plan (2007), this would have ignored the effects of the 2008 financial crisis in Dubai and the subsequent updating of the third plan. The financial crisis also revealed important weaknesses in the planning process and in Dubai's economy itself. On the other hand it reinforced some areas of strength. The fourteen year period is also long enough to enable recent events to be seen in a more balanced way. For example, if the scope of the thesis was restricted to the last two plans, that is the period 2003 to 2010, there would be a danger that the discussion would be dominated by the events of 2008 to 2010 rather than focusing on the wider issues of Dubai's strategic planning. Finally, 2010 is identified in all three plans as a major target date for visible change in the Dubai economy (over a longer horizon 2030 is also identified).

Of course, fourteen years is not a long period of time in economic development terms, particularly when it comes to judging the success of plans, much of which will derive from the way they are implemented. Pragmatically, however, fourteen years is what is available and it does cover three iterations of planning. It is also important to recognize that this thesis takes as its definition of success the extent to which Dubai has achieved the aims and objectives set out in its plans. Of course, it would have been possible and useful to undertake a comparative study of Dubai's planning activities with those of other countries and regions with the objective of identifying characteristics of "successful" plans and planning. However, that would be another and different thesis.

## **1.6 The Researcher**

Inevitably qualitative researchers have or take "positions". These positions derive from their history and experiences and the theoretical and conceptual frameworks in which their intellectual understandings have been developed. Qualitative researchers are unlikely to be able to be objective in the sense that experimental or scientific researchers claim to be. It may also be the case that qualitative researchers owe their access to research evidence to their positions in some way. For example, in this research, it is unlikely that the researcher would have been able to gain access to interviewees and some confidential documents without being an "insider" to some extent.

However, it is important for qualitative researchers to declare their positions in relation to the research both to remind themselves that they may not be neutral or objective and to allow users of the research to understand the relationship of the researcher to the research.

An important element in this research is the researcher's extensive personal and professional experience over several years in managing his own family business as well as holding positions as a Board Director in a number of Government and semi-government organizations (for example Chairman of DUCAB<sup>1</sup> and Vice-Chairman of Emirates Islamic Bank). The researcher is also, to name but a few positions, a member of the Economic Council Board, Chairman of the Rent Committee sessions at Dubai Municipal Council, Chairman of the Printing and Publishing Group at Dubai Chamber. This high degree of involvement in economic planning matters gives the researcher a high degree of knowledge and inside information on the important aspects of the development of Dubai.

## **1.7 Organization of the Thesis**

The thesis is organized into seven chapters, the first of which is this introduction setting the scene for the main body of the thesis. Chapter 2 provides a literature review. The purposes of the literature review are to discuss some major theoretical frameworks and concepts of relevance to the topic being researched, establish a conceptual background against which to further explore the research questions and to identify key concepts and relationships between ideas and practice in the field of economic development planning. The literature on economic development, strategic planning and competitiveness is vast and the review has necessarily been highly selective. The main criterion for inclusion has been the immediate relevance to Dubai. Given the nature of Dubai and, in particular, the blurred boundaries between the state and commerce, theoretical frameworks which attempt to synthesize, or identify common cause between, government and commercial interests are included.

Chapter 3 presents the research design, methodology and techniques used in this research. The research relies on qualitative methods, that is semi-structured expert interviews and document analysis. However, an important element in this research is the researcher's extensive personal professional experience, over several years, as CEO of a major Dubai family business and as a

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<sup>1</sup> The Dubai Cable Company, a major Gulf manufacturer of copper rod and low, medium and high voltage cables. See <http://www.ducab.ae>

Director and Board member of a number of Dubai government organizations. This experience provides a strong starting base of knowledge and experience concerning economic issues and opportunities in Dubai. As a member of the Dubai Economic Council the researcher also participates in the ongoing debates concerning the Emirate's economic development strategy and policies. These activities provide extensive opportunities to exchange experience and ideas with others and enrich understanding of the key issues. In addition my active membership of these bodies gives me "inside" access to potential interviewees. Whilst this research does not adopt an action research approach it does have strong elements of participant observation and reflection. However, participant observation also raises issues as a research method and care must be taken to maintain a degree of independent judgment and balance in interpretation of research results.<sup>2</sup>

Chapter 4 provides a brief discussion of the historical, political, economic, social and cultural and context of Dubai, that is the essential background against which Dubai's economic development plans must be viewed. The chapter does not attempt to provide a comprehensive review of all aspects of Dubai, but focuses on those areas which are especially relevant to economic development planning and transformational change in the Dubai economy.

Chapter 5 analyses and compares the three strategic plans published by the government of Dubai in 1996, 2003 and 2007. The chapter is not simply a summary of the contents of the three plans. The aim is to provide a comparative analysis of the plans in order to attempt to trace the changes in emphasis of Dubai's intended development paths over the period covered by this thesis and to uncover changes in the thinking underlying those plans. In order to do this common themes are extracted from the plans through computer-aided textual analysis. The overall results are initially presented as a series of mindmaps.

Chapter 6 describes the process of developing, conducting and analyzing the semi-structured expert interviews and sets out the results and major conclusions drawn from them. The twenty-four semi-structured interviews were carried out between 2 May 2010 and 7 February 2011. The interviews are a form of evidence triangulation with the author's experiences of running major businesses in Dubai and participating in a number of consultative and decision-making bodies, the generic issues identified from the literature review and the discussion in Chapter 4. However, they also deepen some of the issues identified in previous chapters. The three

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<sup>2</sup> This issue is discussed in Section 3.8.2.

sources of evidence taken together provide a richer and potentially more valid identification of the key issues discussed in this thesis than any one of them taken in isolation.

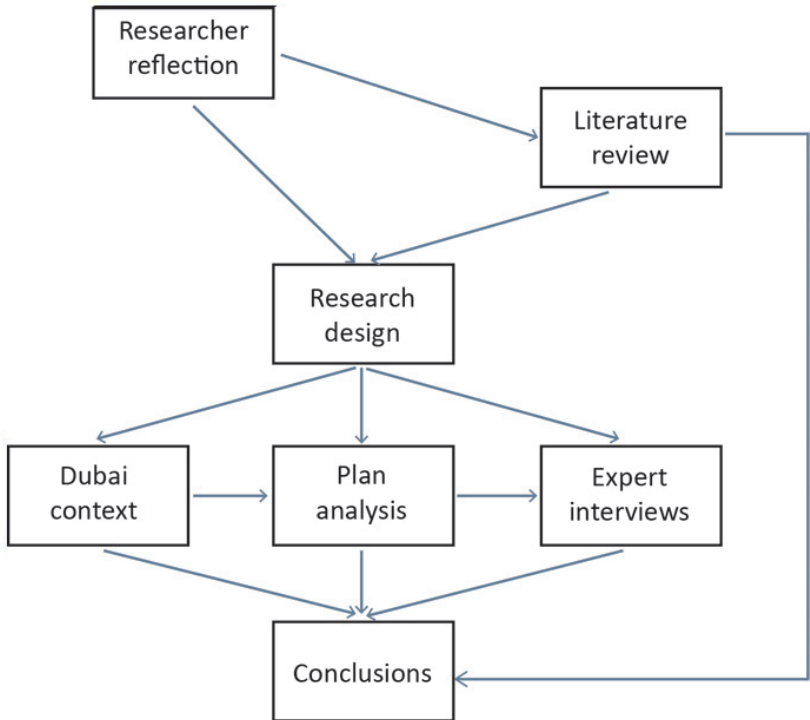
The purposes of the interviews were to:

- 1- To obtain insight into how political leaders impacted the development of the strategies, their views on the successes and impacts of Dubai’s Plans as well as their feedback on the progress of the Dubai economy.
- 2- To assess how the business community looked upon the impacts of implementation of Dubai’s strategies on the Dubai economy.
- 3- To seek knowledge from Strategic Team members who have been involved in building the strategies, to help understand how they were built and what were the intended directions.

Chapter 7 discusses the potential conclusions that might be drawn from the research. The discussion is organized round the sub-questions set out above on the basis that if these questions are addressed in a satisfactory way the objectives of the research will have been met.

Figure 1.1 shows the interrelationship between the main elements of the research and how they contribute to the thesis as a whole. The boxes other than “researcher reflection” correspond to chapters.

**Figure 1.2: Organization of the Thesis: Summary**



## 1.8 Contribution to Knowledge

It is useful to distinguish between “rational” and “empirical” knowledge. Empirical knowledge is derived from observation of the world and/or interacting with it in some way. Rational knowledge, although it is a widely debated distinction, is knowledge which is independent of our experience or at least is context-independent. Many social scientists argue that knowledge has both rational and empirical dimensions; rather than being context-independent, knowledge is always contingent in the sense of depending on the particular situation in which the knowledge is applied or developed (Flyvbjerg, 2007).

This thesis makes a contribution to empirical knowledge of planning for sustainable economic development. Phillips and Pugh (2010) identify a number of ways in which a PhD thesis may be considered to be original. The first of these is

*...setting down a major piece of new information in writing for the first time...*

This thesis explores and analyzes the approach taken to sustainable economic development planning in an important developing economy over a significant period of time, if not in years, certainly in experience. The approach taken by Dubai is also markedly different from that taken in many other places at other times. The context is therefore of particular interest and the study of it capable of making a useful contribution to empirical knowledge. In one sense, therefore, the thesis can be seen as a case study in economic development planning and one which adds variety to the existing stock of such case studies. However, Dubai is an important locus of study in its own right. It is an economy which has passed through a stage of resource (oil) dependence and now seeks to build its future in other ways. Its experience will be important for other oil dependent economies as they seek to diversify. Given that Dubai has not previously been studied from the economic development planning perspective and its intrinsic interest, this thesis satisfies the Phillips and Pugh criterion for originality.

# Chapter 2

## Literature Review

### 2.1 Introduction

The purposes of this literature review are to:

- Discuss some major theoretical frameworks and concepts of relevance to the topic being researched
- Establish a conceptual background against which to further explore the research questions
- Identify key concepts which will help analyse specific issues
- Identify relationships between ideas and practice in the field of economic development planning
- Identify experience and practice from other countries and contexts, for example corporate strategic planning, which may be relevant to economic development planning in Dubai.

The relevant literature relating to research methodology will be discussed in Chapter 3.

Whilst the literature on economic development planning is extensive, studies which have specifically explored the issues from perspectives which might be expected to have direct relevance to Dubai are limited in number and scope. In addition, studies which address the issues from Arab and/or Islamic perspectives are relatively few in number. Studies which directly deal with the UAE are scarce and ones which specifically discuss Dubai can only be described as rare. Nevertheless, the aim of this chapter is to provide an overall conceptual and theoretical background for economic development planning in general, against which the specific context of strategic planning in Dubai can be examined.

The chapter starts with providing an overview of definitions of strategy. Two major conceptions of strategic planning - corporate strategy making and economic development planning - are compared. Dubai is not infrequently characterized as being a “corporation”<sup>1</sup>, on the other hand it also has many of the powers of an independent state when it comes to economic development. The terms “economic development planning” and “strategic planning”, whilst being potentially conceptually distinct, are often, particularly in the Dubai context, used interchangeably. However, it is important to maintain a firm distinction between economic development planning and corporate strategic planning, even if some of the methods and tools often associated with corporate planning are used in the context of economic development planning. A comparison of the two also yields some useful areas for analysis of strategic planning in Dubai; indeed such planning can probably best be characterized as a, sometimes uneasy, mix of the two.

The review then moves on to a brief analysis of the factors underpinning competitiveness. This is set in the context of Porter’s (1990) stages of economic development approach, principally because that is the model used in Dubai’s 1996 Plan and is echoed in the subsequent plans. A major dimension of the debate concerns the role of government in promoting economic development, a role which changes in its character and extent as an economy is judged to move from one of Porter’s stages to another. However, the discussion is expanded by a brief critique of other models, including those which see a different role for the state in economic development. Competitiveness is discussed from both the industry and national/regional perspectives. Again, Porter’s work is highly influential both in terms of its influence on thinking worldwide (see Stonehouse and Snowden (2007) for an analysis) and his (including his colleagues) specific contributions to economic development strategy in both the UAE and Dubai. The *Competitive Advantage of Nations* and subsequent work also provides a framework for analyzing the links between firm, industry and national levels of competitiveness.

An increasingly important element of Porter’s work and of Dubai’s development concerns the role of (industry) clusters. The review continues with a discussion of the characteristics of clusters, the factors which are needed for successful cluster development and the role of government in helping develop clusters. This discussion uses Porter’s Diamond model as its reference point but embraces alternative views.

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<sup>1</sup> Such comparisons are often supported by references to the compact nature of Dubai and the strong business and strategic leadership of the rulers.



Finally, the review outlines a potential “Dubai model” of economic development based on the work of a small number of researchers who have specifically studied Dubai. A particular question arises as to whether or not this model is sustainable in the future, particularly given the sharp downturn in the Dubai economy following the 2008 financial crisis.

## **2.2 Sources of Literature Employed**

The brief sections below identify the sources of literature included in this review. Given the applied nature of this research it is important to include a broad range of types of sources and not simply rely on those which would be commonly described as “academic”. This policy of including a broad range of literature is warranted given the lack of academic studies which fall within the scope of this research and by the relative wealth, compared to quantity and quality of the academic literature, of policy documents, government publications, commentaries and the like. The approach recognizes an important aspect of the contribution of this thesis to knowledge by recognizing the contribution which “non-academic” sources can make to the overall work<sup>2</sup>, even though some of them may be difficult to judge in terms of conventional academic criteria.

### **2.2.1 Academic Sources**

This category is taken to include refereed journal articles, scholarly books and similar sources. The researcher is a native Arabic speaker and can access and use both English and Arabic language sources. As noted above, the literature dealing with the specific Dubai context is not extensive in either language and it is obviously important to make the best use of everything that is available. A structured search was conducted using the extensive Coventry University online bibliographic databases to identify sources.

### **2.2.2 Public Reports and Government Publications**

Reports and government publications, including those published by government agencies, provide valuable insights into the way in which economic development strategy is developed and policies implemented. Whilst the language of government and business in Dubai is now widely accepted as being English, there are still some sources, particularly ones intended for local and more restricted use or published in the earlier part of the time period covered by this

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<sup>2</sup> This contribution of non-academic sources to the work may be of particular interest to readers who are less familiar with Dubai and the UAE given that many such sources may be relatively difficult to locate.

thesis, which are only available in Arabic. A library search was conducted at the Chamber of Commerce in Dubai to locate relevant documents in addition to those the researcher obtained as part of his usual professional activities.

### **2.2.3 Commercial Reports and Publications**

This category embraces publications by banks and other financial institutions, consultancies, business news services and “infomediaries”<sup>3</sup>, newspapers and other publications which are disseminated with an element of commercial gain in prospect. Whilst it is always important to keep the motivation of publishers of such material in mind, banks and other financial institutions often publish research of interest based on surveys of clients or case studies. Such sources can play a useful part in a broad-based literature review, provided they are not over-interpreted or used as a sole authority. The business sections of local and regional newspapers also report useful data and provide timely commentary.

### **2.2.4 Grey Literature**

Grey literature is information that is not fully in the public domain. Such reports are often prepared for internal circulation in government departments or elsewhere, as a result much grey literature is confidential and cannot be directly quoted or, in some cases, even seen.

### **2.2.5 Internet Sources**

Internet sources relevant to economic development planning in Dubai were also considered. However, it is necessary to ensure the quality and credibility (provenance) of such sources before inclusion in academic research.

## **2.3 Strategy: Definitions**

Chandler (1962) provided a classic definition of business strategy:

*...Strategy is the determination of the long run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out the goals...*

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<sup>3</sup> Infomediaries are information collection and dissemination businesses. They have an important role in the efficient operation of markets by improving the quality and quantity of information available to investors, consumers, regulators, potential business partners and others. Their potential role in the Middle East region is discussed by Leigh (2009).

Although this definition was offered by Chandler in the context of business it has much wider applicability. In particular, it emphasizes the long term time horizon for strategy and the deployment of resources to meet a set of goals set by the enterprise, a category which can usefully be taken to include Dubai.

Andrews (1971) offered the following definition:

*...Strategy is the pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be...*

For Andrews strategy concentrates on two over-arching issues, articulation of what business the company (enterprise) is in and the overall style and stance which the company should adopt. Again both elements are highly relevant to Dubai. Mintzberg et al. (2005) offered the well-known and very lean definition of strategy as “a pattern, that is, consistency in behaviour over time”. Whilst this definition may be seen as being minimalist, it does contain the vital idea that strategy has to be realized rather than just exist as a plan which is never implemented. The scope of this thesis covers three instances of major strategic planning and an obvious question is whether or not these plans exhibit consistency over time, not just in what they propose but also in the policies actually pursued and the actions implemented.

Quinn (1980) stresses the integration of activities across an organization and extends the idea of deployment of resources to include gathering and organizing (marshaling) them:

*...A strategy is the pattern or plan that integrates an organization's major goals, policies and action sequence into a cohesive whole. A well formulated strategy helps marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents...*

This definition also suggests that strategy needs to be based on exploitation of “internal competencies”, and recognizes the need for environmental analysis as a component of strategy and the interdependent nature of competition. Competitors are described as “intelligent opponents” who are likely to base their own strategies on the anticipated and actual strategies of others.

Porter (1980) defines competitive strategy as a

*...combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there...*

He (Porter, 1996) extends this brief statement by pointing out that an effective competitive strategy involves a number of possible approaches, for example:

- a. positioning the firm so that its capabilities provide the best defence against the existing competitive forces
- b. influencing the balance of forces through strategic moves, thereby improving the firm's relative position
- c. anticipating shifts in the factors, exploiting change by choosing appropriate strategy before rivals recognize it

Here Porter seems to embrace strategy as both plan and position, which means, deliberately choosing a different set of activities to deliver a unique mix of value. In short, Porter (1996) argues that, strategy is concerned with

*...Competitive position, about differentiating oneself, about adding value through a mix of activities different from those used by competitors...*

Porter (2010) is also of the view that nations need an economic strategy which he defines as “a prioritized agenda to create a unique competitive position for a country or region”. In this thesis, as the title implies, the view is taken that the overall objective of strategy is to identify, develop and sustain the competitive advantages (of Dubai) through the adoption of the most appropriate government policies and judicious allocation of the state's resources.

## **2.4 Strategic Planning**

Definitions of strategic planning concentrate more on the “how” elements of strategy rather than the “what”. However, this is not a hard and fast distinction. For example, Bryson (1988) defines strategic planning as

*...a disciplined effort to produce fundamental decisions and actions that define what an organization is, what it does, and why it does it...*

The “how” element here is the notion of strategic planning as a “disciplined effort”. Ackoff (1970) invokes the design element in defining a strategic plan as “the design of a desired future and of effective ways of bringing it about”.

According to Newman et al. (1987), strategic planning

*...is essentially a process of preparing for the commitment of resources in the most economic fashion...*

However, in the context of a country or city, this is a very narrow definition in that it only contains reference to economic factors.

Thierauf (1982:186) defines strategic planning as

*...an analytical process which encompasses an assessment of the future, the determination of desired objectives in the context of the future, the development of alternative courses of action to achieve such objectives, and the selection of a course or courses of action from among these alternatives...*

This definition focuses quite clearly on the “how” elements and includes the key stages of the process. Irving (1970) extends this conception by defining (corporate) planning as comprising two parts. The first is the formal process of developing objectives for the corporation and its component parts, evolving alternative strategies to achieve these objectives, and doing this against a background of internal strengths and weaknesses as well as external environmental changes. Second, it is the process of translating strategy into detailed operational plans and seeing that these plans are carried out.

Drucker (1974:125) defines strategic planning as a continuous process of making present entrepreneurial (risk-taking) decisions systematically and with the greatest knowledge of their futurity, systematically organizing the efforts needed to carry out these decisions and measuring the results of these decisions against expectations through organized systematic feedback. In such a statement it is easy to skip over specific words, however, Drucker identifies strategic planning as a *continuous process* in a *risky environment*. Note also the reference to gathering *organized systematic feedback*. Porter (1996) further argues that strategic planning has no existence apart from the ends sought. It is a general framework that provides guidance for actions to be taken and at the same time, is shaped by the actions taken. This means that a necessary precondition for strategic planning is a clear and widespread understanding of the ends to be obtained.

### 2.4.1 Corporate Strategic Planning

The discussion in section 2.3 attempted to take a generic view of strategy, although there were points at which corporate strategy is brought into play. Andrews (1980: 18-19) defines corporate strategic planning as:

*...Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities...*

Andrew's definition refers to pattern, plan and perspective. Andrews also draws a distinction between "corporate strategy," which determines the businesses in which a company will compete, and "business strategy," which defines the basis of competition for a given business. Thus, he also anticipated "position" as a form of strategy.

However, Steiner (1979) points out that there is very little agreement as to the meaning of strategy in the business world. Some of the definitions in use to which Steiner pointed include the following:

- Strategy is that which top management does that is of great importance to the organization.
- Strategy refers to basic directional decisions, that is, to purposes and missions.
- Strategy consists of the important actions necessary to realize these directions.
- Strategy answers the question: What should the organization be doing?
- Strategy answers the question: What are the ends we seek and how should we achieve them?

In corporate strategic planning, strategy formulation is generally broken down into three levels; corporate strategy, competitive strategy and operational strategy. Corporate strategies are long-term and are associated with deciding the optimal mix of businesses and the overall direction of the organization (Coulter, 2005: 216). Competitive strategies are those associated with methods of competing in a certain business or industry. Knowledge of competitors is required in order to formulate a competitive strategy. The company must learn who its competitors are and how they operate, as well as identify the strengths and weaknesses of the competition. With this information, the company can develop a strategy to gain a competitive

advantage over these competitors. Operational strategies are short-term and are associated with the various departments of the organization, such as human resources, finance, marketing, and production (Coulter, 2005: 7). These strategies are often department specific. For example, human resource strategies would be concerned with the act of hiring and training employees with the goal of increasing human capital.

Strategy implementation involves putting the strategy into practice. This includes developing steps, methods, and procedures to execute the strategy. The strategies should be prioritized based on the significance of underlying issues. Strategy evaluation should include challenging metrics and timetables that are achievable. If it is impossible to achieve the metrics and timetables, then the expectations are unrealistic and the strategy is certain to fail.

#### **2.4.2 Strategic Planning in Public Organizations**

When compared to corporate strategic planning methods, the planning methodology adopted by public organizations can tend to perform inadequately due to the limited accountability for achieving goals prevailing in such organizations. The traditional forms of planning process in public organizations may lack explicit standards due to the absence of effective systems in accountability, performance grading and monitoring the achievement of results (Callahan, 2007).

Essentially, developing a competitive strategic advantage is developing a broad formula for how a business is going to compete, what its goals should be and what policies will be needed to carry out those goals. Since public organizations may be viewed broadly as non-profit, issue based agencies, adopting the ideas of corporate-style strategic planning may not be appropriate. Bryson argues that strategic planning is more issue-oriented in public organizations and therefore more suitable for politicized circumstances. The issue approach to public sector strategic planning is particularly appropriate because political decision making starts with issues, and strategic planning is useful for refining and addressing these issues (Bryson, 2011).

The following elements must be in place for the initiation of successful public sector strategic planning (Martinelli, 1999; Allison and Kay, 2005):

1. A powerful process sponsor
2. An effective process champion
3. A strategic planning team
4. An expectation of some disruptions and delays
5. A willingness to be flexible concerning what constitutes a strategic plan
6. An ability to think of junctures as a key temporal metric
7. A willingness to construct and consider arguments geared to many different evaluation criteria.

The basic formal requirements are a series of discussions among key decision makers and those responsible for implementing policy (managers) about what is truly important for the organization. This process, in itself, can be of major significance given that in most organizations key decision makers and managers from different levels and functions almost never get together to talk about what is truly important (Ackoff, 1981).

### **2.4.3 Strategy Dynamics and Agility**

The conventional strategic planning processes implied by the definitions above are best suited for stable environments. Another cause of concern is that strategic planning often assumes fairly accurate forecasting and does not take into account unexpected events. In this respect, “scenario planning” can be considered as an alternate planning tool for dealing with multiple contingencies. Scenario planning is not about predicting the future. Rather, it attempts to describe what is possible. The result of a scenario analysis is a group of distinct futures, all of which are plausible. The challenge then is how to deal with each of the possible scenarios.

Govindarajan and Trimble (2006) stated that strategy becomes dynamic when it changes constantly in order to contend with external turmoil. Established enterprises should prepare themselves for a future of hyper-competition. They should respond to rapid changes in the business environment by embracing a new approach to strategy which combines speed, openness, flexibility, and also strategic thinking. It is important to experiment with new strategies.



Constant testing, adaptation and building on what is found to be successful with organizations is the way ahead, especially when trying to re-invent the way value<sup>4</sup> is produced and delivered.

The need for dynamic strategy gains more significance as globalization and technology shifts erode the market and industry structures that have historically defined competition. The classic approaches to corporate strategy, which assume that a predictable path to the future can be paved from the experience of the past, are being called into question (Huyett and Viguerie, 2005). In the current economic perspective, making reasonable assumptions about the evolution of product markets, capital markets and technology may be a relatively high-risk activity. Often, there are too many tentative factors and a strategy implementation becomes possible only when innovation and agility are at the heart of a strategy. Innovation always entails uncertainty and the only viable approach may be to revise strategy continuously (Skat-Rørdam, 2000).

When the world experiences an unstable economic environment, enterprises, regions and countries must be free from the notion that strategic outcomes can be predetermined and that lasting competitive advantage can always be defined and achieved. Organizations must instead adopt a portfolio approach that bases new business opportunities on advantages of familiarity, the continuous evaluation of initiatives and just-in-time decision making. Only this approach, it has been argued, can achieve high returns relative to risks taken while approximating the pace and scale of change in the external business world (Bryan, 2002).

A rapid pace of change may require agility in order to exploit the dynamic opportunities provided by uncertainty. Strategic agility is defined by Doz and Kosonen (2008) as

*...The ability to continuously adjust and adapt strategic direction in core business, as a function of strategic ambitions and changing circumstances, and create not just new product and services, but also new business models and innovative ways to create value for a company...*

Agility is the result of integrating alertness to changes (recognizing opportunities/challenges), both internal and environmental, with a capability to use resources in responding (proactively/reactively) to such changes, all in a timely, flexible, affordable, relevant manner (Holsapple and Li, 2008).

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<sup>4</sup> In terms of a country “value” should be interpreted to include social value and public value. Kelly et al. (2002) define public value as referring to “the value created by government through services, laws, regulation and other actions”. This value should exceed the costs of such activities when judged by society at large. The concept of public value was developed by Moore (1995). Public value differs from social value in that it concentrates on the consequences in value generation terms of strategic planning actions of government. Social value is a broader term which embraces non-monetary dimensions of value such as happiness and well-being.

## 2.5 Economic Development Planning

The World Bank defines economic development as:

*...Qualitative change and restructuring in a country's economy in connection with technological and social progress. The main indicator of economic development is increasing GNP per capita (or GDP per capita), reflecting an increase in the economic productivity and average material wellbeing of a country's population<sup>5</sup>...*

It can also be defined as:

*...The process of improving the quality of human life through increasing per capita income, reducing poverty, and enhancing individual economic opportunities. It is also sometimes defined to include better education, improved health and nutrition, conservation of natural resources, a cleaner environment, and a richer cultural life<sup>6</sup>...*

The Brundtland Commission (WCED, 1987: 43) developed what has become the most commonly accepted definition of sustainable economic development:

*...Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:*

*the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given; and*

*the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs...*

In economic development planning the Government plays a major role in designing and formulating strategic policies for the whole economy, supported by mechanisms, such as macroeconomic policy, to regulate the economy within the formulated development policies. The strategic planning process for economic development depends on a disciplined effort to produce fundamental decisions and actions that will eventually act as a catalyst for development in the whole economy, the nature and needs of country or region and its immediate external environment. As Bryson and Roering (1988) express it:

*...It is a process in which the Government plays a major role in designing and formulating strategic policies for the whole economy supplemented with a mechanism to regulate the economy within the formulated policies. The scheduling for the strategic planning process for economic development depends on a disciplined effort to produce fundamental decisions and*

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<sup>5</sup> <http://www.worldbank.org/depweb/english/beyond/global/glossary.html>

<sup>6</sup> <http://www.economywatch.com>

*actions that will eventually act as a catalyst for development in the whole economy, the nature and needs of the organization and its immediate external environment...*

Thus the focus of economic development planning is the economy as a whole and the nature of actions is to produce “catalysts” which enable agencies and economic actors, including government departments, to promote economic development. This contrasts with corporate strategic planning where the focus is a narrow one of the “corporation” and strategy is often implemented in a direct top-down way.

In a social and economic planning framework, desired objectives will vary according to political, regional and geographic factors. Strategies are likely to be expressed in high-level conceptual terms and priorities. For obvious reasons, the setting of aims and objectives will be primarily based on social needs spanning the entire society with a major emphasis being placed on development of infrastructure and basic amenities which have a wide social impact. For effective implementation, economic development strategy needs to be translated into more detailed policies that can be understood at departmental (ministry) levels. Once objectives are identified, the development of operational action plans is promoted by the creation of a favourable resource environment, including provision of public funding where judged appropriate, to support plan implementation. Once an economic environment is in hand, specific strategic alternatives can be developed.

Economic development planning needs to be able to adapt strategy and policy implementation in response to environmental changes. However, there are problems with this need to be dynamic and responsive given that:

- The results that a government or agency can achieve through strategic planning depend on the effectiveness of the overall capacity for strategic management.
- The strategic planning process is best suited to stable environments; it may not be responsive enough for rapidly changing environments.
- Strategic planning models assume fairly accurate forecasting and do not take into account unexpected events.

### **2.5.1 Comparing Corporate Strategic Planning and Economic Development Planning**

It is useful to compare the corporate and economic development approaches to strategic planning across a number of dimensions. Table 2.1 provides such a comparison. Of course, the two approaches are not mutually exclusive. For example countries or regions, especially smaller ones, may need to develop sustainable competitive advantages in order to be able to achieve long term GDP growth. Also larger countries are a collection of geographically connected regions, which might be quite disparate and may depend for their local wellbeing on developing distinctive sustainable competitive advantages. In addition, as Porter (1998a) points out, a country can, in competitive economic terms, usefully be seen as a collection of the industries and firms located within it.

**Table 2.1: Corporate Strategic Planning and Economic Development Planning: a Comparison**

<b>Dimension</b>	<b>Corporate strategic planning (CSP)</b>	<b>Economic development planning (EDP)</b>
<i>Scope</i>	The company	Economy as a whole
<i>Overall aims and focus</i>	Survival and firm growth	Improve the economic wellbeing of the population as a whole. Improved economic wellbeing is presumed to promote improvements in quality of life and social wellbeing.
<i>Initiators</i>	CEOs and senior management professionals	Political leaders supported by civil servants
<i>Goals</i>	Profits, revenue growth	GDP growth
<i>Stakeholders</i>	Often just, and always primarily, shareholders; but in some cases includes employees, suppliers, customers and local communities in which the firm is present.	Citizens and residents. Enterprises based in the country/region. Often stakeholders are represented by special interest groups. Political groupings.
<i>Concept of value</i>	Monetary value of shareholdings. Private returns to shareholders.	Social value - including wellbeing of the population in health, educational, social, security, safety and other terms.  Public value – the benefits accrued to the population as a result of economic development policy.
<i>Measuring impacts</i>	Concentration on outputs.	Emphasis on outcomes.
<i>Key performance indicators</i>	Profitability, revenue growth, value of the firm as reflected in share prices or some other terms (for example assets at the firm's disposal).	GDP growth, employment rates, government debt ratios and liquidity, exchange rates, government borrowing costs, budget surplus/deficit, balance of trade, rates of new enterprise formation. Social development indicators
<i>Meaning of "sustainability"</i>	Sustainable competitive advantage	Economic, environmental, political, resource, social, cultural.
<i>Time frame</i>	Often short term.	Medium to long term, often up to 20 years.
<i>Accountability</i>	Shareholders, via a Board of Directors and associated corporate governance mechanisms.	Depends on the political system. In general terms accountability is to those who maintain political leaders in their positions of power. In a democracy this is (in theory) the electorate. In other countries, for example Dubai, political leaders are maintained in their positions through the consent of a powerful group of citizens (nationals) who are often a minority of the population as a whole.
<i>Strategic agility</i>	Can be fast and responsive.	Tends to be slow and cumbersome.

On the other hand there are important differences. These include the notions of value, the scope and accountability mechanisms and structures which are inherent in the different forms of planning. It is also worth elaborating on the differences in terms of impacts expected. Outputs are generally under an organization's control. They can be clearly identified, described and measured, usually in both quantity and quality terms. Output measures generate information which provides a basis for performance measurement over time and relative to competitors. Examples include the amounts of a good or service produced, units sold and productivity measures. Outcomes are levels of performance or achievement and are judged in terms of their impact on society or the communities planning actions target, for example the "wellness" of the elderly<sup>7</sup>.

As Jones (1996: 14) puts it:

*...The proper measure of effectiveness of a government organization is not its consumption of resources, or the weight of paper it puts out, but the effect it has on society...*

Diamond (2005) points out the difficulties of measuring performance in implementing development plans:

*...Defining the dimension of performance is often quite difficult for government agencies. Performance is system specific and depends ultimately on the goals of the wider budget management system. If the management system is a traditional one, performance will be defined by measures of compliance and stewardship. On the other hand, if the budget management system is outcomes focused, and judges success in terms of impact on society, in this case performance will be defined by measures of the effectiveness outputs produce...*

## **2.6 National Competitiveness**

The conventional view of national competitiveness is that it derives from comparative resource endowments, that is factor (of production) based advantages. This theory, attributed to David Ricardo, considers a key economic concept in the study of trade. The theory of comparative advantage shows how trade can benefit all parties involved (countries, regions, individuals and so on), as long as they produce goods with different relative costs. The net benefits of such an outcome are called *the gains* from trade. The theory assumes that the country will gain its competitive advantage from being relatively well endowed with a resource such as labour (or, as in the UAE case, oil).

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<sup>7</sup> Output measures would concentrate on, for example, the number of medical interventions such surgical procedures performed or professional consultations with diabetic patients. Outcomes depend on how people feel and the quality of their life and are much more difficult to measure. The simple presumption that increasing the level of outputs will result in improved outcomes is not always borne out in practice.

The theory predicts that a country will be competitive only when it produces in industries where it has a comparative advantage, recognizing that market forces will allocate a nation's resources to those industries where the resources are relatively most productive. The theory of comparative advantage, which is based on price and quality of factors of production, has intuitive appeal, and national differences in factor costs and endowments have historically played a major role in determining trade patterns in many industries.

Factor advantages can be inherited natural resources or, potentially, created through investment in physical and/or human capital. However, more generally, a nation's competitive advantage(s) can be derived from a number of different sources, such as natural resource endowments, or they may develop from other factors such as national history and culture, the role of the government in providing suitable infrastructure investments, human capital development, and policies which promote cultural and social cohesion across the public and private sectors. These factors combine to promote competitiveness.

The OECD (1992: 237) defines competitiveness as

*...The degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term...*

This definition clearly links the achievement of national competitiveness to the wider (as compared to corporate) aims of economic development planning. The IMD (1996: 42) definition of "the ability of a country to create added value and thus increase national wealth" also points to the links between competitiveness and the major social welfare aim of increasing the wealth of citizens. The pursuit of competitiveness provides the bridge between corporate strategy and national economic development planning. Barney (2002) suggests a link between competitiveness at the firm and national levels:

*...A competitive firm develops and sustains a level of performance that contributes to the Gross Domestic Product (GDP), employment opportunities, and the wealth of the people...*

Porter (1990) argued that the competitive advantage of nations is created, not inherited. This breaks with the traditional economic view which argues that variables such as labour costs, interest rates, resource endowments and the existence of economies of scale are the most important factors in determining the competitive advantages of a nation. For Porter, the issue

of continuing to create sustainable development is an ongoing process of major importance for all countries.

Porter goes on to argue that traditional theories of national competitiveness fail to recognize the importance of the firms located within a country. In the view of Van Den Bosch (1997:51), and Porter, the “wrong” question is:

*Why do some nations succeed and others fail in international competition?*

The “right” question is:

*Why are firms based in a particular nation able to create and sustain competitive advantage against the world’s best competitors in a particular industry or segment?*

Rather than competitive advantage being a generic phenomenon, Porter believes that no country is, or can be, successful across all industries or sectors. Instead, economic success is the result of an individual country being able to develop and sustain competitive advantage versus the world’s best competitors in a specific industry or subset of industries. In short, countries need to differentiate themselves from their competitors in terms of the productive activities in which they specialize.

Porter offers the following arguments in support of his approach (Porter, 1980; 1990):

- Companies can and do choose strategies that differ from those of other countries. In terms of corporate strategy, every firm has different market goals and determines its strategies from different starting points. Extending the analogy to countries, strategies for development applied to, say, Gulf countries work differently from those which are most appropriate for North African countries.
- Successful international competitors often compete using global strategies. Strategies based on factor advantages (including the theory of comparative advantage) do not necessarily result in competitive advantage in international markets. The determinants of competitive advantage include the segmentation of markets, product and technology differentiation, economies of scale and scope, and the recognition that international trade and foreign investments are integrated and non-exclusive to individual firms or firms collectively.



- Competition is dynamic and comprehensive; continuous improvement and innovation in production methods and the application of technology to innovation, product improvement and better production processes are vital. Achieving competitiveness must incorporate both internal developments (innovations, new products, new processes, etc.) and external developments (innovations, etc. from competitors and collaborators). Investment in innovation should be directed to research, improvements in physical capital, and the development of human resources.

Economic development strategy should address competitiveness issues at the national level and not just at the level of a single, or small number, of particular product and service sectors. However, we should ask why national rather than sectoral. Kirchbach (2003) highlighted two reasons. Firstly, what renders a country more competitive is factors that are cross-sectoral rather than industry-specific. Secondly, the measures needed to enhance competitiveness will differ with the stage of a nation's economic development.

### **2.6.1 Porter's Stages of Economic Development**

Porter (1990: Chapter 10) sees the economic development process as one of four broad stages: factor-driven, investment-driven, innovation-driven and wealth-driven. One consequence is that economic development strategy should have a different orientation at each stage. The first three stages involve successive upgrading of a nation's competitive advantages and will normally be associated with progressively rising economic prosperity. The fourth stage is one of "drift and ultimately decline" (Porter 1990: 546) unless the country takes action to prevent this.

#### *The factor-driven or resource driven stage: (initiation stage)*

At the most basic levels of economic development, national competitive advantages are determined by resource endowments, such as low-cost labour and access to natural resources such as oil. The competitive advantage of industries emerges from basic and generalized factors of production and low input costs. Many developing countries are locked into this stage. Economic development strategy should aim to attract capital investment and invest the proceeds of exploitation of resources into developing the wider underpinnings of national competitiveness, for example improving health, raising education standards and developing the physical infrastructure. The role of government in this first stage is a direct one (Porter 1990:

671), since it is usually the only agency which has the resources and power to undertake the investment required in public goods.

#### *Investment-driven (interaction stage)*

One level up is the investment-driven stage, where countries begin to develop competitive advantage by improving efficiency and developing increasingly sophisticated products. Improvements are made to imported technologies; there is extensive joint venturing and heavy investment in trade-related infrastructure such as roads, telecommunications and ports, both sea and air. The focus of national economic development strategy at this second stage should be further improving the business environment through revisions in regulatory and legal arrangements including regulation of trade, taxation systems and company law. The objective of such changes is to improve the ease of doing business in the country in order to retain successful domestic firms and attract new foreign ones. Strategy should assist prospective exporting firms to extend their capabilities within the international value chain. As production shifts from commodities towards manufacturing, sector-level strategy should seek to support greater national value-addition. In the investment-driven stage, efficiency is gained through heavy investment and the willingness and ability to invest is the key for developing competitive advantage. In the investment driven stage, government

*...must usually take the lead in making investments to create and upgrade factors, though firms must begin to play a growing role as well... (Porter 1990: 551).*

#### *Innovation-driven (maturity stage)*

At the innovation-driven stage, the country's competitive advantage lies in its ability to innovate and produce products and services at the frontiers of global technology. Strategy should focus on technological diffusion and on establishing an increasingly efficient and conducive national environment for innovation. The emphasis should be on supporting institutions and extending incentives to reinforce innovation arising within the business sector and applying ideas coming from outside it, from, for example, universities and research laboratories. Companies should be encouraged to compete on the basis of unique strategies and competitiveness results from generation of unique value.

### *Wealth-driven (harvesting stage)*

Porter (1990: 556) sees the wealth-driven stage of development as being fraught with danger. It is as though the four-stage development process ultimately leads towards its own decline and destruction – if appropriate policies are not put in place to avoid this scenario. Decline is not inevitable, but wealth can blunt the cutting edge of the processes which created prosperity, particularly the incentive to innovate driven by rivalry. Attention is directed towards preserving what is already available rather than creating new wealth. Current prosperity is maintained at the expense of risk-taking for the future. In short, economies become “fat and lazy”. The process of decline will probably continue until some kind of shock, probably external, forces change; as Porter (1990: 560) puts it, “decline can be very protracted until something jars the economy out of it”.

The stages of development should be seen more of a spiral than a one-way sequential path. In particular, the notion that countries can enter a stage of decline when they become entrenched in the wealth-driven stage presupposes that there is somewhere to decline to. In that technology and innovation is always taking place somewhere in the world, the process of decline is not just relative to where a given country once was, but is also relative to where other countries have progressed. Wealth-driven countries can be overtaken by innovation-driven countries exploiting newer innovations and technologies than those on which recent ex-innovation stage economies were built.

Dubai itself could be described as a wealth-driven economy in the 1970’s, a period in which oil revenues were used to finance major public sector investment projects to attract and support new businesses and develop the tourism sector. However, as Chapter 4 shows, oil wealth was transitory and the wealth-driven position could not be sustained. The 1996 Dubai Plan (Department of Economic Development, 1996: 21) recognized this and proposed a development path based on Porter’s stages as shown in Figure 2.1. The diagram shows that relatively slow growth, as measured in GDP per capita terms, was anticipated during the transition through the factor-driven and investment-driven stages and the economy would reap the benefits of these foundations in the innovation stage starting around 2010 and taking the economy through to 2030<sup>8</sup>. In order to appreciate the 1996 vision of the future of Dubai it is necessary to understand the characteristics of an innovation-driven economy.

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<sup>8</sup> The end of the planning horizon.

## 2.6.2 The innovation-Driven Economy

In the innovation-driven stage a nation's competitive advantage is no longer determined by factor availability or lower costs relative to competitors, but with the ability of companies to upgrade themselves and create new technologies which directly influence product innovation and design and improve production methods. Costs are still important, but cost advantages derive from the higher productivity generated by exploiting higher skills in the workforce and deploying better technology. In the innovation stage consumer demand becomes highly sophisticated<sup>9</sup>. Incomes rise rapidly relative to the past. Educational levels and standards rise, the sophistication of universities, research facilities and infrastructure grows. Industries compete on the basis of better technology and products differentiated in qualitative terms rather than on costs of production. In an innovation economy advanced firms and industries develop the capacity to meet their sophisticated service needs in, for example, the design, marketing and testing areas.

Technology is no longer imported from other countries but, in some cases, created by domestic firms. Domestic firms have developed the capacity to innovate for themselves. The role of government in the innovation-driven phase is

*...markedly different from the previous one..... The impetus to innovate..... must come largely from the private sector..... government's efforts are best spent in indirect ways such as stimulating the creation of more and more advanced factors, improving the quality of domestic demand, encouraging new business formation.....Firms must increasingly take a leading role in factor creation themselves... (Porter 1990: 555-556)*

and

*...Government's essential task at the innovation-driven stage is to create an environment in which firms are and continue to be dynamic. Its role must shift from actor and decision maker to facilitator, signaler, and prodder. Intervention must decrease substantially... (Porter, 1990: 672)*

## 2.6.3 Economies of Scale and Scope

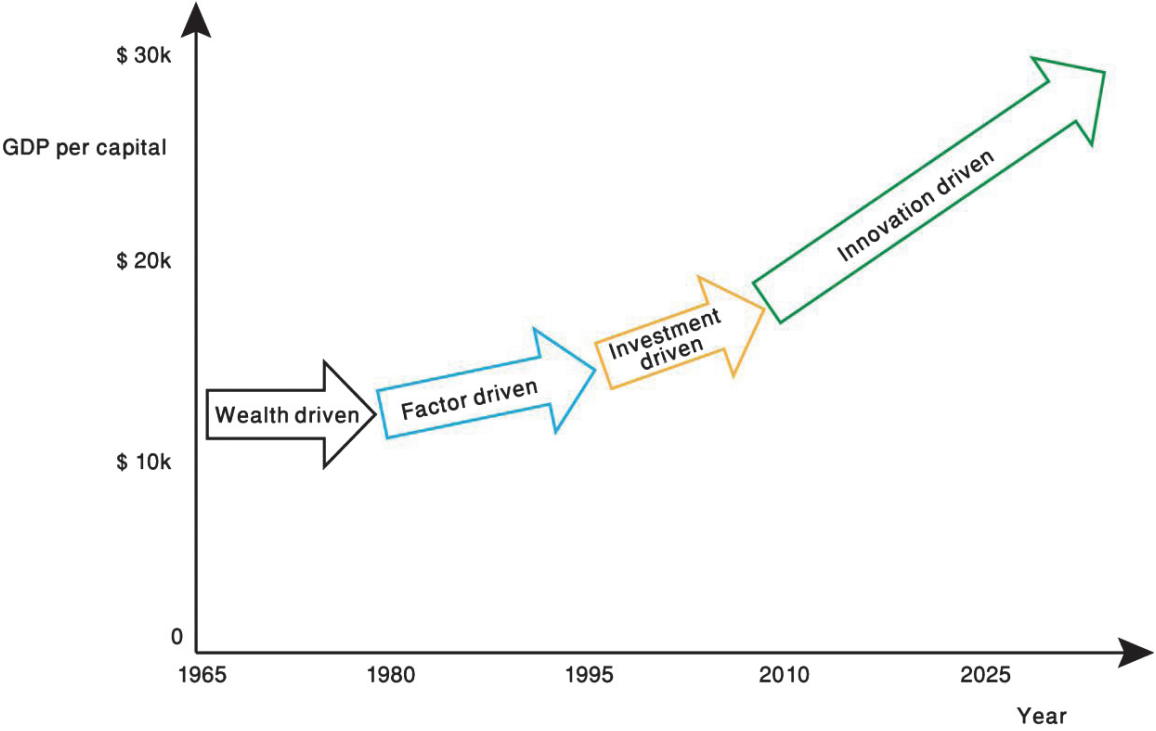
Economies of scale arise when the production of greater volumes of an identified product lead to lower unit costs. There is also an important distinction between internal and external economies of scale. When an organization increases production and thereby reduces unit costs, internal economies of scale have been achieved. The best known sources of economies of scale

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<sup>9</sup> The volume of domestic consumer demand is also important. In a place like Dubai, or even the UAE, it may not be sufficiently great to drive firms to innovate, at least on the basis of serving the domestic market alone.

are the spreading of fixed costs (that is costs which do not change as output is increased), use of specialized assets (including people) and the division of labour. Some inputs, such as research and development, marketing and recruitment, managerial expertise and professional labour are expensive, but because of the possibility of generating increased efficiency with such inputs, their use can lead to a decrease in average costs. As the scale of production increases, a company can exploit the use of specialized labour resulting in greater efficiency. This is because workers would be better qualified for a specific job and would no longer be spending extra time learning to do work not within their specialization.

Figure 2.1: Dubai's Projected stages of development



External economies of scale occur outside of a firm, for example within an industry cluster. Thus, when an industry's activities expand due to, for example, the creation of a better communications network, resulting in a subsequent decrease in cost for an organization working within that industry, external economies have been achieved. With external economies of scale, all firms within the industry will have the potential to benefit. Economies of scale are savings which accrue from falling average (unit) costs as output volume expands. A further important source of economies of scale derives from learning by doing and this adds a dynamic element to an otherwise essentially static concept. "Learning by doing" (or perhaps more precisely learning by repetition) reduces costs as practitioners progressively fine tune production by developing solutions to operational problems, eliminate unnecessary processes and develop the specific skills needed for efficient operation.

The achievement of economies of scale is of greater significance in the factor-driven and investment-driven stages of development. Even quite small countries can achieve economies of scale if they possess an abundance of a raw material or factor of production which can be exploited into a commodity or product satisfying an international market. Examples include oil extraction in the Gulf countries and ship building in a number of countries, for example Taiwan. This is particularly the case if there are bulk reduction activities which can be economically carried out at the country of origin before the basic product is transported elsewhere for further processing or combination into other more sophisticated products. The wood pulp and newsprint industry in Finland is a (historical) case in point. However, the opportunities for Dubai to exploit economies of scale are limited by the size of the domestic market.

Economies of scope arise when knowledge and competences are deployed to produce a wider range of related products more efficiently than they might otherwise be. Economies of scope are the cost savings which result from the sharing of inputs, including knowledge, across the processes used in the production of different, but related, products and services. External economies of scope are those which benefit all firms and entities within a grouping and not just a few. By their very nature economies of scope tend to be externalized. Examples are the ability to manage production and other processes effectively, the exploitation of knowledge-based components, spreading the impact of regional successful and reputation, economies gained from sharing research and development and the local availability of a supply of highly qualified labour.

Economies of scope are more important in the innovation-driven stage. There is also an argument for suggesting that their development may be less tied to the size of the local market. The Oulu region in northern Finland provides an interesting example. The development of the regional economy from one based on resource exploitation (mainly timber and fishing) to an innovation-driven one focusing on highly sophisticated electronics has been analyzed elsewhere (Morris et al., 2008). Ireland adopted a similar strategy, but perhaps with less long run success. The transformation to an innovation-driven economy was made possible by targeted and coordinated investments by the public sector in specialized higher education institutions and research facilities and by the private sector (notably Nokia) into applied research and product innovations.

## 2.7 The Role of the State in Economic Development

The role of the state in economic development has long been a contested area. Recently the debate has contrasted two models of the state's role in an era of globalization. The notion of the "developmental state" was the focus of much discussion in the 1980's as scholars attempted to explain the economic rise and success of a number of East Asian states including Japan<sup>10</sup>, South Korea and Singapore. China can now also be added to the list. A central feature of developmental states is the ability (capacity) of the government to implement its goals (Skocpol, 1985). In particular the state must have the capacity to achieve economic development outcomes which fundamentally transform the economy and society. This assumption is open to serious challenge in a number of countries. In particular, states which have a democratic form of politics may not be able to generate the "strong leadership" required to implement the major reforms implicit in transformational change. Thus, it is argued, the success of some countries, for example Singapore, South Korea and Taiwan, in transforming their economies has relied on the ability of the political leaders to implement changes without concerning themselves too much with the inevitable negative consequences for some sections of society.

The idea of the "competition state" (Cerny, 1990) was developed to analyze how state interventions were changing in response to growing globalization. In particular he noted that many states were shifting policy from macroeconomic interventions such as changes in government spending, tax rate policy, interest rates and exchange rate management towards microeconomic policies of deregulation, promoting greater productivity through improving the supply-side of the economy, control of inflation and the maintenance of self-sufficiency in key sectors. In broad terms, the emergence of the competition state, at least in western advanced economies, could be characterized as embracing two major shifts in emphasis of government economic policy. Firstly, there is a move from the pursuit of comparative advantage to promotion of competitive advantage. Secondly, a shift of government policies away from the maximizing social welfare (full employment, social services provision, redistribution of wealth and incomes) to the promotion of enterprise, innovation and profitability in both the public and private sectors (Cerny, 1997).

The competition state concept is built on the idea that states can themselves be competitive in some sense. Lall (2001: 1503), in referring to competitiveness, notes that

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<sup>10</sup> The theory was originally developed in the late 1920's to explain the post First World War recovery of the Japanese economy.

*...the concept comes from the business school literature, where it forms the basis of a great deal of strategic analysis...*

The assumption that notions of competitiveness can easily be transposed from the firm or industry level to that of the state has been challenged by many, including Krugman (1994) who called competitiveness, at least in national terms, “a dangerous obsession”.

More recently Fougner (2006) has argued that the state should, again, become more than just a competitive entity and regain its sovereign control over welfare policy, among other areas.

The debate over the competition state has been mainly conducted in the context of advanced economies. However, there is relevance for the case of Dubai. Dubai differs from western industrial states in a number of ways. Firstly, it is a small open economy exposed to global input and product markets across nearly all of its economic activities. Secondly, it does not have a past as a welfare state, although social welfare concerns<sup>11</sup> are beginning to register in the latest economic development plan as an issue of interest for the state (Executive Office, 2007). Thirdly, as discussed in Chapter 4 and evidenced in Chapter 6, Dubai has strong political leadership of the type which is assumed in the notion of the developmental state. Dubai can probably best be seen as a hybrid between the two. However the emphasis has shifted from a developmental state model during the periods identified as being factor-driven and investment-driven to one of a competition state in the innovation-driven phase. This conclusion is supported by the work of Abdullah and Nicholson (2009) who analysed Dubai’s policies towards the development of the ICT industry using the competition state model. They concluded that

*...policymaking for ICT industry development adopted by the city state of Dubai is committed to competition state direction...*

### **2.7.1 The Allocation State vs The Production State**

Luciani (2009) distinguishes between “allocation states” and “production states”. Allocation states, sometimes referred to as “rentier states” (Beblawi, 1990), are ones in which the creation of wealth, and more importantly its distribution, is centred on a small fraction of society. In the Dubai case this is Nationals. In such cases the state is largely disconnected from the national economy. The state derives its revenues from exports of oil and/or gas and does not need to finance its activities via taxation. In some cases this disconnection goes further and the state is

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<sup>11</sup> Notably youth unemployment and the growing health needs of an ageing population.



able to satisfy the wants of most of the Nationals from the surpluses (rents<sup>12</sup>) it derives from exploitation of natural resources. For Nationals the normal incentive links between work, risk-taking, entrepreneurial efforts and innovation and incomes are broken and the economy stagnates (Kubursi, 1999; Hvidt, 2011). In a production state the country has to earn its living through building a solid economic foundation via developing sustainable competitive advantages which are not based on natural resource endowments. In a production state the links between effort and incomes and the state's ability to finance itself through taxation and economic growth are restored.

Of course, allocation and production states are extremes on a continuum and most countries fall somewhere between the two; Dubai is no exception. In one way, Dubai can usefully be seen as attempting to move itself along the continuum from allocation towards production. It does not, currently, need to resort to direct taxation of Nationals in order to finance itself. Whilst oil revenues now account for only a small proportion of GDP, Dubai does depend on a very large low paid and unskilled migrant labour force to develop the economy. This issue is discussed further in Chapter 4. In one sense this labour force can be seen as “natural resource” comparable to any other. Nationals enjoy higher salaries and benefits than would otherwise be the case by using their power to exploit this pool of labour.

## **2.8 The Competitive Advantage of Nations: Porter's Diamond Model**

In *The Competitive Advantage of Nations* (Porter, 1990) Porter focuses on the capability of nations to innovate and improve processes, products and services as the basis of national competitive advantage. Porter employs a diamond-shaped model to summarize the main underpinning factors which help determine national competitive advantage. In doing so he follows the familiar “excellence” approach of identifying instances of success and then analyzing them to derive and distil common patterns of underlying factors<sup>13</sup>. The core of the “diamond” of national advantage originates from four “internal” interconnected determinants. Figure 2.2, based on Porter's original diagram, depicts the relationships between these largely endogenous determinants.

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<sup>12</sup> “Rent” here means economic rent. This is defined as the difference between the costs incurred in production and the prices of outputs. Rent often derives from exclusivity, for example the possession of oil or the ability of a minority to appropriate some of the benefits of the effort of others.

<sup>13</sup> The selection of the industries was based on a concept of international success defined “as possessing competitive advantage relative to the worldwide competitors...” measured by “(1) the presence of substantial and sustained exports to a wide array of other nations and/or (2) significant outbound foreign investment based on skills and assets created in the home country” (Porter, 1990: 25).

### 2.8.1 Internal Factor Conditions

Porter analysed factor conditions (which are internal to the country) as a hierarchy of needs starting with general and basic elements such as raw material availability and availability of unskilled workers and finishing with a highly skilled and specialized workforce that could produce qualitative benefits to domestic industry and upgrade the capacity for innovation. The following elements are important:

- Availability of human skills and the cost of human resources
- Quality, access and cost of material resources
- The quality and quantity of the technical scientific knowledge, market research and other sources of information relevant to business
- The quantity and cost of sources of capital available
- Type, quality, cost and the use of infrastructure (such as transport, communications, health systems), and other factors directly affecting the quality of life in the country.

**Figure 2.2: Porter's Diamond : Initial View**

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Porter emphasizes the progressive development of specialized factors as being those critical for sustained industry competitive advantage. For example, he argues that the availability of general high school/secondary or college/university education does not necessarily represent competitive advantage in advanced international competition. According to Porter, highly advanced and specialized factors that fill industry's particular needs, like venture capital in

Silicon Valley and scientific research facilities in the aircraft-industry, are vital elements to create and sustain competitive advantage.

What is important in developed industries and advancing economies is not the stock of factors itself, but how they can most efficiently be created, developed and deployed into particular industries. Generally, competitive advantage relies on the availability of leading organizations and institutions that first generate and produce specialized factors and then continually work to improve them. Porter holds that some nations can innovate and create specialized factors to substitute for the deficiency of factor endowments in a particular industry (e.g., land in Japan or the reduced importance of the timber industry in Northern Finland).

### **2.8.2 Firm Strategy, Structure and Rivalry**

International competitiveness results, in part, from the presence of capable, committed and fierce rivalry among local firms. The firm's local environment determines the creation, organization, and management of the industry or firm, which in turn determines its ability to become a world-class competitor. A consequence of this is that no single strategy or structure can be applied to all countries because national environments are different.

There is a tendency to regard "competition" and "rivalry" as being synonymous and to use the terms interchangeably. However, Scherer in particular (see Scherer and Ross, 1990) has long argued that they are fundamentally different. Competition, in economic terms, refers to the situation where a group of firms depends on the same resources, for example skilled labour. Rivalry occurs where (a small number of) firms operate in the same market. Rivalry is a conscious, and often personalised, struggle to establish a winning position over other firms. In a rivalrous situation firms need to second guess what others might do and take appropriate (contingent) action; an essentially subjective process. It is argued, therefore, that rivalry is increased by geographical proximity because of the obvious presence of rivals. This feature of rivalry is central to Porter's model.

### **2.8.3 Demand Conditions**

In addition to local rivalry between firms, strong local demand conditions depend on the sophistication of the local customer base. In this context, consumer expectations in terms of quality standards are also important. Thus, if local demand coincides with changes in the

behaviour of consumers in the rest of the world, industries will be able to apply this knowledge to innovate, upgrade, or create new products or services that should be competitive worldwide. Nations, Porter argued, export their values and tastes through media and different communications tools, through training and educating foreigners, through political effects, and through the external activities of their citizens and firms. However, this seems to view the issue through the eyes of a large country and is easily recognizable as a potential explanation for, say, the US. However the coincidence of domestic and international markets is most important for small, open economies whose home market is too small to support a high development rate. Examples include Finland, Singapore and Dubai. Finland and Singapore have achieved significant international success in the electronics industry, one in which country preferences are relatively slight or may be met without significantly changing the core aspects of the product.

#### **2.8.4 Related and Supporting Industries**

Groups of supporting and related businesses competing, cooperating and collectively upgrading their industries help promote and sustain national competitive advantage. Supportive industries can provide inputs faster and more cheaply than if they were produced within the industry, distribution services is a prime example. Also, improvements in some segments of the industry upgrade the industry as a whole. This mechanism of transfer and exchange is perhaps made most clearly evident in successful industry clusters (see Section 2.9 below for a discussion).

#### **2.8.5 The Diamond as a System**

Individually, and as a system, these four determinants create the context with in which a nation's firms are created and compete. This diamond is mutually reinforcing. In more sophisticated industries, competitive advantage rarely results from only one determinant. Usually, advantages in all four domains combine to create self-reinforcing conditions in which a nation's firms succeed internationally; the co-location of a critical mass of favourable conditions is needed to achieve and sustain competitive success in advanced industries. Competitive advantage in resource intensive industries, and in the standardized, lower-technology segments of more advanced industries, does not need advantages in the entire diamond. Factor costs are often decisive in these industries. On the other hand, in the innovation-driven stage of

development all elements of the diamond are advanced and working well together as a mutually reinforcing dynamic system.

The four determinants of the diamond can also reinforce each other negatively. For example, poor investments in human resources combined with a high cost of capital can lead to short term investment horizons that cause firms not to invest in developing sophisticated competitive advantages. Ultimately, nations tend to succeed in those industries in which the home environment is the most challenging and dynamic. The microeconomic environment urges and stimulates firms to upgrade and widen the advantages essential to success in that industry. No nation's environment has the requirements for success in every industry (Davies and Ellis, 2000).

### **2.8.6 External Influences**

In addition to the internal (endogenous) elements of the Porter Diamond there are two external elements; chance and government. Chance<sup>14</sup> and government are classified as external variables because they influence the whole system and are not influenced by it. Figure 2.3 adds to the simple view of the Diamond presented in Figure 2.2 by including chance and government. The dotted lines between chance and government and the Diamond indicate that these effects are not direct, in particular the government can only influence the factors at the corners of the Diamond indirectly. The solid line between chance and government points out that government policy is often influenced by chance events. Clearly there are events which occur by chance, in the sense of being unexpected and out of the control of government, which will influence government policy and its relationships with industries. The events of the "Arab Spring" provide a useful example.

Porter argued that the importance of government comes through its impact on the functioning of the four determinants of competitive advantage rather than through any direct role. He considers government to be "part of the game" affecting the four determinants, for example through subsidies, provision of education, and policies directed to the financial markets, and with its basic role of underpinning innovation and improvement.

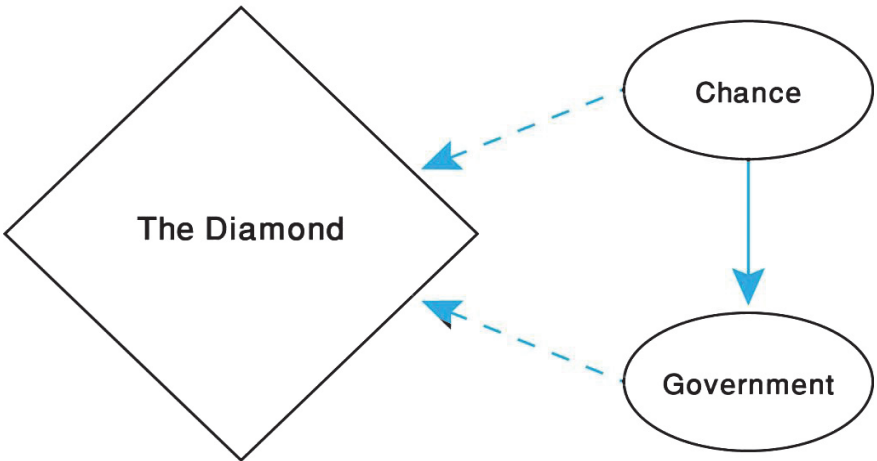
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<sup>14</sup> "Chance", rather than "opportunity", is the preferred term here since opportunity could have positive connotations which are not borne out by events. This the 2008 financial crisis may be regarded as a chance event, but one which has overall negative connotations, even though it created opportunities for some companies and even countries to gain a competitive advantage.

Government's role is to facilitate, support, promote, and challenge firms to become more competitive through specific policy approaches. For example, the role of government may appear to influence the conditions of the elements of production through subsidies and policies toward capital markets and educational policy, or through the influence on the terms of domestic demand, or through consumer protection laws. In addition, the government role appears in the form of capital market legislation, tax policy and the laws of monopoly, and through influencing the exchange rate policy and market management. For Porter (2010)

*...Economic development is a collaborative process involving government at multiple levels, companies, educational and research institutions, and private sector organisations... Competitiveness must be a bottom-up process in which many individuals, companies, and institutions take responsibility and act...*

Figure 2.3: The complete diamond system



The role of chance refers to events out of the control of firms and/or nations such as pure inventions, wars, oil price shocks, major shifts in foreign market demand, natural phenomena, etc. These chance events could nullify the benefits of some competitors and bring a change in industry structure and provide the opportunity for one country's firms to replace another's. As noted above, there is an argument for drawing a link between the role of chance and government which may in turn affect government's stance towards particular industries or sectors.

## 2.8.7 Pressure and Proximity

For Porter:

*...Competitive advantage is created and sustained through a highly localized process... (Porter 2008: 171).*

Porter essentially identifies two critical localized forces on firms which can be characterized as pressure and proximity. Pressure is the key driver of innovation and performance. A fundamental characteristic of firms, according to Porter, is that they often perform well only under pressure:

*...innovation often results from pressure, necessity, and even adversity: the fear of loss often proves more powerful than the hope of gain... (Porter, 1990: 49).*

In Porter's world, firms, left to their own devices, are portrayed as reactive and unable to overcome inaction and vested interest. Hence, development of competitive advantage relies on pressure being generated at as many points in the Diamond as possible, particularly in the later stages of economic development such as the innovation-driven stage. Disadvantages create pressure to find improved ways of competing. The availability of cheap and abundant factors make firms inactive, problems and adversity are required to create the pressure that makes them innovative. Similarly, the more sophisticated are demand conditions, the more pressure it places on firms. Related industries can also create pressure to perform and innovate (Grant, 1991).

Proximity further intensifies the pressure on firms; Porter's theory emphasizes domestic rivalry, local clusters, and physical neighbourhoods (Martin and Sunley, 2003). The argument for the beneficial effects of proximity is presented in terms of information. Proximity

*.....increases the concentration of information, and thus the likelihood of its being noticed and acted upon... (Porter 1990: 157).*

## 2.9 Clusters

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete. The development and upgrading of clusters is an important agenda for governments,

companies, and other institutions. In simple terms, clusters are concentrations of interconnected companies and institutions at the national or regional level. A cluster encompasses an array of linked industries and other entities important to national competition, and affects competitiveness within countries as well as across national borders. Often clusters also extend downstream to channels and customers, to manufacturers of complementary products and to companies in industries related to skills, technologies, or common inputs. Many clusters also include governmental and other institutions.

However, a number of writers (for example, Martin and Sunley, 2003; Fromhold-Eisebith and Eisebith, 2005) have pointed out the concept of cluster has not been well defined; “fuzzy” is one way of describing many definitions. On the other hand, there is a general acceptance that the idea or notion of a cluster is useful in developing economic policies at the regional level and that, despite the lack of clarity of definition, we can probably recognize a cluster when we see one. This thesis adopts the Porter (2010) definition of cluster as

*...The presence of a critical mass of firms in particular fields, together with specialized skills, infrastructure, and institutions that enable productivity through externalities across related firms and supporting services...*

Localizing productive activities in geographic agglomerations has a long history in economics. Marshall (1925) gave three main explanations as to why firms should concentrate themselves in specific areas:

- Being geographically close together enables firms to develop an area of specialized labour that is highly skilled for the specific needs of an industry making it relatively easy for those firms which need it to have easy access.
- Providing non-traded inputs to an industry; firms can experience economies of scale in developing and using common technologies or a particular capital infrastructure.
- Generating a maximum flow of information and product ideas; having firms geographically joined together makes it easier for market and technological knowledge to be shared and more effectively turned into income-generating innovations.

Theories which attempt to explain the existence of clusters in terms of economies of scale are potentially more persuasive where the firms in the cluster belong to the same industry and external economies of scale emerge based on improved communications networks, shared research and development activities and the growth of a specialized workforce. However, in a



Porterian world, where clusters are seen as being agglomerations of related economic activities beyond a single industry, then economies of scope will be more important.

### 2.9.1 Porter and Clusters

For Porter:

*...The basic unit of analysis for understanding national advantages is the industry. Nations succeed not in isolated industries, however, but in clusters of industries connected through vertical and horizontal relationships. A nation's economy contains a mix of clusters, whose makeup and sources of competitive advantage (or disadvantage) reflect the state of the economy's development... (Porter, 1990: 73).*

Clusters promote both competition and cooperation. Rivals compete intensely to win and retain customers. Without such dynamic competition, a cluster will fail. There is also cooperation, much of it vertical, involving companies in related industries and local institutions. Clusters represent a new kind of organizational form in between geographically close markets on the one hand and hierarchies, or vertical integration, on the other. A cluster, then, is an alternative way of organizing the value chain (Porter, 1998b). According to Porter, the main advantage of clusters is that they offer the possibilities of promoting increased competitiveness and sustainable competitive advantage at the regional level through advances in productivity, innovation, increased flexibility and enabling the successive creation of new businesses (Porter 1990; 1998a; 1998b; 2000). It is the dynamic (developmental) benefits gained from clusters rather than any static advantages that are important.

Firms may enjoy a number of potential advantages deriving from cluster membership:

- a. Efficient access to specialized inputs, services, employees, information, institutions and training programmes
- b. Ease of coordination and transactions across firms
- c. Rapid diffusion of best practices
- d. Ongoing, visible performance comparisons and strong incentives to improve vs. local rivals
- e. Proximity of rivals encouraging strategic differentiation
- f. Greater likelihood of perceiving innovation opportunities (e.g., unmet needs, sophisticated customers, combinations of services or technologies)
- g. Presence of multiple suppliers and institutions to assist in knowledge creation

- h. Ease of experimentation given locally available resources
- i. Opportunities for new companies and new lines of established business are more apparent
- j. Spinoffs and start-ups are encouraged by the presence of other companies, commercial relationships, and concentrated demand
- k. Commercializing new products and starting new companies is easier because of available skills, suppliers, etc.

### **2.9.2 Knowledge-Based Clusters**

Dubai, as expressed in the 2007 Plan (Executive Office, 2007), has a desire to transform its economy into a knowledge-based and innovative one. Most of the arguments for clusters are based on the importance of specialized knowledge in creating sustainable competitive advantage. However, it is important to recognize that competitive advantage does not derive from the exploitation of established knowledge via the existence of knowledge monopolies protected by patents and other forms of intellectual property protection. The pace of innovation is now so rapid that competitive advantages based on knowledge monopolies will be rapidly competed away through innovation. It is the creation, sharing and exploitation of knowledge within a community that is important (Best, 2001).

Geographic closeness is important because a cluster localized in close proximity within a particular geographic region obtains economic advantages stemming from a high degree of geographic concentration among firms. On the other hand, geographic proximity could also bring disadvantages to the members of industrial clusters such as the poaching of specialized labour between firms, greater competition, faster imitation of both technology and product innovations by competitors, and shared market intelligence among firms leading to an inability of individual firms to capitalize on specialized market knowledge.

There are two particular features of the knowledge required for developing sustainable competitive advantage. First, the knowledge must have significant tacit dimensions. The key feature of tacit (as opposed to explicit) knowledge is that it is not recorded and can be hard to communicate. It derives from our experiences and interactions with those around us. It is often the product of insight, hunch and informal experimentation. Tacit knowledge can be described as knowing what works (or is likely to work) but is difficult or impossible to put it into words. On

the other hand, if we work in the same area and on the same problems we can probably understand each other. The other feature of knowledge in successful clusters is that it is probably highly industry specific, that is, it is not easily transferable to other situations. Such collective knowledge is often described as being “sticky”. If these two conditions hold then getting the right people together to work on common problems can be the basis of a successful cluster.

Morosini (2003) argues that the virtual communication technologies and developments in global transportation and logistics introduced over the last fifty years or so have made localization economies more, not less, critical to the competitive performance of firms. On the one hand, virtual communications and similar technologies have highlighted the importance of tacit knowledge and close personal relationships between economic agents as key determinants for the competitive success of firms. At the same time global logistics have made access to basic production factors such as capital and non-specialized labour largely open to all, whereas flows of specialized knowledge and the rich knowledge interactions that lead to valuable innovations remain stronger between agents in the same spatial group than among geographically dispersed firms.

Sölvell (2008) suggested that innovation and economic growth tends to be geographically concentrated. Clusters provide an environment that is conducive to innovation and knowledge creation. Regions with strong cluster portfolios are innovative leaders, while regions with no clusters or isolated research facilities fall behind. Strong clusters emerge in open markets where intense rivalry and cooperation within and between clusters coexist. In order to understand innovation processes within clusters, Sölvell identified four main characteristics:

- **Uncertainty:** Innovation is based on a process of incremental reduction of technical and economic uncertainty where new technologies typically experience a number of modifications and business models are adjusted accordingly. The knowledge and skills required to invigorate clusters develops over time.
- **Interaction:** Innovation is based on a process of continuous interaction across organizations, building “thick ties”, specialized language, and social capital within the region. This process of exchange and creation of new knowledge is enhanced by face-to-face contacts.
- **Technology:** technology and innovation are intimately connected to each other in successful clustering. Some innovations are, at least partly, the outcome of a process of

transferring technology between cluster members through university education, training, specialized technology transfer offices and incubators, joint R&D projects and regional public-private organizations that focus on networking and commercializing new discoveries.

- Low cost: Innovation is enhanced in environments where different resources can constantly be redirected efficiently and effectively. Various forms of product and technology sharing or sourcing also facilitate. The reshuffling of critical resources is facilitated by the development of diverse avenues of product and technology sharing. This is particularly important when inventions and innovations do not always find use where they first emerge, but need to be migrated to other environments to be fully exploited.

Etzkowitz (2003) provides an alternative view of how clusters work. Universities and research institutes provide highly skilled labour and a stream of commercial spin-out opportunities from their research activities and assume a much greater role in economic development than is apparent in the Porter model. To some extent Porter sees higher education and research moving into a cluster once it starts to grow; Etzkowitz sees them as being at the leading edge of development. When this sector works in harmony with government and entrepreneurs, as a “Triple Helix”, this constellation can lead to an innovative and dynamic economy. The three strands spiral upwards and outwards reinforcing one another and adding strength to the development process. A feature of the Triple Helix approach is that regional development processes are conceived of as being interactive rather than linear and eventually becoming endogenous rather than having some exogenous elements to them (for example central government decisions to relocate particular activities to a region). This requires active and continuing cooperation between government and its agencies, private enterprises and public institutions. Far from being based on luck or spontaneous processes, development is a product of what has been called “social concertation” (Del Ottati, 2002). Government should provide a broad framework to promote development. Universities and research institutes should develop technical expertise and know how. Major firms should encourage technological development and generate employment. In the Triple Helix view, successful economic development requires a concerted effort to ensure conscious co-ordination between the different parties to work towards the same aims (Morris et al; 2008).

In principle, therefore, the Helix should develop a growth momentum of its own. This does not mean that a continued stream of both inward and domestic investment is not required;

however the processes which generate the continued flow of investment will come from within the cluster rather than needing to be orchestrated from outside it by government. In essence the Triple Helix is an evolutionary model of development which generates a high rate of both product and process innovation leading the creation of new businesses as clusters evolve through time.

### **2.9.3 Cluster Development Policy**

The literature reveals that there are many different and competing explanations for the existence of clusters (see, for example, Zamzam (2011) for an extended discussion). On the other hand, there is little doubt that the promotion of successful local clusters is a highly desirable element within national economic development strategies; they are at the heart of competitiveness (Porter, 2000).

For Porter (Porter, 2008) cluster policy should be based on six broad principles:

1. Policy should be neutral across clusters
2. Cluster policy should enhance the productivity of multiple firms and institutions and not just targeted on a few
3. Policy should capture, facilitate and enhance linkages within the cluster and beyond it and promote positive externalities
4. Policy should recognize the critical role of information and knowledge in cluster development and facilitate its improved flow
5. Cluster policy must engage the private sector and not just government
6. Cluster policy must promote market competition rather than retard or erode it

These six principles are reflected in five suggested roles of government in promoting economic development (Porter, 2010):

1. Establishing a stable and predictable macroeconomic environment<sup>15</sup>
2. Improving the availability, quality, and efficiency of general purpose inputs, infrastructure and institutions
3. Establishing overall rules and incentives governing competition that encourage productivity growth
4. Facilitating cluster development and upgrading

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<sup>15</sup> Which may be impossible for a small open economy to achieve in some circumstances as post 2008 experience has shown.

5. Convening and actively supporting a long-term process for economic upgrading which informs and mobilizes government at all levels, the private sector, educational and other institutions, and civil society.

The fourth element (cluster upgrading) can be promoted through a number of policies in the areas of attracting new firms, promoting exports, promoting better market information and disclosure, improving governance systems for government and private firms, investing in specialized physical infrastructure, improving the quality of education, creating research institutes, university departments and promoting technology transfer, setting standards and protecting the environment and conserving natural resources.

Ketels (2003), an associate of Porter, stresses the microeconomic foundations of cluster development policy. Improving a location's competitiveness depends on adopting an holistic approach to policy covering:

- Activating clusters that already exist
- Removing weaknesses which cut across general business environments
- Creating an institutional structure to focus on competitiveness which outlives particular political administrations
- Developing a collective understanding of the unique value which the location can generate

Government policy towards cluster development must be set in the particular context of the particular economy and the stage of development of the individual clusters within it. A "one size fits all" policy is not appropriate across economies or across clusters within an economy. Government's initial response to the potential formation of an industrial cluster and the government's initial support for any emergent entrepreneurial activity must be commensurate with its relevance to the region's natural advantages and the likelihood of their commercial success in export markets. The reverse holds that government need to be aware that supporting entrepreneurial activity that does not closely align with the region's natural advantages and store of social capital<sup>16</sup> may be likely to lead firms to relocate their activity as more cost effective opportunities arise. Government must provide the infrastructural needs of the developing industrial cluster. However, government should not pre-empt those needs, they have to arise from the activities and views of the cluster members themselves. Government

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<sup>16</sup> Whilst definitions of social capital abound (see <http://www.socialcapitalresearch.com/definition.html> for an extensive discussion), it is here taken to mean the productive value which can be gained from exploiting social relations in a defined social space.

should be an active partner in clusters, but should not be the dominant one (Allio, 1990). Government's role in cluster initiatives is as facilitator and participant. The most successful cluster initiatives are often public-private partnerships (Porter, 2003).

### **2.10 Does the Porter Model Work for Dubai?**

The most telling criticism of the Porter model is its potential lack of applicability to most countries or regions. Rugman (1996) argues that over ninety per cent of the economies of the world's nations cannot be modeled using Porter's Diamond. Porter's model focuses firmly on national strategy, however many critics of his work argue that it is important to take account of the behavior and influence of multinational firms (Cho and Moon, 2000). In the case of small open economies like that of Dubai, multinational firms have a major influence. In addition the domestic market is not big enough to generate the kind of rivalry, customer sophistication and depth of supporting industries necessary to spur firms into competition based on innovation, productivity gains and differentiation.

Porter also downplays the role of FDI in promoting sustainable competitive advantage at a national level. However, the promotion of FDI has long been a key component of Dubai's economic development strategy. Dunning's critique of the Porter model (Dunning, 1993) focuses on the role that FDI can play in developing (national) sustainable competitive advantages. Dunning analyzes the pattern of FDI by categorizing the factors which influence it into three broad groups; ownership advantages, internalization and location advantages. Ownership advantages are those advantages specific to a company and dependent on its ownership of particular assets, such as technological capability or ownership of a brand name. For example, the Dubai luxury hotel industry is promoted by exploiting the foreign owned assets of recognizable luxury brand names and hotel management expertise. Internalization factors are those benefits that derive from firms managing activities internally, such as making its product itself in a foreign location rather than licensing production. Location factors are those advantages which are present in a particular geographical location, for example access to cheap resources such as labour, raw materials or energy or the presence of a particular favourable business climate. Dubai's strategy as establishing itself as a regional hub for financial services, logistics and business services can be seen as an attempt to capture location advantages on a regional rather than local basis.

In their study of the UAE, Al-Jaber et al. (2008) divided location factors into five subgroups, namely, economic factors, infrastructure, institutional factors, regulatory framework and the government role, and business environment and services. However, their results show that

economic factors, and particularly the zero tax rate in the UAE, are the most important determinants of inward foreign direct investment.

In a recent analysis of the UAE's competitiveness, Porter (Porter, 2010) notes a number of issues<sup>17</sup>; these include

- The small size of the local population and the “moderate” local market which limits the natural attraction for foreign companies
- The tendency for state-owned enterprises to disrupt the market and inhibit competition from the private sector
- The focus of foreign companies on serving local demand rather than competing in global markets
- The limited role played by entrepreneurship and the formation of new firms
- Clusters exist at the Emirate level, compounding the market size issue; there is significant overlap between cluster efforts (for example in logistics, hotels and tourism and construction) but only limited collaboration, even in non-competitive areas such as basic research, specialized education provision and the development of agencies dealing with standards, data collection and information provision, regulation and planning<sup>18</sup>.

Ketels (2009), in his study of Dubai's construction, finance, logistics and tourism clusters, identified a number of issues which could limit their future development. Many of these issues reinforce the list above. However, he also identified the weakness of the local higher education sector in its ability to train and develop local talent in specialized financial skills and the inability of the economy to upgrade and develop the workforce skills in the logistics cluster. His mapping of the clusters also suggested that, whilst all or most of the components necessary for a successful cluster might be present, the “thick” ties between the cluster elements were not fully developed.

Small open economies also have difficulty in macroeconomic policy terms and thus developing macroeconomic competitiveness. A “small open economy” is one which is small enough compared to the world markets in which it participates so that, as a working assumption, its policies do not influence world prices. The consequence is that the country is a price-taker and will be exposed to shifts in world prices, including interest rates (the price of money) and

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<sup>17</sup> Of course, care needs to be exercised to avoid simply extending these arguments from the UAE as a whole to Dubai as an entity within it. On the other hand Dubai does form around 40% of the UAE.

<sup>18</sup> In an earlier analysis of the UAE, Porter (2003) argued that a regional (competitiveness) strategy for the Gulf States should be created. However subsequent events, particularly the upheavals in Bahrain and the rapid development of Qatar have made such an aspiration less, rather than more, likely.



commodity prices, including the oil price. In small open economies asset prices which are of particular interest are the exchange rate and property, particularly housing, prices. In the case of the UAE Dirham, the relevant exchange rate is that of the US dollar<sup>19</sup>, a currency over which the UAE monetary authorities have no influence. In the case of many small open economies, world interest rates have not been in line with those which local conditions would warrant (see Bollard, 2008 for a discussion in the context of New Zealand). Small open economies are thus vulnerable to financial instability caused by price shocks over which they have no control. In the case of the Dubai global interest rates are critical, although, domestically, falls in property prices have also had a major effect. Externally it might, initially, appear that this would help Dubai manage its considerable foreign debts. However, these are likely to bear interest rates which are set by reference to global financial markets rather than local or regional ones. At the same time the incentive to save locally will be weak if real interest rates are negative. This could lead to capital flight as wealthy residents seek higher returns elsewhere.

Given this apparent lack of “fit” between the Porter model(s) and Dubai, it is reasonable to ask why it has been so influential in shaping economic planning in Dubai. Dubai established the Department of Economic Development (DED) in 1992; its main objectives were to support the Dubai economy and establish the conditions for economic growth. The Dubai government had little prior experience of economic planning, and the DED commissioned the UN to prepare for the 1996 Plan. At that time Porter’s work and theoretical framework formed the predominant approach to economic development planning. It is important, therefore, to locate the Porter influence in the relevant time period, that is 1993-94, that is shortly after *The Competitive Advantage of Nations* was first published (1990) and before many of the criticisms of, and alternatives to, Porter’s work became widespread.

## **2.11 The Dubai Model of Economic Development**

The three main pillars of economic development strategies across the world over the past twenty years have been:

- The development of excellent physical infrastructure
- The development of human capital to promote higher labour productivity as a crucial input to developing innovation capacity, whether in generating innovations internally or in absorption of innovations from elsewhere

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<sup>19</sup> The UAE dirham is fixed against the dollar.

- The promotion of good governance, including efficient and transparent public sector institutions, an independent judicial system and a fair regulatory system within which business can operate

However, as Mahroum (2011) points out, these pillars are “enablers and not drivers of economic development”. There is little doubt that Dubai has invested heavily in physical infrastructure. Development in the second and third areas is more open to question. Indeed, Dubai’s development may have over-relied on investments in physical infrastructure, to the potential exclusion or “squeezing out” of other areas where investment might have yielded greater long-run returns.

Hvidt (2007, 2009) identifies nine key components (“parameters”) of the “Dubai Model”:

- Government-led (effectively ruler-led) development
- Rapid decision-making
- A flexible labour force
- Bypassing the usual industrialization phase of development to create a service economy
- Internationalization of service provision
- The creation of investment opportunities and the Free Zones policy
- Reliance on supply-generated demand
- Positioning Dubai in the market via branding
- Development in cooperation with international partners

The first two elements of the model have been put under pressure by both the internal constraints of having a relatively small group of people (Hvidt puts this at five) responsible for such a wide range of projects and activities and the external ones of foreign “intrusion” following the financial crisis of 2008 onwards. The flexibility of the labour force is a product of a high degree of reliance on imported foreign labour on short term contracts, less than 20% of the population and an even smaller proportion of the workforce are UAE citizens (Chapter 4 discusses the consequences of this in greater detail). The vast majority of the expatriate workforce are low-paid and unskilled and employed in construction, hotels and manufacturing. Whether this, at the current scale, is a sustainable element of a longer term aim to become a knowledge-based economy is questionable. Where professionals are concerned Dubai finds itself competing in a global market for scarce talent.

Kuznets (1973) argued that the normal route to development for most advanced countries has been one of a shift away from agriculture to non-agricultural activities, mainly manufacturing, and more recently from agriculture to services. Hvidt argues that Dubai has bypassed the industrialization stage. A potentially more fruitful explanation might be that Dubai has substituted a construction and infrastructure development phase for the more conventional one of industrialization based on manufacturing. That is not to say that there is no manufacturing sector in the Dubai economy or that the industrialization phase in other economies did not include construction. However the balance of activities in Dubai has been markedly different.

Given Dubai's small domestic market, even if the UAE is included, any significant growth in the service industry must be on the basis of penetrating international markets. One aspect of this has been external acquisitions. However, long-term competitiveness cannot be based simply on overseas investment. Dubai has plans to increase employment in the airport and associated logistics, aircraft maintenance and the national carrier (Emirates) to 750,000, making it one of the world's top three logistics hubs. Dubai is also very active in the international seaports sector, both within Dubai itself and internationally. The domestic construction sector has also internationalized its activities in partnership with foreign developers.

Reliance on supply-generated demand is a risky strategy. Examples from Dubai include the building of airports and seaports with, initially, substantial overcapacity, the development of shopping facilities (particularly Dubai Mall), the construction of the Palm<sup>20</sup> and The World<sup>21</sup>. To this list can be added the "Cities", for example Internet City, Media City and Knowledge Village, which are property developments aimed at promoting clustering of business activities. A better term for this approach might be "first-mover" strategy. Dubai has effectively tried to close off competition from regional neighbours by saturating selected markets from the outset. This may be successful in a period of rapid and sustained regional growth, but proved costly as the financial crisis of 2008 took hold.

A more successful example of application of first-mover strategies has been the early implementation and rapid expansion of Free Zones. Dubai has long tried to attract foreign

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<sup>20</sup> Initially three Palm Islands were to be built. However the economic downturn has meant that two have been shelved.

<sup>21</sup> A world map shaped grouping of private islands. The project has effectively ceased, for the current period at least, with the construction of the islands. Very few buildings have been erected and there is little in the way of services.

direct investment and become a regional focus for foreign firms. Effectively Dubai stepped outside the more restrictive federal (UAE) regulatory and legal business framework by allowing full foreign ownership<sup>22</sup> in Free Zones. Free Zones now cover most areas of Dubai's activities and embrace the Internet and Media Cities, the airports and the Dubai International Financial Center (DIFC). In the property sector Dubai introduced freehold ownership allowing foreigners full ownership rights of dwellings.

It is commonplace to make a distinction between resource-based and positioning strategies. These should not be seen as mutually exclusive, particularly in the context of a nation or region with a broad portfolio of economic activities. Nevertheless, the distinction is a useful one. The resource-based view argues that strategy is about exploiting the capability of an organization in terms of its resources and competences. Of course, this assumes that there is a market for the outputs produced on the basis of such resources. Organizations also need to develop an appropriate fit with their environment and establishing successful market positions. Dubai has a number of resources which have found a place in its strategy, the sunny climate and its tourist potential is one. The strategic location on trade routes is another. These opportunities are supported by a strategy which positions Dubai with the tag line "quality and innovation". The physical expression of this is in the city's architecture, notably the Burj al-Arab hotel<sup>23</sup>, Burj Khalifa<sup>24</sup> and the Palm Jumerah. "Branding Dubai" is further discussed in Chapter 4.

Dubai has a policy of attracting the best experts worldwide to work on the country's projects. This policy is followed at all stages from initial planning and design through to operation. Whilst this policy supports Dubai's desired brand image and solves the medium term problem of a lack of domestic talent, it may be problematic over the longer term. The ability to buy in talent on demand may reduce the incentive to do the much harder job of developing domestic talent to achieve the same high standards. Whilst the partnership policy also extends to higher education, international universities are involved with many of the new Dubai-based universities, there is little current evidence to suggest that Nationals are attracted to work in many important sectors of the economy, even in senior positions.

Is Dubai's model of development sustainable? There are a number of areas in which there are long term weaknesses in the model. Firstly, the number, speed, size and scope of development

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<sup>22</sup> Compared to the 49% norm in the UAE.

<sup>23</sup> The well known iconic sail-shaped building built out into the sea.

<sup>24</sup> Currently the tallest building in the world.

initiatives may be too great for current leadership in government and governance models to sustain. As many writers (Hvidt 2007, 2009; Matley and Dillon, 2007) point out, Dubai has benefited greatly from two periods of long and stable rule from charismatic leaders. However, vesting leadership in single individuals is risky. Dubai may be less lucky in the future and will need to protect itself by introducing stronger governance systems, even if this slows down the speed of decision making. The financial crisis of 2008 has also given impetus to the need to upgrade governance arrangements.

Secondly, the loyalty of expatriate workers to Dubai may be challenged if wage rates fall and living standards are eroded. Whilst living standards for contract workers in, for example the construction industry, are slowly improving, the slowdown in the construction sector following 2008 has put pressure on wage rates and left some workers without jobs and little or no employment protection. Much of the success of the Dubai (and UAE) economy is built on having a large and flexible supply of cheap labour at hand. Whilst this is most often associated with construction, it is a major factor in all sectors, including, for example, aviation (Walters et al., 2006). At the other end of the scale professionals in the finance, medical, education and services sector are less likely to have their contracts renewed and find that pay rises are less generous. Inflation is a long-term issue in Dubai and, whilst it may be possible to compensate Nationals for its effects through pay rises, it is liable to exert downward pressure on real incomes for expatriates making Dubai less attractive (Matley and Dillon, 2007).

Thirdly, it may be more difficult in the future for the state to generate the revenue needed to resource its ambitious development plans. Dubai has very low tax rates, there is no income tax although there are indirect taxes such as business licence fees. Foreign owned Free Zone companies are also allowed full repatriation of profits and capital. Citizens and businesses do pay fees for a range of services, notably employing foreign workers, road charges, fees for hospital services and so on. Publicly owned businesses, for example state-owned utilities, are run on a for-profit basis. However, government land sales have been a major generator of income in the past (Hvidt, 2009), but are unlikely to be so in the future. Some state costs are lower, for example there is very little welfare support; culturally this is regarded as a matter for (extended) families. However, the National population is ageing and creating greater health demand needs, for example the incidence of diabetes is very high, and there is a need for additional investment.

Fourthly, Dubai faces environmental pressures. These are most obvious and perhaps acute in managing water, but waste management and electricity generation are also pressure points. Coastline management is also an issue, and one which has the potential to threaten the tourism industry. There is also the ever-present threat, across the region, of political unrest. Whilst the UAE has largely escaped the downsides of the “Arab Spring” of 2011, regional political instability and the possibility of terrorist attack are never far from the surface.

## **2.12 Summary**

The literature on economic development, strategic planning and competitiveness is vast and this review has necessarily been highly selective. The main criterion for inclusion has been the immediate relevance to Dubai rather than, say, the overall contribution of a writer or work to the development of thought or theory in any of the areas. Given the nature of Dubai and, in particular, the blurred boundaries between the state and commerce, theoretical frameworks which attempt to synthesize, or identify common cause between, government and commercial interests are likely to be of most appeal in helping to understand Dubai’s development. The most prominent of these theories is that of Porter as expressed in *The Competitive Advantage of Nations* and developed in subsequent works and explicitly applied to Dubai (Porter, 2010). This review has therefore focused on Porter’s work both for its importance and as a useful organizing framework for discussion. In particular Porter’s categorization and model of stages of development, the nature of the role of government in economic development planning, the holistic nature of the diamond forces and the characteristics of successful clusters are major elements which underpin the discussion in this thesis and against which the research evidence can be interpreted. However, some important alternative views have also been briefly highlighted. These are reminder that, despite the ubiquity of Porter’s work, there are important areas which it under-emphasizes.

Whilst it is tempting to discuss Dubai as if it is a homogeneous entity in development terms it clearly is not. Some industries and sectors are far more developed than others. It is likely therefore that some models may be more useful in explaining the development of some sectors than others. Similarly it may be that some models might be useful in explaining past development and others current development. It is important therefore not to attempt to draw firm links between a static and all-embracing view of “Dubai” and a single comprehensive or general model of development. The role of the literature review is to identify prior

contributions to the study of economic development to inform discussion of the Dubai experience rather than develop a model or single framework against which Dubai's policies and strategies can be evaluated.

The chapter concludes with a discussion of the "Dubai model" from an essentially non-economic perspective. The work of Hvidt in particular takes a long-run political economy view. Given its different stance it does provide additional and useful insights and helps develop a platform for ongoing (through the thesis) of Dubai's practice and experiences.

# Chapter 3

## Research Methodology

### 3.1. Introduction

This chapter presents the procedures, methodology and techniques used in this research. The research relies on qualitative methods, that is semi-structured expert interviews and document analysis. However, an important element in this research is the researcher's extensive personal professional experience, over several years, as CEO of a major Dubai family business and as a Director and Board member of a number of Dubai government organizations.<sup>1</sup> This experience provides a strong starting base of knowledge and experience concerning economic issues and opportunities in Dubai. As a member of the Dubai Economic Council, the researcher also participates in the ongoing debates concerning the Emirate's economic development strategy and policies. These activities provide extensive opportunities to exchange experience and ideas with others and enrich understanding of the key issues. In addition active membership of these bodies affords "inside" access to potential interviewees and government reports and grey literature.

### 3.2 Research Questions

The overall question posed by this research is:

*Has strategic planning in Dubai been successful in helping Dubai achieve a sustainable competitive advantage?*

In order to help answer this core question a number of sub-questions will be explored:

*What conceptual frameworks are useful in understanding the potential future sources of sustainable competitive advantage for the Dubai economy and strategies for developing them?*

*What are the current sources of sustainable competitive advantage for the Dubai economy?*

*What are the economic, cultural, social, political and environmental drivers for change in the Dubai economy?*

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<sup>1</sup> Chapter 1 gives further details.



*To what extent are current sources of competitive advantage likely to be sustainable in the future?*

*What weaknesses does the Dubai economy exhibit?*

*What are the critical success factors for the successful future development of Dubai?*

These questions are not framed as testable hypotheses, nor is it a realistic aim to provide definitive answers to them; however they are posed as a framework for the research; in essence they guide the exploration of the successes, shortcomings, influences and future of strategic economic planning in Dubai.

### **3.3 Research Philosophy**

In any research the approach to be employed is based on the nature, aims and objectives of the study and the selection of data collection methods that generate the evidence needed to inform the aims. According to Saunders et al. (2009), there are two kinds of research philosophy: positivism and phenomenology. Riege (2003) identifies four different paradigms of study methodology: positivism, realism, critical theory and constructivism.

The positivistic paradigm is also sometimes called the traditional or experimental paradigm (Creswell, 2009). The positivistic paradigm attempts to identify testable hypotheses about the relationships between two or more factors (variables) derived from a theory or elsewhere, for example empirical observation or experience. These hypotheses are tested empirically by collecting data on the relevant factors and then applying statistical or other analytical approaches to the data to test the hypothesised relationships (Hussey and Hussey, 1997). In positivist research, the researcher plays the role of adopting and developing academic theories through testing and examining those theories, making independent interpretations about those data that have been collected in an apparently value-free manner (Saunders et al., 2009).

The phenomenological paradigm aims to examine the phenomena, or appearances, of human experience. The phenomenological paradigm requires a holistic orientation in which a phenomenon is studied in its wider organizational, social and political context over time. Furthermore, one of the main differences between the two paradigms is that the aim of the positivistic is to generalize from the study sample while the aim of phenomenological paradigm is to produce theory or explore original ideas (Creswell, 2003). Table 3.1 illustrates a summary comparison between positivist and phenomenological philosophies.

**Table 3.1: Comparison between positivist and phenomenological philosophies**

Positivist	Phenomenological
<b>Basic assumptions</b>	
The world is external and objective	The world is socially constructed and subjective
Researcher is independent	Researcher is part of what is observed
<b>Researcher should</b>	
Focus on facts	Focus on meanings
Investigate for causality	Understanding what is happening
Reduce phenomena to their simplest elements	Look at the whole of each situation
Formulate hypotheses and then test them	Develop thoughts through inducting from data
<b>Preferred methods include</b>	
Operationalising concepts so they can be measured	Using different methods to establish different views of phenomena
Taking large samples	Investigating small samples in-depth or over time
<b>Strengths</b>	
A wider range of situations and is faster and more economic than phenomenological approaches	The ability to understand people's interpretations Generation of new theories More depth to the research
<b>Weaknesses</b>	
Inflexible and artificial in understanding processes or the significance that people attach to actions Not helpful in generating theories	Time-consuming Costly Difficulty in analysing and interpreting data

Sources: Easterby-Smith et al. (2002); Collis and Hussey (2003).

However, previous research in the social and management fields has often used a combination of the positivist and the phenomenological paradigms (Easterby-Smith et al 2002; Creswell, 2003). This is justified as each paradigm has its own advantages and disadvantages, therefore a combination could, carefully applied, lead to maximizing the advantages and minimizing the disadvantages of each approach.

### 3.4 Research Design

#### Research designs

*...are plans and the procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis... (Creswell, 2009:3).*

The research design is the plan which underpins the research process and enables it to be carried out in a structured and rigorous<sup>2</sup> way. It ensures that the major components of the research work together towards helping answer, or at least shed useful light on, the research questions. Various research strategies have been suggested by different authors; see, for example, Hussey and Hussey (1997), Zikmund (2003) and Creswell (2009). Creswell (2009:11) defined strategies of inquiry as

*...types of qualitative, quantitative, and mixed methods designs or models that provide specific direction for procedures in a research design...*

In broad terms there are three broad types of designs: qualitative, quantitative and mixed methods (Plano Clark et al., 2008; Creswell, 2009). Cousin (2009:31) suggests that

*...Qualitative data analysis explores themes, patterns, stories, narrative structure and language within research texts (interview transcripts, field notes, documents, visual data, etc.) in order to interpret meanings and to generate rich depictions of research settings...*

This contrasts with quantitative analysis which is used to answer questions about relationships among measurable variables (Cottrell and McKenzie, 2005:3). Qualitative analysis is through direct observation, communication with actors affected by the issues investigated by the research, and analysis of relevant texts.

*...Quality refers to the what, how, when, and where of a thing its essence and ambience. Qualitative research thus refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things... (Berg, 2007: 3)*

Mixed-methods approaches to research are those in which the researcher decides to blend or combine both quantitative and qualitative methods (Plano Clark et al., 2008:364). However, a broader definition of mixed methods would embrace combining different forms of (just) qualitative research. That is the approach taken in this thesis (see Section 3.5 below).

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<sup>2</sup> “Rigour” here is not to be interpreted in a narrow way to mean “scientific rigour”. All research, no matter what its underlying philosophy or methodology, needs to be conducted with a degree of rigour.

Creswell suggests a number of criteria that affect the choice of the ideal research strategy. Perhaps the most important of these is the research problem. If the research problem calls for identification of factors that influence outcomes or attempting to identify and understand the best predictors of outcomes, then a quantitative approach is likely to be the most appropriate. On the other hand, if the researcher seeks to understand a concept or phenomenon on which little prior research has been done, then a qualitative approach may yield the best results. However, when the research problem cannot readily or best be understood using one method, qualitative or quantitative, then it merits a mixed-methods design to gain a better understanding.

### 3.5 Mixed Methods Research

As the terminology suggests, mixed methods research uses two or more methods in an attempt to reach a broader understanding of the main research issues, particularly if their interrelationships are complex. As Johnson and Onwuegbuzie (2004: 17-18) note:

*...Mixed methods research also is an attempt to legitimate the use of multiple approaches in answering research questions, rather than restricting or constraining researchers' choices (i.e., it rejects dogmatism). It is an expansive and creative form of research, not a limiting form of research...*

In this research the most appropriate definition of mixed methods research is that provided by Bazeley (2010: 1):

*...Mixed methods.....is broadly defined to include any study in which more than one paradigmatic or methodological approach, method of data collection, and/or type of analysis strategy is employed for a common purpose, regardless of whether those methods or approaches might be defined as quantitative, qualitative, a combination of, or somewhere in between approaches that might be classified as qualitative or quantitative...*

Hunter, cited in Johnson et al. (2007), gives his understanding of mixed methods is as follows:

*...Mixed methods is a term that is usually used to designate combining quantitative and qualitative research methods in the same research project. I prefer the term multimethod research to indicate that different styles of research may be combined in the same research project. These need not be restricted to quantitative and qualitative; but may include, for example, qualitative participant observation with qualitative in-depth interviewing. Alternatively it could include quantitative survey research with quantitative experimental research. And of course it would include quantitative with qualitative styles...*

As noted above, this research combines the qualitative methods of semi-structured interviewing with content analysis of the most relevant core documents.

Mixed methods research can be useful in providing breadth to the work and improving validity. In their survey of researcher views on mixed methods Johnson et al. (2007:122) note that:

*..A key purpose mentioned by a number of people was breadth and/or corroboration. Comments reflecting breadth or depth included (a) provide better understanding, (b) provide a fuller picture and deeper understanding, and (c) enhance description and understanding..... Corroboration was reflected in the definition that focused on providing triangulation of the findings. A number of methodologists included both of these purposes (breadth and corroboration) in their definitions including (a) validate and explicate findings from another approach and produce more comprehensive, internally consistent, and valid findings; (b) provide more elaborated understanding and greater confidence in conclusions; (c) handle threats to validity and gain a fuller and deeper understanding; and (d) provide richer/more meaningful/more useful answers to research questions...*

According to Denzin and Lincoln (2005), the use of mixed or multi methods of research as a means of triangulation is their major justification. Denzin (1970; 2006) distinguished four forms of the general concept of triangulation<sup>3</sup>. Data triangulation entails gathering data through several different sampling strategies, so that slices of data at different times and/or from a variety of people are gathered. In its pure form data triangulation combines sources within the same method of collection. As Tellis (1997) notes:

*...The rationale for using multiple sources of data is the triangulation of evidence. Triangulation increases the reliability of the data and the process of gathering it. In the context of data collection, triangulation serves to corroborate the data gathered from other sources...*

More generally, data triangulation can be used to encompass elements of methodological triangulation that is collecting different data slices by different means. It is this latter form of triangulation which is used in this research. Whilst triangulation naturally points towards convergence in findings, it is important not to make the simple assumption that convergence implies that the findings must be accepted (convergent validity). It is possible that all the data is flawed or that investigator bias systematically affects interpretation.

### **3.6 Themes-Theory-Evidence**

There are many ways of representing research designs; however, in this case, the “themes-theory-evidence” approach shown in Figure 3.1 is a useful framework. It links several components of the research together:

- The aims and purposes of the research; in overall terms this is to try and attain a better understanding of strategic planning processes for the Emirate of Dubai

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<sup>3</sup> Data triangulation, investigator triangulation, theoretical triangulation and methodological triangulation.

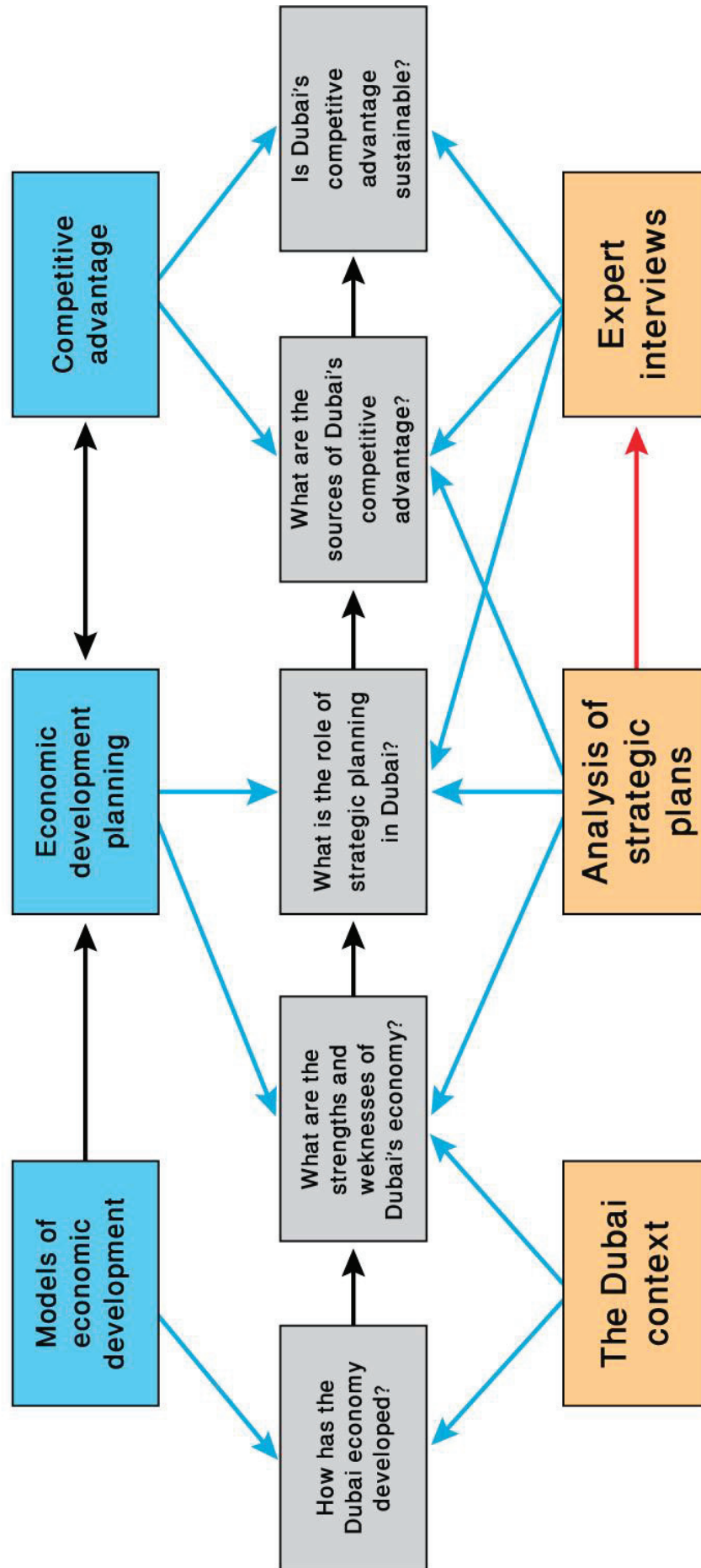
- Research questions; that is the more specific questions which, if the researcher makes an attempt to answer them, will contribute to achieving the overall aim of the research
- Theories and conceptual frameworks; what theory(ies) will inform or guide the research? What are the conceptual frameworks which link together the different issues being studied?
- Methods; what specific research methods will be used to collect evidence and how will it be analyzed?
- Evidence gathering; where will evidence be gathered from? From whom will data be sought?

The major themes of the research are shown in the centre row of boxes. These themes are expressed as the main research questions posed by the thesis. The blue arrows along the centre of the diagram indicate a logical progression through the research questions. The top row of boxes identifies some of the main sources of theoretical frameworks which are used to advance understanding of the main issues. The black horizontal arrows indicate the relationship between the different elements of the theory relevant to this thesis. These theories structure the discussion of the literature review. The bottom row of boxes shows the major sources of evidence used in the thesis explore the research questions. The red arrow on the bottom row shows that the questions addressed in the expert interviews were to some extent based on the prior analysis of Dubai's strategic plans.

In this sense the mixed methods design chosen is similar to the exploratory design in Creswell and Plano Clark's classification (Creswell and Plano Clark, 2008) except that both data collection phases are qualitative. This design is essentially linear with an initial data collection and analysis phase which identifies areas to be followed up by further data collection and analysis before attempting an overall interpretation.

Note that the blue arrows from the theories and the evidence point to the themes; no direct links are shown between the top and bottom rows. This emphasizes that the purpose of the research is to explore the questions in the middle row of boxes; it is the application of theories to the questions and the exploration of those questions through analysis of evidence which is important. If the research was designed to test hypotheses or develop existing theories then the major logical flows would be shown by arrows moving down the page (theories → themes → evidence) with a feedback loop back to theories.

Figure 3.1: Themes, theories, evidence



The themes-theories-evidence approach also prompts consideration of what are the best sources of evidence to help answer the questions embodied by the themes. This is in contrast to the positivist emphasis on collecting the evidence which most precisely and efficiently allows us to test the theories. In many cases this requires the researcher to seek out evidence which might be capable of showing the theories to be inadequate. In this research, and most studies like it, the emphasis is on collecting evidence which may help explain how things are or have come to be as they are. In the current case that evidence is to be best found in the plans themselves and in the memories, experiences and opinions of those who have been involved in or directly affected by the plans.

### **3.7 Pragmatism and Research Design**

It is tempting to think of research design as being a rigorous activity which seeks out the best possible theoretical or ideal design in every case. The reality is that constraints limit the choices available and that, often, a more pragmatic approach is needed. The constraints are principally lack of resources, of which the major one is the researcher's time, and, secondly, lack of data. For example, a research project which becomes impossible to manage, because the approach taken is too complex or resource-intensive to be undertaken with the resources available, is worthless. A smaller scale project with more limited objectives which is well designed and executed will be of much greater value and may well lay the foundations for successful larger scale research. The doctoral researcher is always constrained in choice of research design by the resource limitations of their own time availability.

In addition, it could be argued that there is neither an appropriate nor inappropriate research design - until it is applied. The important issue is to apply the chosen design effectively (Easterby-Smith et al., 2002). Oppenheim (2000) points out that selecting the best method is a matter of appropriateness and suitability. There is no single approach is always better or superior; it all relies on what are the questions need be answered and what objective need to be achieved.

Creswell (2009:10) argues that research pragmatism "arises out of actions, situations, and consequences rather than antecedent conditions" and underpins mixed methods research. Pragmatism, in the Creswell sense, puts the research question(s) centre stage as being the most crucial element in choice of research design. This primacy of the research questions over other



issues, for example developing or testing theory, is mirrored in Figure 3.1. Pragmatism employs a practical approach, integrating different perspectives to help collect and interpret data.

Two potentially obvious research methods were rejected in this research primarily on the grounds of pragmatism. Firstly, a survey (questionnaire) methodology could have been employed. However, it would have been very difficult to identify a large enough group of people to form the survey population particularly given the known unwillingness of busy people from the Middle East to complete questionnaires. On the other hand, other researchers have confirmed that using interviews is a very successful method in collecting data within the Arab culture where people prefer to talk rather than complete a questionnaire, particularly if this requires significant time writing out detailed answers (Al-Rasheed, 1996; Al-Bahussain, 2000; Zamzam, 2011). Given a very low expected response rate and the relatively small number of people who would have the expertise, experience and knowledge to answer questions appropriately, a survey of experts based on a questionnaire is not a practical alternative.

Secondly, a quantitative approach based on time-series analysis of relevant economic and social statistics could, in principle, shed some light on the extent to which Dubai's development plans had been realised. Whilst some macro level data is available, for example GDP statistics, the (as noted above) systematic collection of a broad range of economic, demographic and social data is a relatively recent development in Dubai.

### **3.8 “Quality” in Qualitative Research**

Whatever research design is adopted it is important that the work is carried out to standards which are acceptable to the research community; this requires that other researchers be able to judge the “quality” of the research. In the absence of quantitative measures of quality, such as those frequently employed in judging some types of quantitative research such as survey work,<sup>4</sup> other criteria need to be developed and adopted. For example, can the results of the research be regarded as “legitimate”? Legitimation may be derived from how well the researcher has blended the different parts of the study within a coherent design and the care with which inferences are drawn (Onwuegbuzie and Johnson, 2006).

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<sup>4</sup> Notably the statistical measures of reliability and validity.

For many users of research the important issue is whether the conclusions drawn can be trusted or not. Taskakkori and Teddlie (2003) call this “inference quality”, a concept which has similarities to the conventional one of validity in that both focus on the issue of whether or not the conclusions drawn from the data are valid or not given the research methods used. Similarly “auditability” mirrors the more familiar concept of reliability, but recognizes the practical and theoretical difficulties of others repeating research studies such as this one. On the other hand, auditability acknowledges that other researchers should have sufficient information, particularly on how the research has been conducted, on which to judge its quality.

Major and Savin-Baden (2010) suggest four measures for judging the “plausibility” of qualitative research. These are:

1. Credibility; the idea that the reader or user of the research can have confidence in the data presented and in its interpretation. Credibility is a similar notion to that of internal validity in quantitative studies, that is the findings describe some believable reality.
2. Transferability; that is the idea that the findings of the work may have some applicability or relevance to similar situations, for example economic development planning in other countries or regions. In particular, the underlying assumptions made and the context in which the research was undertaken need to be made explicit enough to allow others to make an informed judgment as to its potential applicability elsewhere.
3. Dependability; the notion that the research can be trusted over time. This requires some degree of transparency in the research process; the researcher needs to provide sufficient information about how the research was conducted to allow others to make judgments as to the extent to which it can be trusted as a reliable piece of work.
4. Confirmability; could the results be confirmed or corroborated by others, at least in principle if not in practice? This presents most difficulties in the interview situation. For example, in this research, interviewees and the interviewer were often known to each other, and it may be that different results could have emerged if someone else undertook the interviews.

### **3.9 Interviews**

Interviews are one method used in social science research to gather qualitative information. Interviews can be one of three types as elaborated on by Fontana and Frey (2005: 1):

*...Based on the degree of structuring, interviews can be divided into three categories: structured interviews, semi-structured interviews, and unstructured interviews...*

Structured interviews have a predetermined set of questions and are often used in a quantitative research mode method to gather “hard” data; they act as a verbally delivered questionnaire. At the other extreme, unstructured interviews comprise a totally open-ended set of questions; the aim is to encourage the interviewee to take the lead in setting the interview agenda. Unstructured interviews are essentially an open conversation. Semi-structured interviews lie between the two extremes.

The researcher compiles a set of questions covering the topic, however, the researcher may deviate from the set list of questions as and when is needed in the interview to seek elaboration on specific points brought up in the interview. This research uses semi-structured interviews.

### **3.9.1 Semi-Structured Interviews**

Corbetta outlines semi-structured interviews as follows:

*...when conducting a semi-structured interview, the interviewer makes reference to an outline of the topics to be covered during the course of the conversation. The order in which the topics are dealt with and the wording of the questions are left to the interviewer’s discretion. Within each topic, the interviewer is free to conduct the conversation as he thinks fit, to ask the questions he deems appropriate in the words he considers best, to give explanations and ask for clarification if the answer is not clear, to prompt the respondent to elucidate further if necessary and to establish his own style of conversation... (2003:270)*

Kvale and Brinkman (2009:131) distinguish between the thematic aspects of an interview (the “what”) and the dynamic aspects (the “how”). Dynamically, the interviewer should keep the flow of the conversation going and encourage the interviewee to share their thoughts and experiences. The interviewee may also seek out the views of the interviewer. The interview will essentially be a conversation (dialogue) between equals.

Semi-structured interviews should strike a balance between creating an atmosphere in which interviewees feel free to be open in their replies and enabling the interviewer to cover a pre-determined agenda and ensuring that the same ground is covered in all interviews. The interviewer has some flexibility in semi-structured interviews to adjust to particular circumstances - within limits. Additional questions may be presented as the interview develops and the interviewer may ask the interviewee to elaborate on specific answers (Bailey, 1994).

As with all research methods, it is important to exercise care in the conduct of semi-structured interviews. Firstly, the aim is to promote interaction between the interviewer and interviewee; the interview is a dialogue rather than a monologue by interviewer or interviewee. The process of interviewing is designed to encourage openness and build a sphere of mutual trust between interviewer and interviewees. The interviewer will have a list of potential topics for discussion (the interview schedule) which will often have been shared with the interviewee in advance. In addition, the interviewer will have prepared a list of follow-up questions which can be used as prompts if the flow or direction of the interview would benefit from some stimulus. Successful semi-structured interviews are often the product of the researcher establishing and building up a relationship with interviewees.

Initial contact is very important in terms of building a rapport with interviewees; the communication skills of the interviewer will enhance this rapport and interview preparation will give a positive indicator to interviewees. The initial contact is ideally conducted through an introductory letter and then a follow-up phone call should be initiated by the researcher to introduce himself. Initially, respondents may raise issues such as “I am not sure what contribution I can make to your research”. Interviewees should be reassured by being told how they were selected, that is on the basis of their valuable experience and opinions rather than their expertise as academic researchers.

Accuracy is a desirable characteristic of a semi-structured interview and is a product of the interaction between interviewer and interviewee. “Accuracy” is the ability of the interviewee to hit its desired target in the sense of the interviewer gaining the desired information. In a semi-structured interview the interviewer has the opportunity to spotlight questions in order to achieve more focused answers and consequently reach the desired accuracy level. Sometimes, however, interviewees may consider detailed or repetitive question annoying, this tendency may be more pronounced when an atmosphere of trust has not been established.

In the post-interview phase, accuracy is also dependent on the way in which interview data is captured. When approved by interviewees, audio-recording is probably the best way to achieve accurate recall of the interview information given. Silverman (2001) emphasized the importance of tape recording, believing that memories may lead us to summarize unfairly what people have said; memory is not perfect and it will be impossible for the interviewer to remember the exact details

of what was said and in precisely which context. In this research, interview data will be captured through note taking and tape recording by arrangement with interviewees. The use of tape recording is useful in capturing many dimensions of an interview; it also helps reduce the selective memory bias that might come from the researcher relying on notes alone. When interviews are recorded, tapes should be listened to several times before and during transcription. When interviews are not recorded, the interviewer has a double responsibility in reporting data (what was said) and irregular intonations (how it was said). Interviews, in this research, were conducted in English when possible, and at the convenience of each interviewee. Those interviews conducted in Arabic were translated into English using accredited translators to assure an accurate translation process.

Privacy and ethical conduct is also important in building trust in the interview. In particular this means that the boundaries of the interview situation need to be well understood and agreed between interviewer and interviewee. These boundaries cover rights over the use, verification, modification and interpretation of the information provided. It is important that the interviewer prepares a protocol covering these issues and that this is shared with, understood by and agreed to, by interviewees.

### **3.9.2 Expert Interviews**

Expert interviews are conducted with interviewees who have been selected for their known expertise of the topics being researched. The chosen experts are invited to share their expertise with the interviewer by recounting what they know, explaining why and how particular events occurred and providing expert opinion. Expert interviews are intended to uncover available knowledge and bring it to light. Kvale and Brinkmann (2009: 48) use the metaphor of interviewer as miner (contrasted with interviewer as traveler). The miner metaphor is explained as:

*...knowledge is understood as buried metal and the interviewer is the miner who unearths the valuable metal. The knowledge is waiting in the subject's interior to be uncovered, uncontaminated by the miner...*

In this research experts are divided into three categories. The first category is strategic planning team members who have been involved in building the strategies. The second category is political leaders who have had an influence on the development of the strategies. The third category is business leaders whom have been affected by the implementation of the strategies and are in a

good position to provide an assessment of the successes and shortcomings of the strategies and their implementation. A more detailed account of the ways in which interviewees were selected is given in Chapter 6, section 6.2.1.

Expert interviews are a way of making knowledge and its context more explicit. An expert can describe not only what was done but why, providing context and explaining the judgment behind the action. However, expert knowledge may not be neutral. In many cases, as is the case in this research, experts are part of the debate surrounding the issues being researched. In some cases experts may take particular stances in order to progress the debate, indeed there may be experts and “counter experts”. Expertise may be a source of power and interviewees’ opinions and views may be a product, at least in part, of where they sit in the network of power and influence relationships within Dubai. This is particularly the case where political interviewees are concerned. However, as Chapter 6 shows, this may be a simplification. In a relatively small society such as that of Dubai, interviewees may wear many “hats”, that is they may belong to more than one expertise group. Thus, for example, many people directly involved in politics in Dubai are also simultaneously active in business.

Expert knowledge can take three broad forms. Technical knowledge is highly specific to the field under investigation; it embraces detailed knowledge of operations and the context of decisions and activities. Process knowledge is information on routines, processes and specific interactions. The expert derives the knowledge from direct involvement in the critical processes. In the current context it would be likely that strategic planning team members would be a source of process knowledge. Explanatory knowledge is more subjective in its nature and is based on the expert’s interpretations of the issues derived from their own reflections and thoughts. In this case the interviewee is the focus of attention rather than just what they know in objective terms. However, these are not mutually exclusive categories and experts may possess more than one type of knowledge. In the main, this research seeks to uncover explanatory knowledge.

Knowledge may be explicit or implicit (tacit). Explicit knowledge can be written down or verbalised and is generally easy to communicate. Tacit or implicit knowledge is difficult to express in words and is often acted on instinctively. Transferring implicit knowledge requires personal contact and trust between individuals. Of course, much knowledge combines explicit and tacit elements. Interviews are a useful means of gathering explicit knowledge, but may be limited in their ability

to uncover implicit knowledge. However, they are more effective in this than, for example, questionnaires.

The discussion of this section has, so far, concentrated on the interviewee. However, the characteristics of the interviewer are also particularly important in expert interviews (see, for example, Alfahim, 2011). The model of the relationship between interviewer and interviewees used in this research is interviewer as co-expert. In this case the knowledge level of interviewer and interviewee is broadly comparable in some of the key areas under discussion. This should generate a high level of discussion and information gathering. The interview will essentially be a conversation (dialogue) between equals. One danger of such interviews is that shared agendas and assumptions may result in an uncritical approach to the interview. This is particularly important when, as in this research, the interviewees and interviewer are similar and come from the same background. It is thus important that the questioning style is probing. The role of the interviewer is to extract the maximum knowledge from the interviewee within the time frame of the interview. The interviewer needs to stimulate discussion whilst leaving space for open answers. The interviewer may also share some of their own knowledge, thoughts and insights with the interviewee; this may help to keep the interviewee interested and forthcoming. This may require the interviewer to challenge the interviewee's views and, potentially, be questioned themselves by the interviewee.

Expert interviewing practice would usually be open to challenge on other methodological grounds, for example, the interviewer may (unintentionally) bias the interviewee's answers or at least influence the way they reply. The interviewer must guard against bringing their own personal beliefs and values, as distinct from their expertise and experience, to the interview. However, the interviewee is an expert who is probably used to stating and defending their own position. Nevertheless, the interviewer must guard against imposing their own views on the interviewee. One way of summarizing the expert interview interaction is that it should show a strong degree of rapport between interviewer and interviewee, but that interviewer neutrality is not essential (Rapley, 2007).

However, this brief discussion has focused on the conduct of the interviews. There are also issues where the interpretation of interview data is concerned. The similarity in background of parties to the interview may discourage the interviewer, as interpreter of the interview data, from looking

beyond the shared consensus. One way of reducing this risk is to seek the help of a critical reader of the interview transcripts with the deliberate objective of providing a challenge to the interviewer's interpretation of the data. In this research this was provided by discussion with the researcher's supervisory team.

### **3.9.3 Ethical Considerations**

It is essential that an ethical policy is adopted and implemented and that the privacy of interviewees and confidentiality of the information they give during interviews is not compromised. Ethical issues are a particular concern in expert interviews given the relationship between interviewer and interviewee and the potentially damaging nature of privileged information provided should it be released without providing anonymity. In this research, honesty and mutual respect were considered to be essential to the interviewing process.

This research involves human subjects and, as such, has been subject to the ethical review processes of Coventry University<sup>5</sup>. This requires that all participants in the research, including questionnaire respondents and interviewees, are fully informed about the nature of the work and their roles in it and give their informed consent to be involved. All research proposals are ethically reviewed by at least one independent researcher and must be approved before data collection can begin. All data is anonymised and opinions or data are not be reported in any way that enables a reader to link individuals to a particular item of data, for example an opinion given in response to an interview question.

However, expert interviews may presume a degree of trust between interviewee and interviewer which may differ from that in other forms of interviewing and may require extra care in their ethical conduct. Firstly, interviewer and interviewee may be known to each other personally, professionally or by reputation. Interviewer and interviewee may have been introduced to each other by a third party trusted by both. In this research, interviewer and interviewee are co-experts in the field of study and approach the interview on the basis that they are both professionals sharing experience. This context is not the same as the usual researcher-subject one.

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<sup>5</sup><http://wwwm.coventry.ac.uk/researchnet/ExternalResearchInformaion/Ethics/Pages/Ethicsgovernance.aspx>



Interviewees may agree to be interviewed because they presume trust rather than on the basis of protocols identified as part of a research code of practice. In the Middle East it would be almost impossible for an unknown researcher without social, personal, professional or other connections to gain access to busy expert interviewees. This cultural reality may well, for example, preclude younger researchers from undertaking such interviews. On the other hand it does place additional responsibilities on the researcher to ensure that the trust of the interviewee is not abused. For example, interviewees may offer opinion or information during an interview which they might later wish to change or withdraw; a “conversation between equals” is not normally recorded and used for research purposes. It is important, therefore, that interviewees are offered the opportunity to review and revise their answers and comments. The best way to accomplish this is by offering them the chance to read a transcript of the interview and edit it accordingly. Interviewees will also be offered a copy of the audio-recording if made<sup>6</sup>.

### **3.10 Issues with Interviews**

In general, qualitative research faces obstacles and limitations that may hinder the process of data gathering and interpretation. The effect is often on the tools of data gathering, and interviewing faces such limitations. There are a number of areas where researchers using interviews as a major means of data collection should show awareness of potential pitfalls. Many researchers have seen the issue of generalizability as a limitation. In qualitative research the researcher is only able to interview a small percentage of the overall population. In other words, the number of people that researchers generally interview as part of their research is not sufficient to represent all the population. However, researchers can overcome this problem by emphasizing *who* is to be interviewed rather than *how many* and ensuring that interviews are conducted to a high standard. Put another way, the researcher substitutes the overall quality of the interview sample for quantity. What is being sought here is “representivity”, that is does the interviewing process gather a sufficient range of data to be regarded as representative of the range of opinions on the topic under study.

#### **3.10.1 Social Desirability Bias**

Arguably expert interviews of the sort used here may be susceptible to one particular form of problem. “Social desirability bias” refers, in general terms, to the tendency of respondents to

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<sup>6</sup> It is not infrequent for Middle East interviewees to refuse permission to audio and/or video record interviews.

answer in ways they might think will “please” the questioner and/or place them in a good light. It is defined by Bryman as:

*...a distortion of data that is caused by respondents’ attempts to construct an account that conforms to a socially acceptable model of belief or behaviour... (2004:544)*

Social desirability bias was originally identified, and is most usually encountered, in survey research. It is often prompted by leading questions, that is questions which embody preferred or expected or more acceptable answers<sup>7</sup>. It is particularly prevalent in surveys which seek to elicit information on socially sensitive or personal matters. In such cases behaviour which might be considered socially undesirable is often under-reported. For example, respondents may give lower than actual information on tobacco and alcohol consumption or the speed at which they drive. However, social desirability bias can also feature in interviews which deal with other topics and may be more prevalent in less structured interviews (Keats, 1997). This disadvantage of semi-structured interviews derives from their use of open-ended questions; these are “generally more sensitive to social desirability bias” (Oppenheim, 2005:127). In the case of the current research it could be manifested in interviewees responding to questions in ways which reflect “the party line”, that is giving an account which is in accord with the usual publicly presented version of events. Interviewees may also be prone to overstating their own roles in what are seen as positive or successful activities.

Interviews are social encounters. In research interviews the parties to the encounter will usually have a mutual interest in creating a harmonious atmosphere; this is often characterized as creating rapport between interviewer and interviewee (Rapley, 2007). This aim may also tend to create an environment in which potential areas of conflict or controversy are avoided, by both interviewer and interviewee.

An important issue for the current research is whether or not expert interviews are particularly prone to social desirability bias. On the one hand the position of the interviewer as co-expert in the matters under discussion may reduce the opportunities for interviewees to construct accounts which are at variance with actual events. On the other hand the social need for the interviewee to be seen in a good light by the interviewer may be greater. This will be potentially more important when interviewer and interviewee have social and/or professional contact which is wider than the

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<sup>7</sup> For example “Do you think that smoking in public places is socially responsible?”

immediate research context. In this case it is very important that the context, purposes, boundaries and protocol of the interview are well established beforehand.

The tendency toward social desirability bias may be amplified if interviewees were appointed to their positions of expertise and influence by a process involving a degree of patronage or are direct government employees. In Dubai many appointments involve a degree of patronage<sup>8</sup>. In such cases interviewees might tend to “say what they should say”. There are a number of ways in which such tendencies might be ameliorated. Firstly, the selection of interviewees should be carried out in such a way as to include people who are likely to have more independent views. For example, this research includes a number of expatriates whose positions are not likely to be influenced by government patronage. Secondly, the interviewer should be prepared to challenge interviewees if it appears that they are simply following the party line. Thirdly, the interviewer might suggest alternative interpretations based on the evidence provided by other interviewees as a means of inviting interviewees to substantiate their arguments better.

However, the most convincing evidence for successful management of social desirability bias is likely to come from analysis of the results. If, overall, the interview data represents a range of opinions and contains negative views as well as positive ones then the researcher can take some comfort that a balanced and reliable interpretation should be possible.

### **3.11 Data Analysis**

Data analysis is the process by which useful and useable results are derived from the data. As Flowerdew and Martin observe:

*Data analysis methods require careful thought, as they can play a very significant role in moving a research project from a simply descriptive exercise to one that produces a new insight and information. An extensive data collection exercise can be let down by poorly chosen or inadequate analysis, making it difficult to draw any clear conclusion from the project as a whole... (2005: 189).*

In this thesis two main sources of data are used, interviews and key documents (Dubai’s strategic plans). In both cases the predominant form in which the data is presented is text; in the case of interviews in the form of transcripts. Anderson and Aydin (2005) confirm that this is the norm:

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<sup>8</sup> In some societies such processes would be regarded as unfair and even immoral or illegal. In Islamic societies, particularly ones also based historically on tribal relationships, such practices are often an accepted part of the culture and are a recognition of long term trust built up between individuals.

*...All forms of qualitative data analysis presuppose the existence of detailed textual data, such as observational field notes, interview transcripts, or documents...*

The researcher's own experiences and involvement in the area being studied are also important:

*...Qualitative analysis is a process of reviewing, synthesizing and interpreting data to describe and explain the phenomena or social worlds being studied..... However, qualitative analysis involves more than simply coding data: developing an understanding of qualitative data requires conceptual level processes of exploring the meanings, patterns or connections among data that involve the researcher's own thought, reflection and intuition... (Fossey et al., 2002: 729)*

### **3.11.1 Textual Analysis**

Although there are many different approaches to textual analysis in qualitative research, only one is particularly relevant here.<sup>9</sup> Semiotics is primarily concerned with the meaning of signs and symbols in language. The essential idea is that words/signs can be assigned to primary conceptual categories, and these categories represent important aspects of the theory to be tested. The importance of an idea is revealed in the frequency with which it appears in the text.

Within semiotics there are three main forms of analysis:

- *Conversation analysis*: In which it is assumed that meanings of a text are shaped in the context of the exchange.
- *Content analysis*: defined as “a research technique for making replicable and valid references from data to their contexts” (Krippendorff, 1980). The researcher searches for structures and patterned regularities in the text and makes inferences on the basis of these regularities.
- *Discourse analysis*: builds on both content analysis and conversation analysis but focuses on “language games”. Language games focus on metaphors, analogies and other structures to extract underlying meanings and intentions.

Of these three, content analysis is the most appropriate in this research. Bryman (2004: Ch.18) defines qualitative content analysis as the “searching out of underlying themes in the documents being analysed”. This type of content analysis is often referred to as “thematic analysis” (Howitt

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<sup>9</sup> Thus the other major forms of textual analysis, hermeneutics and narrative analysis, are not discussed here.

and Cramer, 2008). The most important process within this is one of connecting data. Maxwell and Miller (2008: 467) note that:

*...connecting analytic strategies do not simply preserve data in their original form. Instead, they are ways to analyse and reduce data. This is generally done by identifying key relationships that tie the data together into a narrative or sequence and eliminating information that is not germane to these relationships...*

The way in which this is carried out for the expert interviews is described in Chapter 6.

### **3.11.2 Document Analysis**

Document (or documentary) analysis<sup>10</sup> involves, at some stage or other, a process of category development. Category development can be defined in general terms as the grouping of items of textual data into similar categories that “fit” the data. The similar categories could be concepts and the grouping criterion similarity in meaning (that is the grouping of data by hyponyms) or categorization could be based on other criteria, for example chronology. The qualitative research methods literature does not provide any definitive guidance on building categories (see, for example, Charmaz, 2006). The notion of “fit” is usually researcher-identified through a process of simultaneous engagement with data collection and analysis based on “immersive” reading, re-reading and trying out different categorizations (Charmaz, 2006; Dey, 2008). Others argue that categorization is the

*...most important part of content analysis because it reflects the purposes of the research and the theories underlying it... (Anderson, 1997:341).*

In consequence, Anderson argues, categories should be (ex ante) objectively defined on the basis of a priori knowledge and information, for example derived from a literature review, and concepts derived from existing theory. However, category development may be a much more emergent and subjective activity. For example, in general terms, Corbin argues that

*...the analytic process is first and foremost a thinking process....Analysis should be relaxed, flexible, and driven by insight gained through interaction with the data rather being structured and based on procedures... (Corbin, 2009:41).*

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<sup>10</sup> The terms “documentary analysis”, “content analysis” and “textual analysis” are conceptually distinct. In this research analysis is confined to the text of the strategic plans rather than any graphical or other non-text content. For the purposes of this research the three terms reduce to be the same.

One outcome of a flexible, iterative approach is that qualitative data analysis can be, or appear to be, a quite “messy” process rather than an ordered one (Clarke, 2005).

There are a number of approaches to documentary analysis. The broad options are summarized in Table 3.2. The “messy” approach is here labelled as “emergent”; in a sense this approach is an iterative one which moves from messiness to orderliness through a Corbin-like thinking process. The columns of Table 3.2 are ordered in terms of the degree of researcher pre-influence in the analysis process. In the ex-ante case the researcher fully determines the coding structure before coding takes place. On the other hand the computer-generated thematic approach does not require any ex ante researcher input at all. The two cases in between differ, along one dimension at least, by the extent to which coding is pre-conditioned by previous activity.

The approaches also differ in terms of the extent to which interpretation of the data follows the coding process or is bound up with it. In the emergent case coding and interpretation are bound up together and may even be regarded as parts of the same process. In the computer-generated case there is no researcher involvement in generating themes and interpretation is a distinct ex-post phase of the work. The same is largely true of the ex-ante case since here coding is largely a mechanistic process. The emergent and computer-generated approaches fit more comfortably into an exploratory research design of the type used in this thesis.

Computer-aided qualitative analysis software (CAQDAS)<sup>11</sup> is particularly useful for the processes of searching through textual data, counting instances or occurrences of given references (usually words or phrases), recording allocations of those instances to codes determined by the researcher and retrieving instances by code to form data categories. The technique used in this thesis goes beyond these processes. The software first parses (reads) the document and then collects instances of similar words and phrases together. This is the equivalent process to coding, although the collection process is based on similarity of words rather a structure based on researcher knowledge and/or objectives. Instances are then related to each other based on a number of criteria, but most notably proximity in the document, to create themes.

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<sup>11</sup> For example Atlas/ti, NUD\*IST and NVIVO.

**Table 3.2: Approaches to Documentary Analysis**

	<b>Ex-ante</b>	<b>Ordered</b>	<b>Emergent</b>	<b>Computer-generated exploration</b>
<b>Brief summary</b>	<p>Researcher determines codes before documentary analysis begins. These codes are not altered as a result of the coding process. Criteria for coding set out in a way such that others could replicate the coding process.</p>	<p>The researcher generates a set of potential codes from prior work. These could be derived from a literature review, previous studies, problem analysis, semi-structured exploratory interviews, questionnaires, expert opinion or some combination of these.</p> <p>These codes are then used to analyse the data. Often two or more coders will analyse the data using the same codes and then, via comparison and discussion, a final agreed set of codes will be applied. This may require re-analysis of the data.</p>	<p>Can be characterized as “messy coding”. The researcher will be familiar with the text to be analysed but will not have any strong preconceptions about the coding structure. Initial codes are generated as they arise via a reading/analysis of the text. The aim is get all possible codes “down on paper” as a first stage of an iterative analytical process. Initial “messy” coding structures are then refined through grouping techniques and revisiting the text. The coding structure emerges through researcher engagement with the text.</p>	<p>Computer software is used to automatically analyse text and generate themes from it. This usually results in some form of concept map.</p>
<b>Codes derived from</b>	<p>Prior analysis of the major questions and generation of testable hypotheses which arise from that analysis.</p>	<p>Wherever the initial set of codes comes from, but the final coding structure is largely derived from ex-ante analysis and only emerges through the coding process itself in a limited way.</p>	<p>Researcher engagement/immersion with the data. Highly dependent on the researcher’s ability and demonstrable knowledge with the subject area.</p>	<p>The analytical techniques used are embedded in the software. This is based on assumptions and rules chosen by the software originators.</p>

	<b>Ex-ante</b>	<b>Ordered</b>	<b>Emergent</b>	<b>Computer-generated exploration</b>
<b>Methodological stance</b>	Positivist; the researcher is using the text as a source of data to test hypotheses.	Probably as part of a mixed methods approach, although many qualitative researchers would argue that ordered coding approaches can be a smokescreen for positivist research.	Grounded theory and other phenomenological approaches.  The researcher undergoes an “analytic journey”.	Exploratory; the researcher takes no view of what the text contains and may not have even read it (in the case of analysing a very large amount of text this is highly likely). The researcher allows the “text to speak for itself” (although note the comments under weaknesses below).
<b>Leaves out</b>	Anything in the text which is not (obviously) useful in testing the hypotheses. Insights which can arise from deeper but less proscribed analysis.	Analysis of anything which does not appear as part of the researcher’s prior views on the problem/issue being researched.	Emergent approaches are designed to try and ensure that nothing is left out by design or chance. The method is based on a very thorough (“thick”) initial analysis and coding undertaken in as open way as possible.	Researcher insight which is derived from engagement with the text. Themes tend to be fairly high level, although, once identified, subsets of texts can be analyzed in greater detail by reapplication of this method or the use of others.
<b>Strengths</b>	Process is replicable and transparent. Validity and reliability are good. According to some, potentially more “rigorous” than other methods, but this may reflect a desire for “scientific rigour” rather than other forms of rigour.	The involvement of more than one researcher adds to reliability and acts as insurance against being locked in by preconceived ideas. Work is potentially replicable, although this may be limited in the case of analysis of interview data.	Can provide a very rich and insightful analysis. Usually concentrates on analysing a limited amount of data but in much greater depth.	A lot of data can be analysed very quickly. The source text underlying each theme is tagged to that theme permitting data analysis or recombination of text into new more focused documents for further analysis.

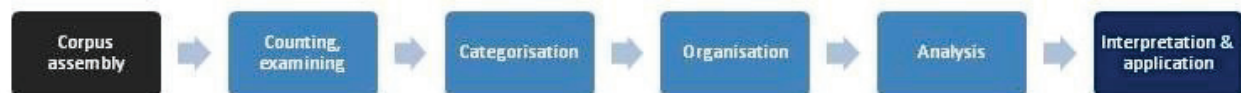


	<b>Ex-ante</b>	<b>Ordered</b>	<b>Emergent</b>	<b>Computer-generated exploration</b>
<b>Weaknesses</b>	Does not look at underlying meanings in the text or the intentions of writers/interviewees. Misses out qualitative dimensions of textual data.	As for the ex-ante approach.	May be impossible to replicate. Other researchers may be hard to convince that the results are any more than a product of the initial researcher's conceptual maps of the world.	The criteria for generating themes are not always made explicit. The technique is new and there is little known about how reliable it is. Justifications for the results tend to rely on face validity.
<b>Use when</b>	On its own where the only data available is text and positivist research design is preferred.  Where there is other data available, as part of a triangulation research design set in a predominantly positivist research framework.	Often used when quantitative and qualitative data are combined. This is usually made easier because the coding process can be used to generate quantitative data from textual analysis. This data is derived from counting the frequency of codes.	The aims of the research are to uncover deeper (rather than surface) intentions and meanings in text; for example where the main interest of the work is how people feel rather than what they know or say. Often used for analysing interview transcripts.	There are very large amounts of data to be analyzed and/or research resources are limited. Useful as a prelude to more focused deeper analysis of parts of the text identified as being of potential interest.  As part of a mixed methods research design.

### 3.11.3 Text Analytics

In very simple outline terms, text analytics can be viewed as a chain linking inbound activities to outputs through a process of text analysis. A more disaggregated view would look like that shown in Figure 3.2.

**Figure 3.2:** The Text Analytics Process



The corpus assembly box comprises the inbound operations of gathering together the body of text which is to be analyzed. In the case of this research it comprises obtaining, or creating from other text forms, digital copies of Dubai's strategic plans. The blue boxes are one representation of text analytics processes. The first stage is usually an examination of the text which is based on some form of counting process, for example counting occurrences of words and/or phrases, words with the same stems, the frequency with which words are co-located, and synonyms etc. The second stage is usually one of categorization. The software will, with or without input from the researcher, group occurrences of words or phrases into categories. Many software applications will then provide some form of organization of categories based on semantic structures or some other criteria. Finally, some software systems will attempt some kind of analysis of the results. The final box represents outputs and is then dependent on what the researcher does with the results of the analysis.

Text analytics software

- undertakes a number of routine processes which it may be impossible to do any other way or at least speeds up operations,
- analyses the textual data according to a set of rules to present the researcher with new combinations of that data
- provides researchers with reduced datasets to interpret

This research combines a computer-aided text analytics approach with a more conventional structured reading of the documents by the researcher. The software used is Cirilab's<sup>12</sup> "Speed Read" and "Knowledge Map". Speed Read is based on three sequential activities. The initial stage is knowledge indexing which captures, organizes and classifies unstructured text to provide a means of easily navigating through it. This stage is accomplished by the software itself; the researcher does not have to pre-specify any codes, categories or key words or phrases to be used as the basis of classification. The software identifies categories based on frequency of occurrence within the text.

Secondly, thematic indexes are created; these identify the most important themes within the text. The software uses sophisticated "stemming" algorithms in its identification of categories. The term "themes" is used here rather than "concepts", although some writers, for example Corbin and Strauss (2008:51), use the terms interchangeably.

Finally, a complex set of algorithms is applied to identify relationships between the themes through identifying recurring patterns within the text<sup>13</sup>. A major criterion for grouping themes together is proximity within the text. This pattern of themes is known as a document's "Knowledge Signature". Users can use the knowledge signature to identify all the elements of a document which contribute to a given theme. This allows discussion of themes to be easily substantiated and illustrated via extracts from the original document(s).

Whilst this technique has limitations (Morris and Ecclesfield, 2011), it is an exploratory one in that it lets the document "speak for itself". The researcher plays no part in determining the coding structure or allocating occurrences of words or phrases to codes. What emerges is a researcher-independent thematic picture of the document. The technique is potentially very useful in a mixed-methods research design as a means of avoiding the bias which can occur when coding is undertaken by the researcher. The computer software can be said to have, in some sense, independence.

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<sup>12</sup> <http://www.cirilab.com>.

<sup>13</sup> Known as "Multidimensional Semantic Spatial Indexing".

### 3.12 Bias and Positionality

The potential for respondent bias and the “positionality” of the researcher to influence the data collected and its interpretation have been noted at a number of points in the thesis. As Hopkins (2007) notes

*...it is important for researchers to consider what they are doing and how and why they are doing it, as well as thinking about who they are...*

Researcher positionality reflects both aspects of individual identity (gender, age, nationality etc) and experience and background, both as a researcher and in other roles, for example businessman. However, the researched (in the current case expert interviewees) may also take positions. In the cultural context of Dubai such positions might be expected to reflect those of the leadership elite. In both cases the most important safeguard is one of transparency, that is revealing the positions of both researcher and researched. This places both the researcher and the reader of the work “on guard” against uncritical acceptance of particular interpretations of the research data and results. Section 1.6 outlines the researcher’s position as essentially a trusted insider within the Dubai business and political community. Annex 6.2 provides brief biographies of expert interviewees.

Section 3.10.1 discusses the possibility of social desirability bias in the expert interviewee evidence and a number of actions were taken to attempt to reduce its possible effects. Firstly, the selection of interviewees (discussed in more detail in section 6.2.1) was undertaken to attempt to access as broad a range of expert opinion as possible. Thus a deliberate attempt was made to include non-nationals from the business sector, people who would be less likely to follow the accepted government way of thinking and more likely to offer an independent opinion. It was not possible to include “independent government experts” from, for example, agencies such as the UN or OECD. However, a number of interviewees with direct experience of economic development planning in Dubai were non-nationals who had worked on similar issues in other countries and were able to offer a broader perspective. In addition the interviewees covered a broad age range; older interviewees were included for their ability to take a longer run perspective on current issues.

However, such measures will not be effective if the subsequent interpretation of the interview data is over-influenced by the researcher's background, experiences and opinions (position). This can occur in a number of ways, for example selectivity in what is reported and what is not and the application of particular emphases in analysis and reporting. In the first case all interview transcripts were generated verbatim by a skilled secretary. The transcripts were then made available to the Director of Studies and an independent Arabic speaking researcher and doctorate holder from Dubai known to the author. These two people read the transcripts in order to familiarise themselves with the content before studying the author's draft analysis of the interviews. The author then made the initial analysis of the interviews available to the two "critical readers" who independently commented on whether or not they felt the analysis was a fair summary and analysis of the data. The author then revised the analysis and the independent reading process repeated.

Whilst specific actions can be taken to mitigate the effects of both positionality and social desirability bias, it is also important to consider how the research design taken as a whole can reduce potential sources of bias and improve the overall credibility of the findings. The overall research design embodies elements of triangulation (see section 3.5 above). Two methodological decisions are especially relevant here. Firstly, the choice of textual analysis technique does not require any researcher input, for example pre-determination of a coding structure, in order to generate the themes. Theme generation is undertaken by the computer software. Whilst this technique has limitations, particular the software's inability to "read between the lines" and extract sophisticated meanings from the text, it does have the advantage that the computer software does not take a "position". The software simply reports what it sees. Obviously computer analysis of complex sources such as Dubai's strategic plans cannot replace a close researcher reading of those texts (and this was undertaken in the current research in addition to the computer analysis), however it does provide an alternative and independent view. The thesis also reports the interview results and the plan analysis in separate chapters. The alternative approach of combining the analysis of the two sets of data within a single chapter organised along thematic lines was considered but not adopted. The principal reason for this was to emphasise the distinct contributions of the two overall views.

### **3.13 Summary**

This chapter provides a description of, and justification for, the research approach and methods used in this thesis. Whilst the research design employed recognizes the pragmatic constraints imposed on the work by limited resources and the difficulties of accessing data, the overall justification for the research design chosen is driven by the nature of the research question itself. Some new methods and approaches are embodied in the research methodology of this thesis. Firstly, the themes-theory-evidence method of expressing the research design is relatively unusual. Secondly, the use computer aided techniques for thematic textual analysis as opposed to more restricted types of content analysis is relatively new. Thirdly, the combination of qualitative methods within a mixed methods research design is worthy of note.

# Chapter 4

## Dubai: the context

### 4.1 Introduction

This chapter provides a brief discussion of the historical, political, economic, social and cultural context of Dubai. It provides the essential background against which Dubai's economic development plans can be placed. The chapter does not attempt to provide a comprehensive review of all aspects of Dubai's economy, but focuses on those areas which are especially relevant to economic development planning.

Dubai is one of the seven Emirates<sup>1</sup> forming the United Arab Emirates (UAE). The UAE is located in the southeastern corner of the Arabian Peninsula. It is bordered by the Arabian Gulf<sup>2</sup> to the north, Saudi Arabia to the south and west, and Oman and the Gulf of Oman to the east. The total land area of the United Arab Emirates, including its islands, is 83,600 sq km (32,300 sq mi). The UAE capital is the city of Abu Dhabi. The UAE is a member of the Gulf Cooperation Council (GCC), which also includes Saudi Arabia, Kuwait, Oman, Bahrain and Qatar<sup>3</sup>. It is also a member of the Arab League, the Organization of the Islamic Conference, the United Nations (UN) and the World Trade Organization (WTO).

The individual Emirates are semi-autonomous within the federation. Since federation, the UAE has developed rapidly into a nation with modern infrastructure and a high standard of living. Figure 4.1 shows the location of individual Emirates within the UAE. The smaller emirates of Ras Al Khaimah, Ajman, Umm Al Qawain and Fujairah are often referred to as the “northern emirates”.

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<sup>1</sup> Dubai, Abu Dhabi, Sharjah, Ajman, Fujairah, Ras-al-Khaimah and Umm al-Quwain

<sup>2</sup> The preferred term among Arab countries for what is more usually known as the Persian Gulf in western countries.

<sup>3</sup> The GCC may be expanded to include other states, particularly those which are kingdoms. Jordan has been accepted for membership and Morocco is applying. In part, the desire to expand the GCC is a response to the “Arab Spring” of 2011, a period of regional unrest. A larger GCC is seen as a buffer to such unrest spreading and a source of financial support for weaker members (Oxford Business Group, 2011).

This map has been removed due to third party copyright. The unabridged version of the thesis can be viewed at the Lanchester Library, Coventry University.

#### **Figure 4.1: The United Arab Emirates (UAE)**

### **4.2 Dubai: a Brief History**

Although the early history of Dubai is not very well documented, archaeological discoveries suggest that, as long as five thousand years ago, small fishing communities lived along the coast of the Arabian Gulf on the site of what we know today as Dubai. Other evidence links the peoples of what are now the United Arab Emirates (UAE) and Oman to the mysterious Bronze Age Magan civilization. Magan ships sailed to Babylonia, Mesopotamia and beyond, trading copper from Oman and pearls from the mouth of Dubai Creek with their counterparts of the Bronze Age economy. The Magan civilization waned around 2000 BC, but Dubai's quest for the development of trade remained (Maisel and Shoup, 2009). Excavations at Jumeira, about 10km south of the centre of Dubai, recently unearthed a 6<sup>th</sup> century AD caravan station, proving that the area's population maintained the trade routes. Later, the Sassanids, a Persian dynasty who had inhabited the mouth of Dubai Creek since 224 AD, were driven out by the Umayyads, who



subsequently settled in Dubai bringing Islam with them. Exploiting the advantage of their prime location between the Mediterranean Sea and Indian Ocean, the new inhabitants, working with the old, began re-establishing trade routes. As trade began to match pearl diving's importance to the local economy, merchant dhows (ships) sailed as far as China, returning with silk and porcelain for Middle Eastern and European markets. This pattern of trade reached its peak between 750 and 1258 AD (Hourani, 1991).

Recognizing the huge trade potential, and eager to utilize its strategic location for their own benefit, other countries also wanted to establish their presence in the region. By the late 16<sup>th</sup> century the Portuguese were attempting to control local trade. Their success was limited, and they retreated when faced with French, Dutch and British attempts to take over the ancient trade routes. The British finally gained control of the region's waterways in 1766. Dubai was caught between local power struggles and Europe's imperial dreams, but somehow turned this difficult situation to its advantage, expanding its pearl trade at every opportunity.

There are records of the town of Dubai from 1799, which along with Abu Dhabi, was a signatory to the British sponsored "General Treaty of Peace" of 1820. The first documented reference of an independent State of Dubai was recorded around 1833 when the current ruling family of Al-Maktoum ruled Dubai through Maktoum Bin Buti (Davidson, 2008). Dubai signed a maritime treaty with Britain in 1835. Two decades later the "Perpetual Maritime Truce" was signed. Dubai came under the protection of the United Kingdom (keeping out the Ottoman Turks) by the Exclusive Agreement of 1892, the signatories to which became known as the "Trucial States" (or Trucial of Oman). Like Abu Dhabi, Ras al-Khaimah, Sharjah and Umm al-Qaiwain, Dubai's position on the route to India made it an important location.

Dubai resisted the isolation of its economy, a strategy which differentiated it from most of its peers. Instead, it developed a reputation as a regional entry port (Sampler and Eigner, 2003). During this period, Dubai's economy flourished as a result of extensive fishing, pearl-diving, and gold-crafting. Its exports of pearls and gold attracted a substantial influx of Persian traders as well as many others from around the region. The estimated number of pearls exported in 1870 could have reached more than 1,000,000 and that number increased to 10,000,000 by the end of the 1890s (Davidson, 2008). Dubai thus developed a reputation for international commerce long before its first free trade zone was established in the 1980s.

By early 1968 the British had strongly encouraged the seven Emirates, along with Qatar and Bahrain, to form a political federation. Many British and Arab administrators considered such a federation to be a logical step for the Trucial States. In the four years preceding British withdrawal in 1971, the Gulf Trucial Estate held a series of negotiations to discuss the form that their federation would take. At the same time, British advisors assisted Arab administrators in the creation of state infrastructure. In 1971, Dubai together with Abu Dhabi and five other emirates formed the United Arab Emirates (UAE); Bahrain and Qatar decided not to join. The UAE dirham was adopted as the common currency in 1973.

#### **4.2.1 Dubai and Trade**

The economic attractiveness of Dubai can be attributed to the growing volume of travelers passing through, together with the UAE's emergence as a trading and re-exporting hub for marine and aviation traffic. Tax-free and investment friendly policies combined with a low crime and secure environment have made the region an area of key interest for international investors.

Dubai's commercial history has helped the ruling family and merchants to capitalize on trade. From the early days they have encouraged freedom of trade, unlike the practice of most neighboring countries. This liberal stance encouraged traders to move to Dubai as they perceived a better climate for business in the more pragmatic environment. The first group of traders came to Dubai from Abu Dhabi in the early 1830s, and by 1840 the estimated number of shops was 40 and traders 100. The region's two economic centres, neighboring Sharjah and Lingah in modern-day Iran, were losing business to Dubai. Sheikh Rashid Bin Maktoum decided to capitalize on the opportunity. In 1892 he signed an exclusive business deal with the British and in 1894 permitted a full tax exemption for foreign traders. Persian merchants were the first group of expatriates to take advantage of the deal, but traders from the world over were on the way (Davidson, 2008). In 1903, when the Sheikh convinced a major British steamship line to make Dubai a port of call, it paved the way for a 25-year trade boom (Al Sayegh, 1998).

The town of Dubai was an important port of call for foreign tradesmen (chiefly Indian and Iranian), some of whom eventually settled in the town. Until the 1930s, the town was mainly known for its pearl exports. The international trade which flowed from Dubai's cosmopolitan contacts was the basis of its rapidly increasing prosperity. This gave the city an early start in

development before the beginning of oil production in the 1960s. Like the other towns along the coast, Dubai was severely affected by the decline of the pearling industry, due to competition in the 1930s from Japanese cultured pearls, the drop in trade during the Great Depression and the Second World War.

Sheikh Rashid bin Saeed Al-Maktoum, convinced that the pearl trade was on the decline, decided to develop viable economic alternatives for Dubai by initiating the re-export business, whereby goods were cheaply imported into a duty-free port and immediately exported to another market. After Dubai Creek was dredged in 1963, allowing almost any ship safe harbour, the re-exporting business grew very rapidly.

Following the devaluation of the Gulf Rupee in 1966, Dubai joined the newly independent state of Qatar to set up a new monetary unit, the Qatar/Dubai riyal. Dubai maintained its importance as a trade route through the 1970s and 1980s. Dubai and its twin city across the Dubai creek, Deira, became important ports of call for Western traders. Most of the new city's banking and financial centres were headquartered in this area (Qatar and Dubai Annual Reports, 1962 to 1972).

Dubai was slowly and steadily being acknowledged as a free port and a flourishing business hub in the gulf. Development opportunities were boosted when oil was discovered and there were more funds available for infrastructure development. The British had already decided to slacken its control over the region, and in 1971, Dubai became an Emirate of the newly formed UAE. Sheikh Rashid agreed to a formula that gave the Emirates of Abu Dhabi and Dubai dominance in the federation, and made sure that Dubai would continue to maintain the development path which it had already initiated (Heard-Bey, 1982). The development of Dubai continued with a realization by Sheikh Rashid that the key lay with its geographical location - halfway between east and west - and thus that trade was the basis for growth. Sheikh Rashid pushed through the creation of two giant ports (Krane, 2009). According to official statistics Dubai now handles more than \$90bn of trade every year.

Dubai's emergence as a modern city is based on its fundamentally liberal policies, including the opening of the economy to foreigners through a system of freehold property ownership set up in 2002, which allows non-citizens to own real estate permanently in designated zones. The relatively unrestricted social and cultural life is also an important factor in attracting foreigners to its tourist resorts and tax-free shopping zones, as well as to its business and industrial

centres. Dubai's success as a global hub is a prime example of the integral relationship between liberal economic systems and social and cultural liberalism (Elshestawy, 2004).

### 4.3 Political Context

The ruling structure of the UAE reflects a careful allocation of power among the seven Emirates. The current President of the UAE is H.H. Sheikh Khalifa bin Zayed Al Nahyan, who is also ruler of Abu Dhabi Emirate. This reflects Abu Dhabi's economic primacy within the UAE which includes significant transfers of oil wealth to the other Emirates, including Dubai. The UAE federal decision-making structure<sup>4</sup> comprises a split executive. The Supreme Council of Rulers (SCR) comprises the hereditary rulers of each Emirate. The SCR has legislative and executive powers and ratifies all laws and decrees and there is no legal or constitutional restriction on its ability to govern. However, the SCR works via consensus, and this has allowed historical tribal differences to be reconciled without the federation coming under significant internal pressure<sup>5</sup>. A core element of this success is maintaining a mutually beneficial balance of sovereignty between the UAE and the individual emirates. In broad terms the UAE is responsible for defence, national macroeconomic policy and regulation of factor markets including that for immigrant labour, property and real estate market regulations and monetary policy via the Central Bank. Individual Emirates are responsible for their own development, including economic development and social policy. As Heard-Bey (2005) points out, the rulers have been able to retain the historical loyalty of their individual Emirates within the UAE structure by being seen to promote the economic development of their individual Emirates.

According to Davidson (2008) the "ruling bargain", which maintains the SCR in power, has three main pillars: the personal capacity and ability of the rulers, maintenance of a high rate of economic growth and continued economic and social well-being of the Emiratis<sup>6</sup>. However, Davidson has underestimated the cultural and historical (rather than economic) importance of Bedouin and Islamic cultural influences in underpinning relationships between the rulers and

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<sup>4</sup> The UAE's political and decision-making structure is analysed in greater detail in Davidson (2005) and Bertelsmann Stiftung (2009).

<sup>5</sup> Although there have been occasional small protests in the smaller and poorer northern Emirates, particularly Ras al-Khaimah. These have been controlled by security forces from Abu Dhabi. The potential for conflict within the UAE has also been reduced by significant internal transfers of wealth to help the poorer Emirates develop. In particular a US\$1.6 billion investment in infrastructure was agreed in March 2011, partially as a response to the unrest seen in other Arab countries during the early part of 2011 (BI-ME, 2011a).

<sup>6</sup> The terms "Emirati" and "national" tend to be used interchangeably. Nationality is a UAE concept and UAE nationals have citizenship rights in all the constituent Emirates. However, the distinction is breaking down as a limited form of democracy emerges in some of the Emirates. For example, Emirate level parliaments within a proportion of elected members are being developed. In such cases voting rights may only apply to residents of the particular Emirate. However even this concept may be difficult to apply when many UAE nationals may have homes in more than one Emirate.

the people. In addition, contrary to Davidson' argument, the relationship remained firm during the periods of high unemployment and negative economic growth in the 1970s and 1980s. The recent collapse of a number of MENA<sup>7</sup> political regimes, in the so-called "Arab Spring" of 2011, and political unrest in nearby Bahrain coupled with the effects of the local (to Dubai) and global financial crises, have also led to calls for greater political freedoms. In the eyes of some, the UAE needs to continue to move away from the prevailing top-down decision-making system to one that is based on accountability, transparency and the rule of law, and some progress has been made in this direction since 2007 (Bertelsmann Stiftung, 2009). Nevertheless, the UAE system is still characterized by a high degree of trust between Emiratis and their traditional rulers.

Below the SCR there is an executive authority, the Council of Ministers (COM), presided over by a Prime Minister appointed by the President in consultation with the SCR. The SCR has the power to initiate policy, to change or reject laws proposed by the COM and appoint or dismiss the Prime Minister (who is usually the Vice-President of the UAE and is currently the ruler of Dubai) or any other member of the COM and any civil servant. The COM is responsible for most of the day-to-day running of the UAE, formulates the bulk of the UAE's policies and can initiate legislation after receiving ratification from the SCR. The COM approves the federal budget, oversees all public expenditure and supervises all treaties, regulations, decrees, laws and Supreme Court decisions.

Underneath the executive there is a parliamentary body, the Federal National Council (FNC), with advisory powers. According to the Constitution, federal draft laws have to pass through the FNC for review and recommendations. Partial elections to the FNC took place for the first time in 2006<sup>8</sup> and the franchise extended in 2011. Of the forty seats in the council, which are distributed according to the size of each Emirate, half were open to election with the other half appointed by their constituent rulers. In 2006 voting was extended to a 6,889<sup>9</sup> member electoral college. In 2011 the franchise was extended to 129,000 voters, about 12% of the Emirati population, again for half the seats. This extension of the franchise was seen as a response to the regional unrest in 2011 (Dajani and Salem, 2011). However, voter turnout at the election was only 28% (Al Arabiya News, 2011).

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<sup>7</sup> Middle East and North Africa.

<sup>8</sup> Prior to 2006 all members of the FNC were selected by the rulers.

<sup>9</sup> That is 0.88% of the Emirati population.

The FNC's functions include:

- Discussing constitutional amendments and draft laws, which may be approved, amended or rejected
- Reviewing the annual draft budget of the federation
- Debating international treaties and conventions
- Influencing the Government's work through the channels of discussion, question and answer sessions, recommendations and following up on complaints.

The UAE constitution provides for an independent judiciary. The Federal Supreme Court (FSC) comprises five judges appointed by the SCR which also has the power to dismiss them. The judges decide on the constitutionality of federal laws and arbitrate on inter-Emirate disputes and disputes between the federal government and the Emirates. However, judicial decisions are subject to review by the political leadership and judges often take positions<sup>10</sup> that they know are in line with government decisions. Where inter-Emirate disputes are concerned the judiciary tend to seek solutions to the underlying problem rather than reach judgements. Outside these areas the judicial system is an individual Emirate matter<sup>11</sup>. Judicial areas which, in the view of external commentators, are in need of reform include a lack of clear laws in areas such as fraud, personal and corporate bankruptcy, and redundancy (Bertelsmann Stiftung, 2009).

#### **4.3.1 Contributions of the Rulers**

In the Middle East, where sheikhdom is prominent and has been the sole establishment for governance spread over centuries, Gulf States, especially Dubai, are much indebted to the ruling family for the creation of present day success. The age old tradition of power transfer from generation to generation has greatly helped in ensuring continuity of policy over time. It is also vital for the rulers to have a clear vision of the future and how it is to be achieved. Moreover, the rulers command loyalty and support from Emiratis through their caring attitude and guidance spread over generations. The rulers are also careful to maintain a stable political and economic environment to guarantee individual and economic security so promoting a healthy climate for investment.

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<sup>10</sup> Specifically on matters related to inter-Emirates disputes, these have to be seen from a Bedouin cultural perspective

<sup>11</sup> See <http://www.dubaicourts.gov.ae> for a comprehensive description of the Dubai system.

The Al-Maktoum family has ruled Dubai since 1833. Under their progressive leadership Dubai has prospered and it is now the business hub for a region that stretches from Egypt to the Indian sub-continent and from South Africa to the CIS Countries (Davis and Monk, 2007). The Emirate has benefited from the stabilizing influence of two exceptionally long rules, that of H.H. Sheikh Saeed Bin Maktoum from 1912 to 1958, followed by that of his son, H.H. Sheikh Rashid Bin Saeed Al-Maktoum from 1958 to 1990. Their successor and the present ruler of Dubai, H.H. Sheikh Mohamed Bin Rashid Al-Maktoum has also brought stability through a long and continuing period of rule.

For many years prior to his father's death in 1958, Sheikh Rashid played a leading role in directing the state. Since then he guided Dubai in its expansion from a small, old-world town to a modern city state with excellent communications and industrial infrastructure, and all the comforts of contemporary life. He ruled Dubai for over 30 years, during which time large projects like the Jebel Ali free zone, the World Trade Center and Dubai International Airport were sanctioned and implemented. The core of Maktoum's policies of economic freedom and the aggressive promotion of Dubai was vigorously followed by his successor and the present ruler of Dubai, H.H. Sheikh Mohamed Bin Rashid Al-Maktoum. Under his guidance, Dubai has established itself as a diversified economy, combining public and private finance and able to compete in global markets.

#### **4.3.2 Economic Federation**

Each Emirate is responsible for its own economic strategy which takes account of that of the UAE, but is not dictated by it<sup>12</sup>. Economic development planning is largely a function carried out by individual Emirates, but carried out within the overall monetary policy determined at the federal level. Monetary policy is implemented by a central bank. The UAE uses a common currency, the Dirham; the UAE Dirham (AED) is fixed at an exchange rate of AED3.673 to the US dollar. The alternative of moving towards a flexible exchange rate is one which UAE is resisting. The smaller Emirates would find themselves very exposed to external shocks, Abu Dhabi's fate is tied in with the US dollar as long as oil is priced that way and Dubai needs the short-term shelter of the UAE (Pabst, 2010). Despite the economic dominance of Dubai and Abu Dhabi, the UAE economy is highly inter-connected. This is, in part, a deep-rooted cultural issue and partly a product of history and politics. Borders within the UAE are completely open and, for UAE

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<sup>12</sup> For example the official UAE analysis of federal economic developments includes a section on diversification strategy, but this only reflects the strategies of Abu Dhabi and Dubai in this area (National Bureau of Statistics, 2010a).

nationals, the Emirate economies merge into each other. This is particularly the case in the financial and real estate sectors. In addition, consumer spending does not follow Emirate boundaries. The UAE Central Bank has rapidly increased in importance as a result of the (global) financial crisis and earlier when the price of oil fell below its predicted level<sup>13</sup>. The central bank has provided the mechanism by which Emirates can support each other financially if the need arises; in the 2009-2011 period this was mainly Abu Dhabi's support for Dubai, in 2011-2013 the southern Emirates' support for the northern members of the UAE federation is also significant.

The UAE is also a partial customs union with customs duties financing much of the federal budget. The long term regional aim has been for a GCC-wide customs union, however the stumbling block has been duties on oil coupled with a degree of rivalry between the two major oil producers, Saudi Arabia and Abu Dhabi (Arabian Business, 2010). However, it is hoped to complete a Gulf customs union by 2015 (BI-ME, 2011b). The UAE also has some elements of a single market, particularly where labour and property are concerned.

#### **4.4 The Dubai Economy**

The UAE and, to an even greater extent, Dubai are "small open economies". A small open economy is one which is active in international trade, but is small relative to its trading partners. Thus the policies adopted by the UAE and Dubai do not alter world prices, including interest rates. This contrasts with, say the US, where its economic policy can have significant effects on other countries. The one rider to this, in the case of the UAE via the actions of Abu Dhabi, could be the potential to influence oil prices through changing production levels. However, Dubai does not have this power. Small open economies, in general, can be particularly exposed to exchange rates and property prices, particularly those for domestic property (Bollard, 2008). Other prices, such as those for food can also be affected, particularly where the economy relies on imports as is the case in Dubai<sup>14</sup>. In the UAE case the dirham is pegged to the dollar and exchange rate issues are less critical, at least in their own right. On the other hand the effects of global economic conditions on Dubai will be felt in interest rates, inflation and real estate asset prices. The decline in interest rates at a global level will limit the ability of the UAE central bank to set interest rates at a higher level consistent with domestic market conditions; on at least one occasion the Governor of the UAE Central Bank has stated that the UAE has been "forced" to cut interest rates (BI-ME, 2007a). Over the period 2000-2008

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<sup>13</sup> That is the price level used for budgetary planning in the UAE and the individual Emirates.

<sup>14</sup> Dubai imports 80% of its food needs.



UAE real interest rates have been negative. Property prices have also fallen dramatically. Estimates suggest that property prices<sup>15</sup> fell by 55% over the period mid-2008 to mid-2011 (BI-ME, 2011c) and were expected to fall by at least a further 10% (BI-ME, 2011d). Food prices and food security are recognized as a significant problem, UAE prices rose by over 50% in 2007/08 (BI-ME, 2008) and 9% in 2010 (BI-ME, 2011d). Food price inflation continued in 2011 with an 8% rise between the third quarter of 2010 and the third quarter of 2011 (Dubai Statistics Center, 2011a).

#### **4.4.1 GDP**

Table 4.1 shows Dubai's real GDP growth over the period since 1985. The table demonstrates the rapid growth of the Dubai economy over the seventeen year period from 1990 to 2007. This period is also characterized by oil's share in GDP falling from 32% in 1985 to under 2% in 2010. The growth in the economy has been based on rapid expansion of retailing and financial services, construction and real estates. Much of the expansion of manufacturing is linked to the growth in construction activity. Overall the tertiary sector<sup>16</sup> accounted for 71% of GDP over the period 2000 to 2008 (Dubai Chamber, 2010). The slowdown in growth post 2007 reflects, among other factors, a fall in the price of oil, the impact of the global financial crisis and the over-supply of real estate. However, Table 4.1 suggests that the impact of the financial crisis has been greatest in the real economy sectors of construction and real estate rather than on the financial sector itself (at least when measured by the share of the sector in GDP). In the post-2010 period it is expected that the growth will be coming from the trade, manufacturing, transport, finance and government services sectors whilst the share of GDP accounted for by real estate and construction will fall. However, overall real GDP is expected to grow by between three and five per cent in 2011 (Dubai Chamber, 2010; UAE Interact, 2011).

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<sup>15</sup> Both residential and commercial properties.

<sup>16</sup> Wholesale, retail trade and repairing services; transport, storage and communications; real estate and business services; restaurants and hotels; financial corporations; social and personal services; household domestic services and government services.

Table 4.1: Dubai's Real GDP, 1985 - 2010 (AED)

Sector	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010
<b>Enterprises (excluding Oil)</b>	<b>23,679</b>	<b>31,544</b>	<b>60,056</b>	<b>99,364</b>	<b>195,868</b>	<b>218,068</b>	<b>258,388</b>	<b>270,549</b>	<b>257,714</b>	<b>263,541</b>
Agriculture, Livestock and Fishing	64	83	133	253	336	382	394	418	431	434
Manufacturing	3,033	3,097	6,517	14,059	25,872	28,426	30,075	33,127	35,181	38,719
Electricity, Gas and Water	661	821	1,124	1,426	2,213	2,431	2,771	3,783	4,000	4,283
Construction	2,419	3,170	5,840	8,542	23,290	27,508	33,862	40,017	32,214	27,494
Wholesale, Retail Trade and Restaurants/Hotels	8,576	11,589	19,573	31,913	77,000	83,082	94,410	95,582	95,252	99,731
Transport, Storage, and Communication	2,218	3,173	7,310	13,102	24,867	26,867	35,752	35,423	38,044	41,542
Real Estate and Business Services	2,775	5,165	12,181	16,810	33,141	38,960	51,008	51,563	41,373	40,286
Social and Personal Services	764	1,124	1,362	2,343	3,124	3,273	4,690	5,214	5,845	5,894
Financial Corporations	3,169	3,321	6,015	10,917	20,257	23,277	30,125	32,375	33,540	33,115
<b>Mining/Quarrying (including oil)</b>	<b>12,385</b>	<b>9,591</b>	<b>6,928</b>	<b>6,113</b>	<b>6,026</b>	<b>7,139</b>	<b>5,425</b>	<b>5,423</b>	<b>5,374</b>	<b>5,159</b>
<b>Non-profit organizations</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>518</b>	<b>813</b>	<b>765</b>	<b>893</b>	<b>n.a.</b>
<b>Household domestic services</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,043</b>	<b>1,053</b>	<b>1,086</b>	<b>1,063</b>	<b>1,199</b>	<b>1,137</b>
<b>Total (Enterprises)</b>	<b>36,065</b>	<b>41,135</b>	<b>66,984</b>	<b>105,478</b>	<b>217,168</b>	<b>242,916</b>	<b>290,411</b>	<b>304,753</b>	<b>293,346</b>	<b>297,792</b>
<b>Government</b>	<b>2,232</b>	<b>3,316</b>	<b>4,509</b>	<b>5,732</b>	<b>7,104</b>	<b>7,307</b>	<b>8,912</b>	<b>10,165</b>	<b>15,198</b>	<b>16,085</b>
<b>Sectoral Total</b>	<b>38,297</b>	<b>44,452</b>	<b>71,493</b>	<b>111,210</b>	<b>224,272</b>	<b>250,223</b>	<b>299,324</b>	<b>314,917</b>	<b>308,544</b>	<b>313,877</b>
<b>Imputed Bank Services</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-8,016</b>	<b>-9,210</b>	<b>-14,747</b>	<b>-21,166</b>	<b>-21,928</b>	<b>(20,276)</b>
<b>Total GDP</b>	<b>38,297</b>	<b>44,452</b>	<b>71,493</b>	<b>111,210</b>	<b>216,256</b>	<b>241,013</b>	<b>284,577</b>	<b>293,752</b>	<b>286,617</b>	<b>293,601</b>

Annual growth rate % 3.1\* 12.2\* 11.1\* 18.9\* 11.4 18.1 3.2 -2.4 2.4

\* = average for five year period

Estimated using data provided by the UAE Ministry of Economy for 1985 - 2006 and by the Dubai Statistics Center for 2006-2010

#### 4.4.2 Population

Reliable population estimates for the UAE are difficult to derive<sup>17</sup>. Estimates based on extrapolation of 2005 census data estimated the 2009 population at 4,229,000. On the other hand estimates based on administrative records, such as visa data and employment permits, suggested a population of 8.19 million (National Bureau of Statistics, 2010b). The most reliable current figure is that published by UAE Statistics Bureau in April 2011. This gave a figure of 8.26 million (BI-ME, 2011e). More reliable estimates would rely on a house-to-house census; however, the planned UAE census for 2011 was postponed (Croucher, 2011).

The main driver of population growth has been inward migration rather than indigenous growth and it is this which is the root cause of difficulty in estimating the current population. Only 11.5% of the UAE population are Nationals (Emiratis)<sup>18</sup>; this figure fell consistently until 2010 but there is a possibility that the slowing level of construction activity may result in a lower demand for migrant labour and a reversal of the trend<sup>19</sup>. About 1.75 million are of Indian origin, 1.25 million Pakistani and 500,000 are from Bangladesh. About one million residents originate from other Asian countries. The majority of these are low paid migrant workers pulled in by the labour demands of massive infrastructure development projects and the requirements of the service sector (both domestic and non-domestic). A further 500,000 expatriates originated from developed countries and the balance from other Arabic countries such as Jordan, Lebanon, Egypt and Sudan<sup>20</sup>. The major factors underpinning inward migration of professionals and highly skilled workers are the pull of potential high earnings, low or no taxes and good living conditions.

The (unexpectedly) low proportion of nationals in the population is a cause of government concern and policies are being put in place to reduce the number of immigrant workers, particularly in the unskilled categories. The construction sector will be expected to shift from labour-intensive methods to higher technology approaches. The policies also included a number of measures to further promote Emiratisation and stressed the need to diversify the economy to create more higher-skilled jobs (Hoath, 2011). The UAE's age dependency ratio<sup>21</sup> is

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<sup>17</sup> A compendium of UAE population estimates through time can be found at <http://www.duibaifaqs.com/population-of-uae.php>. For example, two different official estimates of the 2007 population were 4,967,142 and 6,219,006.

<sup>18</sup> It had been thought that 20% of the UAE population were Emiratis. This much smaller than realised proportion is due to the under-estimation of the non-national population; the number of Emiratis was accurately known.

<sup>19</sup> However, the fertility rate among Emiratis is also falling. Higher levels of female education and later marriages are the prime drivers for lower fertility rates (Al Awad and Chartouni, 2010).

<sup>20</sup> However, these figures are only guesses based on the inaccurate earlier population estimates. Actual figures could be significantly different.

<sup>21</sup> The proportion of the population over the age of 65.

predicted to rise from around 1% in 2010 to 4.3 % in 2030. However these ratios are still low compared to other economies (Euromonitor, 2010). The median age of the population is 30.

Dubai's population was estimated at 1.978 million in the third quarter of 2011 (Dubai Statistics Center, 2011b). Of these 23% were female reflecting the dominance of males among the immigrant labour force. About 70% are low paid immigrant workers. Estimates of the percentage of the population who are Emiratis range from a low of 5% to a high of 10%. On any given day the transient population (tourists, commuting workers, business visitors etc.) adds a further million to the number of people in Dubai (Dubai Statistics Center, 2011b).

#### **4.4.3 Labour, Employment and Wages**

The Dubai labour force stood at 1,570,923 in 2009. Unemployment was a mere 0.8%. More than 80 % of the working population was male, of which only 6.8 % were Emiratis. However, 8.7 percent of Emiratis were unemployed and only 46 % (24% for women) of the Emirati population was economically active, suggesting that there be many more Emiratis who would be willing to work but who do not actively seek employment. However, there is no system of welfare support (benefits) for the unemployed in Dubai and it is therefore impossible to differentiate between types or causes of unemployment. There is a system of employment agencies (job exchanges) which assist Nationals and others who a "frictionally" unemployed, that is seeking to change jobs in search of better pay or conditions, employment nearer their homes or in more "Islamic environments". Such unemployment may account for a considerable part of the total. More than 58% of Emiratis worked in public administration and defence, whilst 43% of expatriates worked in the construction industry (Fitch, 2010).

As in many Middle East countries, youth unemployment is a problem (Dhillon and Yousef, 2009). In the 15-24 age range unemployment stood at 12.1%; 7.9% for males and 21.8% for females. In part this may be a consequence of a labour market driven by expatriates who are willing to work for much lower wages than Emiratis. In addition the preference for protected and higher paid public sector jobs<sup>22</sup> acts as a disincentive to seek employment in the private sector (Ahmed, 2009). Foreign workers dominate the private sector, accounting for an estimated 98% of employment (Al Awad, 2010).

However, Emiratis also benefit from a number of non-pay subsidies. Vellinga (2011) shows that unemployment among the Emirati population would potentially fall if there was a shift from non-work related subsidies to work-related benefits. Such a shift could be achieved by governments directly rewarding private sector firms for employing Emiratis.

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<sup>22</sup> The provision of public sector jobs is to some extent a substitute for the kind of social welfare protection systems found in many developed countries.

**Table 4.2: Wage rates and productivity by sector, 2008**

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Clearly, the Dubai economy depends on low cost foreign labour for its survival. In 2009 almost 69% of working expatriates were paid less than AED 3,000 per month whilst 68% of working Emiratis earned more than AED14,000 per month (Fitch, 2010). The prevalence of low paid foreign workers in the construction, hotels and manufacturing sectors explains, in part, the low level of wages in those sectors as shown in Table 4.2. These sectors are also marked by their relatively low labour productivity levels as measured by the ratio of labour value-added to wages. In the case of manufacturing this would indicate that the activities undertaken in that sector are predominantly labour intensive and low-skilled. The average value added per Dubai manufacturing worker of approximately £26,000 compares to around £55,000 in the UK (BIS, 2010). Thus, whilst the labour productivity ratios in Table 4.2 are competitive in international terms, they are largely the result of the use of abundant low paid unskilled labour. Al Awad (2010) suggests that as much as 80% of UAE non-oil GDP is accounted for by the use of unskilled labour.

However, the total costs of employing foreign workers are higher than the direct wage and salary payments to them. The average additional annual administrative and recruitment costs for an unskilled worker has been estimated at AED18,925<sup>23</sup>. For a skilled worker this rises to AED129,302. A further AED14,066 per worker (skilled or unskilled) needs to be added for social costs, defined as the direct and indirect costs borne by local (Emirate) and federal (UAE) governments, contingent on the employment of foreign workers (Al Awad, 2010). Non-monetary costs of the use of foreign labour include the possible negative impacts on local culture and national identity,<sup>24</sup> the potential to reduce employment opportunities for nationals either via direct displacement<sup>25</sup> or more generally through reducing the impetus to develop higher value employment opportunities and diversify the economy.

Shifting the emphasis of the Dubai economy towards knowledge-based industries may be very difficult given the current reliance on cheap unskilled foreign labour. The widespread use of cheap foreign labour and the dual labour market structure has allowed nationals to appropriate economic rents from them in the form of higher salaries than would otherwise have been the case. In this, perhaps limited, sense Dubai has some of the characteristics of a rentier economy (see Chapter 2 for a brief discussion of rentier or allocation economies). In particular wealth is distributed (allocated) to confer large benefits on a relatively small part of the population which has little connection with the generation of that wealth. However, the lack of oil has removed

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<sup>23</sup> The figures in this paragraph are estimates for the UAE, although Dubai figures are likely to be similar.

<sup>24</sup> The threat to national identity is amplified the faster rate of growth of foreign labour relative to UAE nationals, a tendency which is particularly marked in Dubai.

<sup>25</sup> Although this will only be relevant in the case of highly skilled and professional workers.

some of the negative effects that might result from a dependency on revenues derived from its export. Zamzam (2011) provides a discussion of this issue in the context of (oil-rich) Abu Dhabi.

The availability of a flexible and cheap supply of labour has been good for economic development during a period when major physical infrastructure projects were the driver of growth. However, a progression towards a more knowledge-intensive economy requires changes in the structure of the labour force, in particular the attraction and employment of a larger pool of highly skilled workers able to demand much higher wages. This would, potentially, make the dual labour market structure more difficult to maintain and compete away some of the wage premium for nationals (Vazquez-Alvarez, 2010; Elbadawi and Vazquez-Alvarez, 2011).

The policy of “Emiratization”, that is promoting the employment of nationals<sup>26</sup>, has also enhanced the ability of Emiratis to generate higher salaries for themselves than might occur in a free and open labour market. The Dubai authorities recognize this; for example the Dubai Economic Council (2011) states that:

*...the Emiratization process establishes a set of rules that protect Emirati nationals from open competition with expatriate workers...*

The wage structure in the Dubai economy has been well documented in the *Household Expenditure and Income Survey 2009* (Dubai Statistics Center, 2009). Figure 4.2 presents a highly condensed summary of the data (devised by the author). An “Individual Collective Household” is, in common parlance a worker living in an employer provided labour camp<sup>27</sup>. Note that the survey was conducted at the household level, so the data is not comparable in cases where there is more than one earner per household (such instances are labeled “Collective Households”). However, the differences in average earnings are stark. It is also the case that collective labourers work longer hours. Collective labourers work on average 53.7 hours per week for an average hourly wage of AED12.9. Non-local household members work on average 47.7 hours per week for an average hourly rate of AED58.9 and local household members work on average 40.7 hours per week for an average rate of pay of AED115.4 (Vazquez-Alvarez, 2010). The results of the 2008 UAE Labor Force Survey give a very similar picture (Tong, 2010).

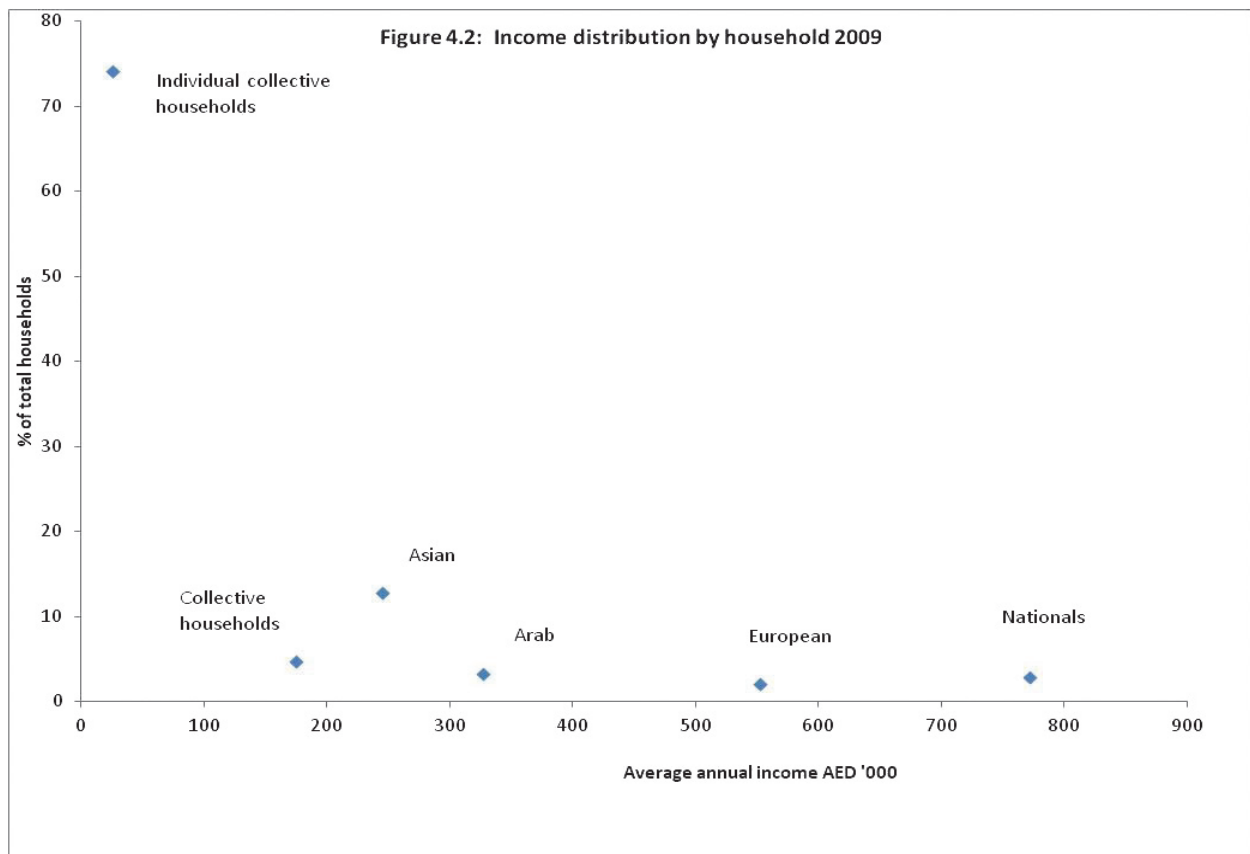
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<sup>26</sup> See the official website <http://www.emiratisation.org/>

<sup>27</sup> The Dubai Statistics Center provided the author with the following definition:

*A group of 50 or more laborers who work in the same facility, jointly use the same accommodation and do not jointly share the food cost. Supervised by the employer (private or public), labor accommodation takes the form... The buildings are often owned by the employer or rented out.*

Some collective labourers live in smaller groups. They account for less than 2% of the total working population and data on individual incomes is not recorded. They are excluded from Figure 4.2.



However, it is also useful to note the positive aspects of this labour market structure. The Dubai authorities recognize the contribution which foreign labour has made to the economy:

*...the development of the UAE would not have been possible without the reliance of the economy on massive inflows of low-cost expatriate workers that arrived, first from poorer Arab economies (1950s-1970s), and later from Southeast Asia and the Indian Sub-continent... (Dubai Economic Council, 2011).*

The bargain also has benefits for the labourers. Remittance flows to developing countries exceeded \$350bn in 2011 and are expected to continue growing despite the negative influences of global financial crisis and political unrest such as the “Arab Spring” (Mohapatra et al., 2011). Remittances from the UAE are estimated to be in the range \$10bn to \$15bn annually (Ratha et al., 2010). In the (perhaps extreme) case of Bangladesh, nearly half of all overseas Bangladeshi workers are in the UAE, remittances account for 56% of total export earnings and 11% of GDP and four times as important in volume terms to the Bangladeshi economy as foreign aid (Siddiqui and Abrar, 2003). It seems likely that remittances from Dubai to Bangladesh alone could have accounted for two to three percent of (Bangladesh) GDP.



#### 4.4.4 Dubai and Oil

In 1937 Dubai's ruler, Sheikh Saeed Al-Maktoum, signed an oil concession agreement for twenty five years with Petroleum Concessions Ltd. (Davidson, 2008). However, these concessions were not exploited to any great extent since the World War II interrupted oil exploration. In the 1950s Petroleum Concessions started exploring once again and discovered oil in commercial quantities just as the twenty five year concession rights were ending. However, Petroleum Concessions did not wish to renew the rights. In 1962 Sheikh Rashid Al-Maktoum signed a contract for oil exploration with U.S. Continental Oil Company and established the Dubai Petroleum Company (DPC)<sup>28</sup> to manage Dubai's onshore concession rights (Al Otaiba, 1977). DPC discovered oil on the 6<sup>th</sup> of June 1966 and the first oil export shipment of 180,000 barrels started on 22<sup>nd</sup> September 1969. Oil revenue rose to \$11.55 million by the end of 1970 and was estimated to be \$600 million by the end of 1975 (Al Otaiba, 1977). Oil production reached 132 million barrels in 1978 with reserves estimated to be 1,300 million barrels. Dubai planned to expand offshore drilling to twenty two more wells. Production of oil rose to 400,000 barrels in 1976 (El Mallakh, 1981). Dubai reached to its peak production in 1991 producing 420,000 barrels per day with proven reserves of 4 billion barrels (Davidson, 2008: 101)<sup>29</sup>.

Dubai oil production started to decrease in the mid 1990s and was running at 230,000 barrels per day. By March 2000 production of oil had dropped to 170,000 barrels per day. Media reports indicated that Dubai's reserves would be exhausted in the next 20 years (Pacione, 2005). In February 2010<sup>30</sup> Dubai embarked on a new oil field discovery, the field will enter production by 2011<sup>31</sup>.

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<sup>28</sup> DPC is now a wholly-owned subsidiary of Conoco of the US. It is the Dubai oil field operator in a consortium comprising itself (32.5 %), TotalFina-Elf (27.5 %), Repsol of Spain (25 %), RWE-DEA of Germany (10 %) and Wintershall (5 %). (Al Abed and Hellyer, 2001:237).

<sup>29</sup> By contrast Abu Dhabi's reserves are estimated to be in excess of 95 billion barrels and could last up to 100 years. Abu Dhabi's daily production is about 2.3million barrels per day and oil revenues account for over 50% of GDP (Zamzam, 2011).

<sup>30</sup>[http://www.khaleejtimes.com/DisplayArticle09.asp?xfile=data/business/2010/February/business\\_February125.xml&section=business](http://www.khaleejtimes.com/DisplayArticle09.asp?xfile=data/business/2010/February/business_February125.xml&section=business)

<sup>31</sup> <http://www.ameinfo.com/223182.html>

#### 4.4.4.1 The Oil Timeline:<sup>32</sup>

The time line for the oil exploitation in Dubai is as follows:

- **1937:** signing of oil concessions rights and initial exploration
- **1950s:** restart of oil exploration after the World War II
- **1966:** oil is first discovered in Dubai at the offshore Fateh field
- **1969:** Dubai starts to export oil. The first export shipment of oil produced from the Fateh field was 180 thousand barrels
- **1972:** oil drilling exploration wells begin operations in the field at Falah, production begins June 1978
- **1973:** a new oil field is discovered at Rashid and production begins in March 1979
- **1982:** oil field discovered at Margham, production started in 1984.
- **1999:** Dubai government owned Emirates National Oil Company (ENOC) opens its first oil refinery. The refinery, which costs around AED 1 billion and produces 120 thousand barrels per day.
- **2000:** Dubai joins the Dolphin project, signing a memorandum of understanding to provide the Dubai Supply Authority with Qatari gas through the project
- **2007:** Dubai Petroleum assumes control of all oil and gas related projects in Dubai, following negotiations with international oil companies
- **2010:** a new field was discovered and named "Al Jalila"<sup>33</sup> and started production in 2011

#### 4.4.4.2 Contribution of Oil to the Economy

Oil discovery in 1966 revolutionized Dubai's economy and society. Revenues from oil allowed the Dubai government to undertake major infrastructure and industrial projects such as Port Rashid, the Dry Dock, and the Dubai and Jebel Ali port (Al Sayegh, 1998). Dubai oil revenue was used to build Dubai and to modernize the city. The aim of Sheikh Rashid was to invest oil revenue in Dubai and develop the country to attract investors and establish Dubai as a preferred destination for international investors in the region.

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<sup>32</sup> <http://gulfnews.com/business/oil-gas/oil-in-dubai-history-timeline-1.578333>

<sup>33</sup> [http://www.khaleejtimes.com/DisplayArticle09.asp?xfile=data/business/2010/February/business\\_February125.xml&section=business](http://www.khaleejtimes.com/DisplayArticle09.asp?xfile=data/business/2010/February/business_February125.xml&section=business)

However, in recent years oil revenue has dropped to less than 5% of total GDP<sup>34</sup>. The total estimated Dubai oil production in the recent years is 170,000 barrels per day and, if calculated on an average price of \$100 per barrel, oil revenue will add a modest U.S. \$6.1 billion a year to the government's national budget (Pacione, 2005). Oil contribution contributed less than 5% to the total economy of Dubai in the years 2009 and 2010.

#### 4.4.5 Foreign Direct Investment (FDI)

The UAE was one of the first countries in the region to see FDI as a key driver of growth (UN 2008). The United Nations provides analysis of FDI performance in the Western Asia region<sup>35</sup> (UN 2008; 2009). FDI rose from 4.84% of GDP in 2003 to 8.41% (US \$13.7 bn) in 2008. However, these levels (relative to GDP) fell during the 2009 to 2010 period, partially because other regional competitors began to improve their performance and also because of the global recession, falling oil prices and a reduction in the availability of project finance (Moussa, 2009). In 2008, the UAE attracted 2.8% of all global FDI projects (ranking ninth in the world alongside Germany and Spain); these 480 projects were expected to create over 87,000 jobs (UN, 2009). However, few of these jobs result in increased employment of UAE nationals (Al Jaber et al., 2008). The major sectors for Dubai-based FDI projects have been financial intermediation and insurance, construction and wholesale and retail trade<sup>36</sup>. The major sources of Dubai FDI inflows have been the UK, Japan, India and the US in that order (Dubai Statistics Center, 2007). Together these countries account for over 70% of UAE FDI inflows.

Al Jaber et al. (2008), in a survey of 81 UAE inward investors, found that the two most important FDI attractors were zero taxation and the ability to repatriate 100% of profits. The UN assessment of FDI performance in the West Asia region suggests that, despite the undoubted successes of some countries including the UAE, further progress could be made in a number of directions. In the case of the UAE this would include:

- Establishing a powerful and independent supervisory authority for business matters
- Encouraging greater participation by the private sector

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<sup>34</sup> Dubai Statistics Center

<sup>35</sup> Data is available for Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, UAE and Yemen.

<sup>36</sup> In the UAE as a whole there is also substantial FDI activity in the oil and gas sector.

In the latter case this would depend on changing negative cultural perceptions of privatization (UN, 2008). These perceptions may reflect the experience of Egypt in the mid-1990s when privatization resulted in widespread redundancies and civil unrest. In the longer term enhancing domestic human capital would provide a greater impetus for innovation and increased productivity (UN, 2009) and FDI would generate dynamic effects through its potential to enhance human capital (Al Jaber et al., 2008), although this would require inward investors to employ a greater proportion of nationals.

#### 4.4.6 Commercial Law

There are two legal systems within which Dubai firms can operate. The first one is the more traditional and is that of the UAE federal jurisdiction. As with much of the legal framework of the UAE, commercial law is derived from a mixture of Islamic legal principles as expressed in Shari'ah Law (see Perry, 2007 and Foster, 2010) and ideas drawn from western common law as well as Egyptian legal traditions (Cerimagic, 2010). The western influences were introduced to help local companies compete in a global market and encourage foreign direct investment (FDI). The principles of Islam reflected in Shari'ah law most relevant to commercial transactions are that it seeks to provide justice and fairness to both parties. It is presumed that business dealings will be conducted in a climate of mutual trust and respect, thus business people should

*...always be mindful of being open and transparent in their dealings and to ensure the fairness of their offers and the fairness of the outcomes of these agreements is maintained...* (Cerimagic, 2010:46).

Companies in the UAE are regulated by the federal laws of the UAE, particularly Federal Law No. 8 of 1984<sup>37</sup> as amended by the Federal Law No. 13 of 1998 and the Federal Law No. 4 of 2000<sup>38</sup>. All companies in existence prior to 1984 were required to re-register and comply with the new code. The major legal requirements which can be summarized as follows:

- The nationality of every company established must be UAE
- A minimum of 51% of the capital must be held by an individual UAE citizen, which can include a “corporate citizen”, that is a UAE established company

The ownership requirements have resulted in many international firms wishing to establish a presence in the UAE operating with UAE sleeping partners who act as sponsors for the business.

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<sup>37</sup> Published in the Official Gazette No 137, April 1988

<sup>38</sup> The standard reference work on UAE company law is Mahmoud (2008).

Such sponsors take no active interest in the business and the opportunities for integration of the firms within the wider business community are diminished.

There are exceptions to the ownership requirements. In particular domestic ownership rules do not apply to companies operating in Free Zones (Gale, 2011). Dubai has taken these exceptions further by establishing what amounts to a separate jurisdiction for Free Zone companies, that of the Dubai International Financial Center (DIFC) courts. Firms located in Free Zones can be 100% foreign owned whilst still maintaining tax-free status and the right to remit all profits to another country.

Dispute resolution for businesses which operate under federal laws are settled by the federal courts whilst Free Zone companies proceed to the DIFC courts. DIFC courts now hear cases in English and use common law procedures, an environment which is much more accessible and familiar for international firms. However, the boundaries between the two systems are becoming blurred. A November 2011 decree allowed any company to have access to the DIFC courts provided that both parties to the dispute agree in advance and that no final judgment has been issued by another court. This development provides all businesses with greater choice and resolves the difficulties which could arise when one party to a dispute is a Free Zone company and the other is not (BI-ME, 2012c).

A number of changes have been introduced by the DIFC to ease the regulatory burden on business, particularly in the areas of starting a business and gaining construction permits (DIFC, 2009). However there are a number of areas where the regulatory environment could benefit from further change. Whilst market entry and establishing new businesses in Dubai is relatively easy, market exit is not. The absence of efficient exit mechanisms discourages market entry. A major barrier to this is the lack of insolvency laws at either the federal (UAE) or Emirate (Dubai) levels which are capable of dealing with large companies. However, the UAE is currently considering the introduction of insolvency laws modeled on the US Chapter 11 bankruptcy procedures (Augustine, 2011). In turn this is prompting an assessment of policies on mergers and acquisitions, corporate restructuring and reorganization and disposals of parts of businesses.

#### **4.5 The Dubai Brand**

Dubai, which aspires to be known as an international commercial centre with an innovative, dynamic and entrepreneurial business culture, is one of the fastest growing city-brands among contemporaries that include Barcelona, Auckland and Shanghai (Dinnie, 2008). Dubai has the

advantage of positioning itself at the crossroads of trade and commerce between East and the West and remains an ideal gateway to access markets that span the Middle East, North and South Africa, the Indian sub-continent, the CIS and China. Moreover, within a short period of time, Dubai has progressed from a limited resource-based economy to an investment-driven one with a world class infrastructure, excellent air connections and world-leading port facilities. In media buzz terms, Dubai is a “ninety billion dollar brand”. The visible elements of the Dubai brand can be seen in iconic buildings such as the world’s tallest (the Burj Khalifa), the sail-shaped hotel (the Burj Al-Arab) and the Palm island. These are supplemented by substantial sports sponsorship activities, hosting of major conferences and widespread media promotion. Invisible brand elements encompass luxury, service quality levels and safety and security.

Successful brand management is dependent on taking an integrated approach to the management of all activities which can affect the brand. Dubai is competing as a new entrant in the city destination market against established competitors such as New York, Hong Kong, London and Singapore as well as other “new” entrants such as Shanghai or Bangalore. Dubai competes as a destination for tourists, conferences, shopping, sports events and FDI. A poor consumer experience at the airport, on the national airline, in a hotel or restaurant or from a myriad of other interactions can damage the brand. The government takes a close interest in protecting and developing the Dubai brand value (Hvidt, 2009).

#### **4.6 Positive Economic Features**

Dubai’s economy has a number of positive features which will help underpin the long-term development of the economy. For example, it is claimed (by the Dubai authorities at least) that the Emirate enjoys a competitive combination of cost, market and environmental advantages that creates an attractive investment climate for local and expatriate businesses alike. These advantages position Dubai as the Arabian Gulf’s leading multi-purpose business centre and regional hub city, and increasingly as a global competitor as a business services hub. Dubai enjoys low logistical and operational costs and excellent infrastructure, and its international outlook and liberal, relative to its competitors’, government policies are important attractions to inward investors.

##### **4.6.1 Strategic Location**

Dubai is a time zone bridge between the Far East and Europe on the East-West axis and the CIS and Africa on the north-south axis. It is a gateway to a market of more than 1.5 billion people in a region covering the entire Gulf and Middle East and with easy accessibility to the CIS, Central

Asia, Africa and the Asian sub-continent. Dubai is the region's leading multi-functional business centre and regional trading hub, and one of the world's foremost emerging markets. Dubai's strategic location offers easy maritime access to Europe, Asia, Africa and the Far East with a strong commercial tradition, rapidly developing as a base for both regional and foreign trade. Dubai is renowned for its ancient commercial and seafaring traditions and has long been recognized as the leading business and trading hub as well as a key re-export centre in the entire Middle East. Committed to a progressive vision of itself and keen to diversify its economy and diminish its reliance upon shrinking oil revenues, it is politically stable, with an open, liberal economic system and world-class infrastructure and services. It has very competitive operational costs.

Like Singapore and Hong Kong, Dubai built much of its economy on being an entrepôt. Seventy-eight per cent of Dubai's export trade in 2011 was re-exports with 45% of this going through Free Zones (Dubai Statistics Center, 2011c). Whilst some traditional entrepôt trade remains, Dubai has developed the core nature of the business along modern lines through the extensive development of free zones and a globally competitive financial services industry. The modern version of the entrepôt port is the regional financial and business services hub. As Table 4.1 shows financial and business services now account for 25% of GDP.

#### **4.6.2 Openness**

The Middle East has been one of the slowest regions in the world to embrace economic liberalization and the implementation of open and outward-looking economic policies (Hvidt, 2007). Dubai has long been an exception to this general rule and has historically maintained a cultural attitude of openness towards new settlers and has assured them freedom to carry out trade and reap the benefits from their efforts. The increasing numbers of trade travelers who passed through Dubai saw its attractiveness. International investors recognized Dubai's investment-friendly policies, the tax-free, low crime and secure environment have also made it an area of interest. Davidson also notes that push factors played a part

*...When political and economic problems arose in India, Iran and Arab neighbours, Dubai was well placed to benefit from influxes of skilled and experienced merchants who sought to relocate their operations to a new trade hub. Dubai welcomed such valuable immigrants... (Davidson, 2008a: 67).*

The welcoming of new economic activities and ideas has been an important foundation of Dubai's economic success. Government control and regulation of private sector activities has been kept to a minimum. There are no direct taxes on corporate profits or personal income (except for oil companies, tobacco, and branches of foreign banks that pay a flat rate of 20% on net profit generated within Dubai by federal UAE law). Customs duties are low at 5% with many exemptions; 100% repatriation of capital and profits is permitted; there are no foreign exchange controls, trade quotas or barriers and a fixed exchange rate exists between the US Dollar and the UAE dirham thus reducing currency risk. Liberal visa policies permit the easy employment of skilled and unskilled expatriate labour force from different parts of the world. Foreigners are permitted ownership rights of up to 49% for limited liability companies established within the Emirate of Dubai and up to 100% for professional companies, branches and representative offices of foreign companies and Free Zone enterprises. According to Hvidt (2006) the open door policies of the ruling family and government also play an important part. The majlis<sup>39</sup> is an important traditional element of open communicative structures and provides a forum for people to present their problems, ideas and visions.

#### **4.6.3 Political and Economic Stability**

The UAE in general, and Dubai in particular, enjoys financial, monetary and political stability with a low incidence of corruption. Also, the well developed, sophisticated banking system provides extensive credit facilities and ample liquidity. However, the banking crisis of 2008 triggered significant change in the Dubai financial industry, potentially leaving it, in time, in a stronger position than it was at the outset of the crisis. The changes included greater transparency and improved governance, recapitalization, and improved risk management. The Emirate's emerging capital markets are built on a basis of leading-edge technologies and necessary precautionary measures are set in place to maintain sound regulatory systems. The government has a long, consistent commitment to pro-business, liberal economic policies including the protection of intellectual property rights. The UAE benefits from stable and harmonious industrial relations. Finally, there is a well defined, sound legal framework for business and a clear set of ownership rules.

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<sup>39</sup> Meaning 'place of sitting' in Arabic, the term is used to describe a formal legislative assembly and also a place for social gathering. It has long been regional tradition for rulers to hold open discussions with their people. Often, this forum is held by the Emirate rulers as well as senior family members. This open majlis, or consultation, is held periodically.



## **4.7 Negative Economic Features**

However, these undoubted attractions of the Dubai economy need to be seen in the context of some potentially negative aspects. Through time, and particularly as Dubai moves, or attempts to move, from a development path built on rapid and high quality physical infrastructure development towards a becoming a knowledge-based economy, then some elements of the economy which have served Dubai well in the past may become limitations in the future. In Porter's terms, adopted by Dubai, the move from an investment-driven to an innovation-driven economy will not be easily accomplished.

### **4.7.1 The Supply of Entrepreneurship**

The diversification of the Dubai economy towards knowledge-based activities will require the development of a highly-educated labour force capable of generating the entrepreneurial activity that underpins such economies. Whilst Dubai has always been an importer of innovation and new technology; it has not (like the rest of the region) been a generator of innovation (Global Entrepreneurship Monitor, 2009). There are three main reasons why Emiratis, in particular, may not view entrepreneurship as a career option. Firstly, the incentive structure may be an inhibitor. In push terms there may be little to persuade them to abandon their well paid and comfortable government jobs. In pull terms there is little culture of innovation and entrepreneurship being held up as desirable career path. Secondly, Emiratis may not have the educational backgrounds which would prepare them for entrepreneurial careers. The higher education system in the UAE has frequently been criticized for its poor record in promoting creativity and developing entrepreneurial abilities amongst its students. In part this is a product of outmoded curriculum and inappropriate teaching methods, but it also reflects the lack of links between industry and higher education, particularly in joint research and development activities (Global Entrepreneurship Monitor, 2009; Navtej and Tariq, 2009; Zamzam, 2011). The third potential factor, lack of finance for development, is not a constraint. Transition to a knowledge-based economy will thus require a cultural shift driven by fundamental change in the public education system.

In the short term, Dubai will need to consider how it might best retain the talent it has. Whilst the attractiveness of Dubai as a place to live and work has been a major factor in recruiting and retaining foreign talent, the recent financial crisis has tended to threaten that image. In

addition there are many workers who have effectively made Dubai their home but have few rights. These include many Arabs from GCC countries and other relatively close neighbours such as Jordan, Egypt, Iran and Lebanon. Dubai will need to consider whether some citizenship<sup>40</sup> and residency rights could be usefully granted to long-standing expatriate workers as a means of retaining their services in an ever more competitive regional labour market. The emergence of other countries, such as Qatar, competing in the some of the same market sectors as Dubai (tourism, finance, trade), gives professional expatriate labour new opportunities.

#### 4.8 Benchmarking Dubai's Competitiveness

“Benchmarking” embraces a range of activities. It can focus on roles, processes or strategic issues, as is the case here. Benchmarking can come in many forms. This section uses metric benchmarking, that is the use of quantitative<sup>41</sup> measures to provide reference points for comparisons to be made. The purpose of benchmarking is here to compare Dubai to a number of regional and global cities in terms of competitiveness. In turn this will permit testing of some of the arguments put forward in the preceding sections of this chapter and identify areas of relative strength and weakness in the Dubai economy from a competitiveness perspective.

The benchmarking data is taken from the 2012 *Benchmarking global city competitiveness* report (Economist Intelligence Unit, 2012).<sup>42</sup> Two sets of comparisons are shown. Table 4.3 compares Dubai with six regional competitors<sup>43</sup>; in all cases the indicators are shown on a scale of 0 to 100, with 100 representing the best. Table 4.4 compares Dubai with a number of global competitors, some of which top the rankings (New York and London), some of which Dubai has, on occasion compared itself (Dublin, Singapore, Hong Kong) and some rapidly emerging city economies (Bangalore, Kuala Lumpur and Shanghai). This data is then summarized in graphical form in Figure 4.3. The horizontal axis shows comparisons with the regional competitors. The vertical axis shows comparison with global competitors. The data is plotted by taking the difference between the Dubai score and the average for the class of competitors (the scores have already been normalized on a 0 – 100 scale). Thus, for example, Dubai scores above the

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<sup>40</sup> In accordance with article 7 of UAE constitution

<sup>41</sup> Qualitative data may also be used, but this is usually converted to a quantitative form in order to make visual and other presentations of the data possible.

<sup>42</sup> As far as the author is aware this is the first report which focuses in cities; the usual focus is countries. Thus, there is a wealth of data which permits benchmarking of the UAE (see Zamzam, 2011) but none (outside the EIU study) which presents a range of data at the city level.

<sup>43</sup> The obvious omission here is Bahrain, but the report does not provide any data for Bahrain.

average on “Physical capital” against both sets of competitors, the scores used for plotting the data are those taken from the “Deviation” row of Tables 4.3 and 4.4.

Whilst considerable care must be taken to avoid over-interpretation of the data and the subsequent drawing of firm conclusions, the visual picture shown in Figure 4.3 is compelling. The graph contains four quadrants. The top right-hand quadrant is one where Dubai outperforms both regional and global competitors; indicators which fall in this area can be seen as suggesting genuine strengths of the Dubai economy. The location of physical capital and institutional effectiveness in this quadrant accords with the arguments of this chapter and reflects Dubai’s development planning objectives over the study period. By contrast, the bottom left hand quadrant shows areas where Dubai is falling behind both regional and global competitors. These can be seen as areas of major weakness. Unsurprisingly economic strength is one such area and underlines the impact of the 2008 financial crisis on Dubai.

Areas in the top left hand quadrant are those in which Dubai falls behind regional competitors but outperforms global competitors. Given the deliberate choice of global competitors as ones which Dubai wishes to emulate this area is empty. The bottom right hand quadrant shows areas where Dubai outperforms regional competitors but underperforms compared to global ones. These represent areas for potential improvement. Surprisingly, given Dubai’s emphasis on openness and the claim that it is a highly attractive place to live and work, “global appeal” and “social and cultural character” fall in this category. A partial, and instructive, explanation is contained in the definition of the indicators (see Appendix 4.1). “Global appeal” is measured by the presence of “globally renowned institutions” such as headquarters of Fortune 500 companies, world-class research institutes and universities from the top reaches of world rankings. As noted at a number of points in this thesis, Dubai does not have any world class higher education or research institutions. “Social and cultural character” covers freedom of expression and human rights, openness and diversity, crime levels and “cultural vibrancy”<sup>44</sup>.

#### **4.9 Summary**

As noted in Chapter 2 (Section 2.11) the history of economic development planning in Dubai has been a short one when compared to most developed countries, although it is considerably longer than that in GCC neighbours such as Abu Dhabi and Qatar or even the UAE itself. The

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<sup>44</sup> Availability of quality restaurants, quality theatre productions, music concerts, international book fairs and presence of UNESCO world heritage sites.

establishment of the Department of Economic Development in 1992 both established a clear focus for economic development planning and separated responsibility in the development planning arena from the administrative and bureaucratic processes of business licensing. The advent of formal and structured economic development planning in the early 1990's, with the substantial help and direct involvement of the UN, corresponded with the high degree of interest in, and influence of, Porter's theories of the roots of national competitive advantage. Chapter 2 has discussed the key elements of the Porterian framework, and it forms an important element of the background to discussing the evidence on Dubai's economic development planning presented in Chapters 5 and 6.

This chapter has presented a discussion of some of the major contextual elements of the Dubai economy. It has not attempted to be an exhaustive account, but has sought to concentrate on those features which are likely to be most important in informing a discussion of transformational change. As is often the case, it may be that future development is inhibited by the past rather than aided by it; the economy has become a victim of its own success. In this case the very rapid development of Dubai has been based on massive physical infrastructure development and a degree of economic liberalism. This has sucked in expatriate labour, both skilled and unskilled. By most standards the labour market is highly distorted, but it has fulfilled its purpose well. However, future developments will require cultural and labour market shifts to promote the creativity, innovation and entrepreneurship which a knowledge-based economy depends on.

On the other hand the historical culture of free trade and the centrality of Dubai to the region are assets which stand the Emirate in good stead in its future development. Dubai is not struggling with a legacy of depleted oil, it is suffering from the effects of the global economic crisis of 2008 onwards and a collapse in the property sector. These have both placed a development model based on physical infrastructure development in doubt and accentuated the need to diversify the economy further. A particular consequence of this is that emphasis will need to be placed on rapid development of the educational and research infrastructure.

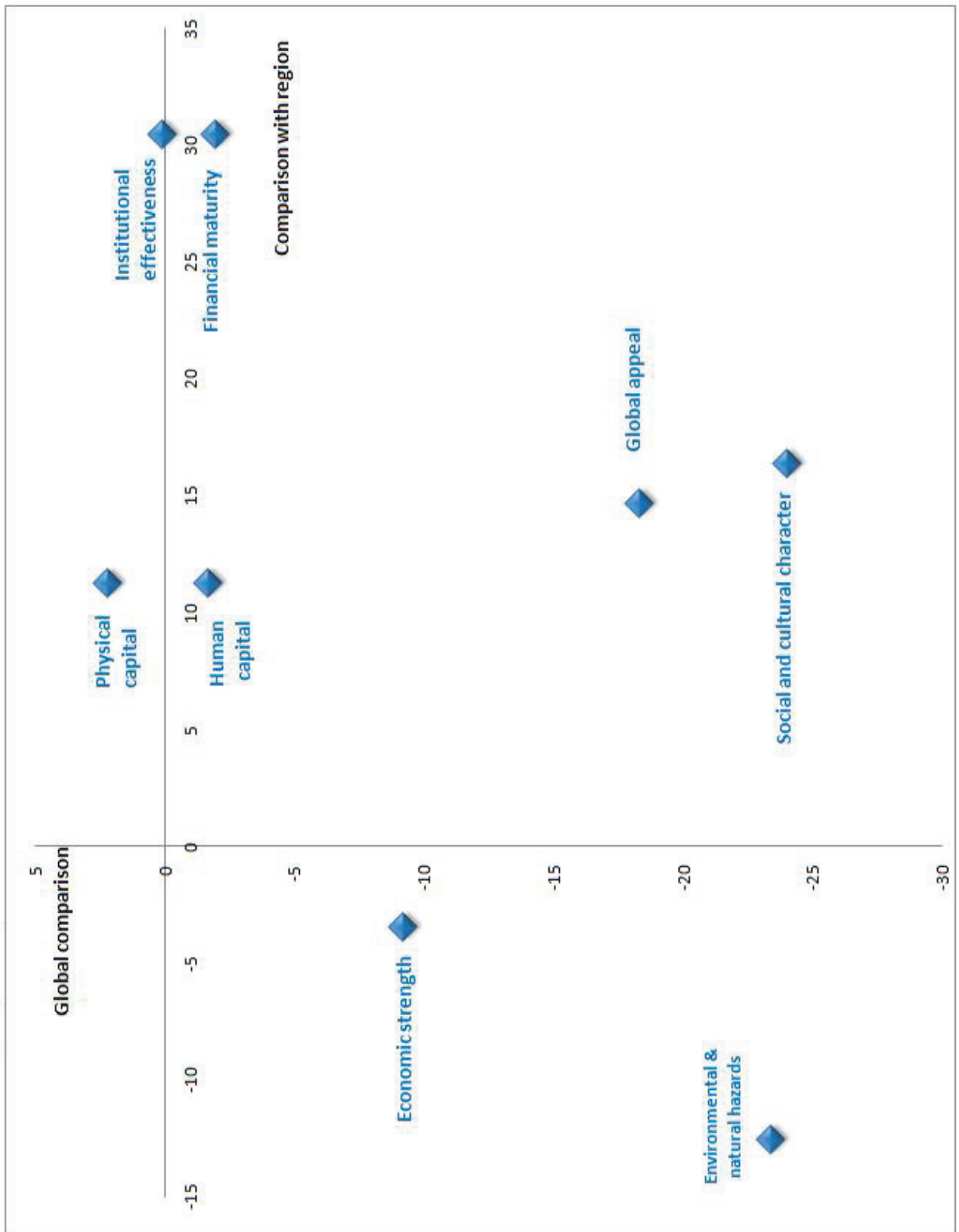
**Table 4.3: Ranking of Regional Competitors**

City	Economic strength	Physical capital	Financial maturity	Institutional effectiveness	Social and cultural character	Human capital	Environmental & natural hazards	Global appeal
Dubai	37	82.1	83.3	72.7	49.2	69.1	50	20
Abu Dhabi	42.5	85.7	66.7	72.7	36.7	71.2	75	5.9
Cairo	33.6	50.9	33.3	28.6	41.7	48.2	41.7	8.1
Doha	53.7	71.4	66.7	42.9	34.2	64.3	87.5	7.7
Kuwait City	40.2	74.1	66.7	35.5	29.2	60	37.5	3.6
Muscat	35.4	81.3	50	39.8	29.2	61.6	45.8	3
Riyadh	36.8	61.6	33.3	33.9	25.8	41.4	87.5	3.4
Average	40.4	70.8	52.8	42.2	32.8	57.8	62.5	5.3
Deviation	-3.4	11.3	30.5	30.5	16.4	11.3	-12.5	14.7
Notes	See Appendix 4.1 for derivation of rankings. Rankings available for 120 cities.							
	Figures in green in the Dubai row show indicators where Dubai scores above the regional average.							
	and indicate sources of relative potential competitive advantage; figures in red show the opposite.							
	Averages exclude Dubai.							

**Table 4.4: Ranking of Global Competitors**

City	Economic strength	Physical capital	Financial maturity	Institutional effectiveness	Social and cultural character	Human capital	Environmental & natural hazards	Global appeal
Dubai	37	82.1	83.3	72.7	49.2	69.1	50	20
Bangalore	45.9	47.3	33.3	50.1	40.8	57.9	87.5	1.7
Dublin	31.2	90.2	83.3	67	90	82.8	75	20.9
Hong Kong	43.8	100	100	85.3	79.2	82.4	66.7	37.7
K.L	55	38	82.1	83.3	57.1	57.5	65.9	79.2
London	41.9	90.2	100	83.8	92.5	75.6	75	65.3
New York	54	92	100	85.8	95	76.5	66.7	35.7
Shanghai	51.8	81.3	83.3	37.6	53.3	63.7	62.5	22.6
Singapore	46	100	100	87.8	77.5	69.8	87.5	43.2
Average	46.2	79.9	85.3	72.6	73.2	70.8	73.4	38.3
Deviation	-9.2	2.2	-2.0	0.1	-24.0	-1.7	-23.4	-18.3
Notes	See Appendix 4.1 for derivation of rankings. Rankings available for 120 cities.							
	Figures in green in the Dubai row show indicators where Dubai scores above the regional average.							
	and indicate sources of relative potential competitive advantage; figures in red show the opposite.							
	Average figures exclude Dubai							
	K.L. = Kuala Lumpur							

Figure 4.3: Mapping of competitiveness indicators



## **Annex 4.1: Definition of Competitiveness Indicators**

### ***Economic strength***

Nominal GDP  
GDP per capita  
Households with annual consumption greater than US\$14,000 per annum  
Real GDP growth rate  
Regional market integration

### ***Human capital***

Population growth  
Working-age population  
Entrepreneurship and risk-taking mindset  
Quality of education  
Quality of healthcare  
Ease of hiring of foreign nationals

### ***Institutional effectiveness***

Electoral processes and pluralism  
Local government fiscal autonomy  
Taxation  
Rule of law  
Government effectiveness

### ***Financial maturity***

Breadth and depth of the financial cluster

### ***Global appeal***

Number of Fortune 500 companies headquartered in the city.  
Frequency of international flights per week from the city's major airport.  
Number of international conferences and seminars.  
Number of universities and postgraduate degree programmes (MBA and science and technology) featuring in world rankings.  
Number of world-leading think-tanks and research institutes.

### ***Physical capital***

Quality of physical infrastructure  
Quality of public transport  
Quality of telecommunications infrastructure

### ***Environmental and natural hazards***

Risk of natural disasters  
Quality of environmental governance

### ***Social and cultural character***

Freedom of expression and human rights  
Openness and diversity  
Presence of crime in the society  
Cultural vibrancy



# Chapter 5

## Dubai's Strategic Plans

### 5.1 Introduction

This chapter analyses and compares the three strategic plans published by the government of Dubai in 1996, 2003 and 2007. The 1996 Plan was initially intended to be the basis for detailed planning for the period 1996-2000 and a roadmap until 2030. The 2003 Plan covered the period 2003-2007 and the 2007 Plan was intended to take Dubai forward to 2015. It is not intended to give a comprehensive account of the contents of the three plans. The aim here is to provide a brief comparative analysis of the plans in order to attempt to trace the changes in emphasis of Dubai's intended development paths over the period covered by this thesis and to uncover changes in the thinking underlying those plans. The overall results of the analysis are initially presented as a series of mindmaps. These have been generated using the software techniques outlined in Chapter 3. As explained in Chapter 3, the analysis allows the documents to "speak for themselves" rather than be examined in the context of ex-ante determined criteria.

Mindmaps provide a very useful means of summarizing the content of the plans. The central element of the map is the major topic of the document as indicated in the title or described in another way. Themes are represented by the branches and are ordered (top to bottom) in terms of frequency of occurrence in the document. The graphical representation allows the researcher to identify areas of similarity and difference much more easily than direct comparison of the underlying text would allow. The mindmap also allows a degree of interactivity which promotes active exploration of the underlying themes. With an interactive PDF version of the mindmap it is possible to click on a topic and obtain a complete summary of all the references to the original text which have been used to generate that particular topic. Arguably this enables deeper exploration of the underlying document than would otherwise have been possible.

## 5.2 The 1996 Plan

The 1996 plan, originally published on 27 March, was entitled *Into the 21<sup>st</sup>. century: A strategic plan to build a fully diversified and prosperous economy* (DED, 1996)<sup>1</sup>. Prior to this Dubai did not have a formal strategic plan for the development of the Emirate (Europa, 2004). The early sections of the plan essentially comprise an internal audit, which is heavily dependent on “the analysis and extrapolation of existing data” and an external audit covering a macro view of global trends. The historical background against for this analysis was one of contraction; real GDP growth in Dubai fell at an average rate of (-) 1.6% over the period 1985-1990 and, indeed, it was this experience which prompted a more structured approach to economic development planning in Dubai. As the Plan states, the

*...contraction suffered by the economy of Dubai during much of the 1980's has been a sharp reminder of the urgent need for concerted policy measures and other systematic efforts for steering and managing the economy...*

Thus, the 1996 Plan was developed to

*... provide a comprehensive, coordinated and continuous means of attaining economic goals for the Emirate...*

However, there were undoubtedly informal plans in earlier times and, as the discussion of the history of Dubai shows, there is evidence for the existence of a strategy for the development of Dubai prior to 1996.<sup>2</sup>

The overarching aim of the 1996 Plan was expressed as:

*...Dubai's long-term goals are virtually the same as for the nation<sup>3</sup>-- to sustain the high income level and further strengthen the economic diversification process. Thus, the vision set for Dubai is that of attaining the status and orientation of a developed economy on the strength of non-oil components of the economy by the year 2010. Beyond this target date (say, 2010-2030), the aim will be to catch up with the first league of developed economies, on a moving target basis,*

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<sup>1</sup> This refers to the publicly published “Highlights” document. The full version of the Plan is a confidential document of some 360 A4 pages. The author is grateful to the Dubai Department of Economic Development for making a copy available to him for the purpose of this research. The mindmaps shown here are based on the full version of the plan.

<sup>2</sup> As Mintzberg (1978) pointed out in a classic article strategy does not have to be deliberate in the sense of being a set of defined plans which are made in advance of specific decisions. In Mintzberg's view, now widely accepted, evidence for the existence of a strategy is seen in actions, thus strategy is a “pattern in a stream of decisions”. The obverse is also the case, that is, even if a document labelled “strategy” exists, there will not be a realised strategy unless it is followed with some degree of consistency.

<sup>3</sup> That is, the UAE.

*in at least three key areas..... Economic Dynamism; Quality of Life; Regional Cooperation and Integration... (pp. 12-13)*

“Economic dynamism” was seen as being based on non-oil economic growth, local investment and entrepreneurship and increased penetration of regional markets. “Quality of life” was identified as the product of a high quality physical and social environment and improved purchasing power. It also held out the vision of Dubai as “a cultivated, just and caring society”. “Regional cooperation and integration” was to be based cooperation in trade and industry as well as “inner and outer” globalization of investment<sup>4</sup>. Whilst there is a confusion here between regional and global ambitions, the plan attempts to rationalize this by seeing Dubai as a regional hub for some specific sectors (for example finance, trade and logistics) within a global marketplace. The plan argues that

*...AGCC<sup>5</sup> countries are competing with one another rather than pursuing a complementary development strategy by specializing in selected activities corresponding to their competitive advantages...*

This statement seems to reflect a comparative advantage view of the sources of national competitiveness rather than one based a Porterian or similar view of the world. The implicit argument might be that oil-rich neighbours should keep out of sectors in which Dubai wished to develop.

The “status and orientation” of a developed economy was defined by benchmarking GDP per capita against developed countries and it

*...would also mean having<sup>6</sup> a well-educated and skilled workforce and an excellent business environment to sustain the high income levels in the Emirate... (p. 13)*

In the event the GDP targets were easily met and succeeded<sup>7</sup>; the challenge, as Chapter 4 has shown, of accessing a well-educated and skilled workforce on a sustainable basis remains.

Figure 5.1 presents a mindmap summarizing the 1996 Plan. The major themes are represented by the blue lozenges. They are listed in order of prominence in the overall plan from top to

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<sup>4</sup> Presumably what is meant here is “inward and outward”; in the former case this would mean FDI and in the latter globalization of the portfolios of state owned companies by foreign acquisition.

<sup>5</sup> The forerunner of the Gulf Cooperation Council (GCC).

<sup>6</sup> Note the word “having” here. As is evident at a number of points in this thesis, “having” is not the same as “developing”. In another passage the plan sees the issue “posed by the current heavy dependency on....foreign nationals” as being on of sustaining a “harmonious social environment”.

<sup>7</sup> Care must be exercised in interpreting GDP per capita figures. Migrant workers are not included in the calculations.

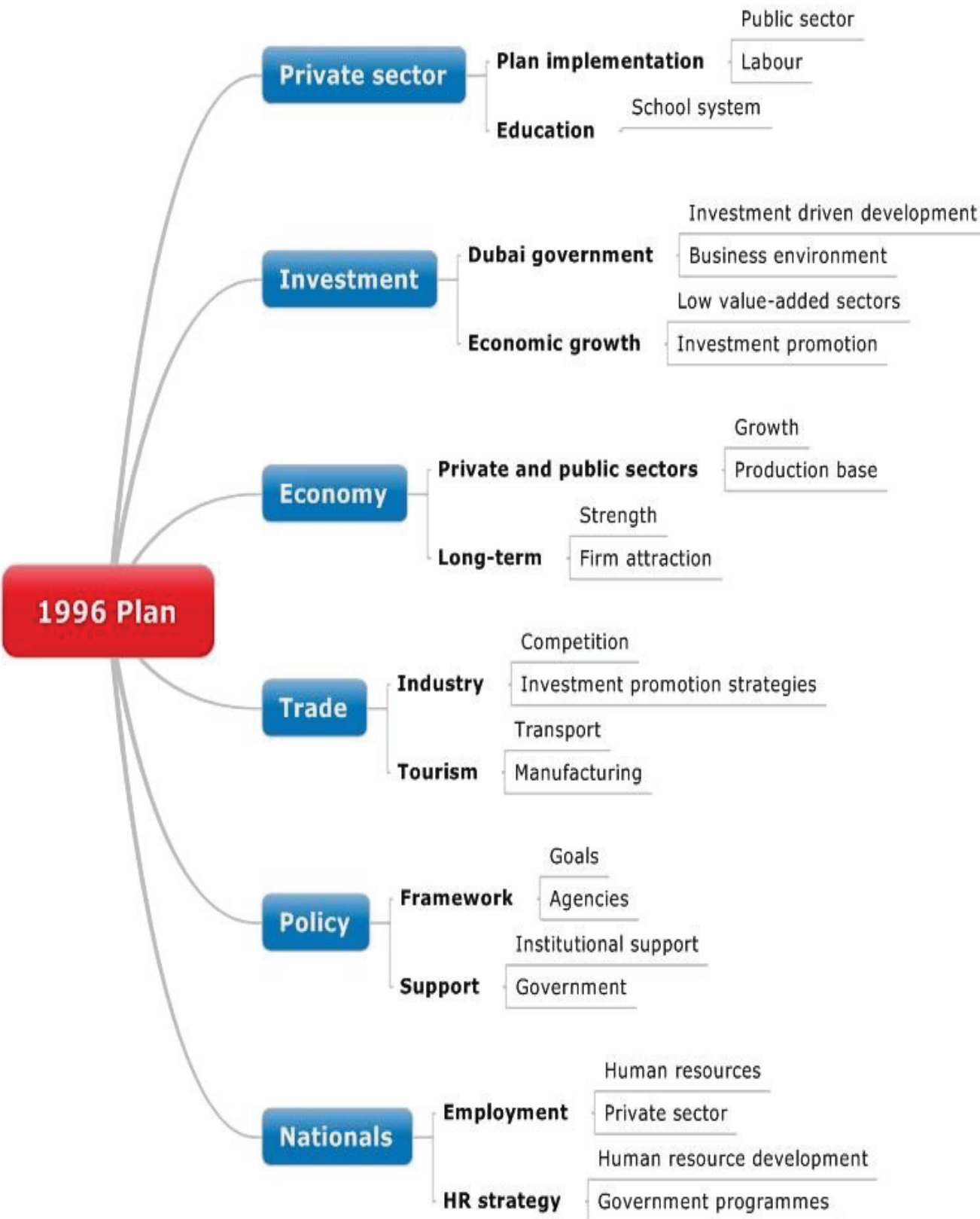
bottom. Within each theme sub-themes are again presented in order of prominence in the plan document. Some themes occur more than once. This occurs because of the linking of some themes to more than one sub-theme. Thus the theme “private sector” appears as a major theme in its own right, but also as a significant sub-theme linked through to the employment of nationals and its relationship to the public sector in generating growth in the economy.

The 1996 Plan makes explicit reference to Porter’s stages of development model. In particular the aim is to push Dubai (from the factor-driven stage) firmly into the investment driven stage:

*...The Strategic Plan for the period 1996-2000 will..... act as an instrument for..... laying a firm foundation for the Emirate’s Investment Driven stage of development...*

In the investment stage of development competitive advantage is created through major investment in infrastructure and industry. The base on which sustainable competitive advantage is built is developed through improving the quality and supply of capital and labour (improved factor conditions), technology improvements and creation of a more sophisticated business environment. The 1996 Plan also looked forward to 2010-2020 through the aspiration to become an innovation-driven economy during that period.

Figure 5.1: Mindmap of 1996 Plan



The plan also saw a changing role for government in the economy:

*...It is now generally recognized that entrepreneurial activity is well served by the private sector with the Government concentrating on support services... while the public sector will provide infrastructure and play the facilitating role, the private sector will spearhead the development activities...*

This role for government also includes upgrading business support agencies, such as those involved with licensing, export promotion and attracting FDI, and improving the business environment by reducing the burden of regulation and liberalising employment and business ownership laws. In terms of Porter's Diamond, the plan saw a role for influencing factor conditions, however there is little evidence that the government's potential role in supporting the development of related and supporting industries or of influencing demand conditions to promote rivalry were taken into account.

The 1996 Plan was not transformational in nature, rather it chose to build on existing strengths and follow the path which had already been established. As Hvidt (2009) notes, it is as if Dubai has consciously decided to skip over the industrialization stage of development which has historically bridged the gap between economies based on natural resources, usually agricultural in nature, and those where wealth is predominantly generated through services. Whilst Dubai has never developed a substantial agricultural sector, the jump from pearling and fishing to services via a brief but wealthy period of oil extraction, has been a daring one. The 1996 Plan chose to give added impetus to this shift:

*...The main thrust of the Dubai Strategic Plan 1996-2000 is to achieve high economic growth by promoting and strengthening the fast growing sectors of the economy, namely trade, transport and tourism...*

However, the plan also recognized the difficulties of translating this strategy into one which was capable of creating sustainable competitive advantage. In particular the dangers of relying on cost-based competition were highlighted:

*...A major policy implication is that the basis of international competitiveness must change. It should shift from maintaining a cost advantage between Dubai and other business centres towards matching the capabilities of the developed economies at least in certain key areas such as telecommunications and information technology, skilled workforce, finance and business services, public administration and economic management, and quality of life...*

By benchmarking Dubai against developed countries three factors were identified as dragging the Emirate down; a poor science and technology base, the ease of doing business and human

resource quality. The (limited) benchmarking study undertaken in Chapter 4 suggests that Dubai has had some success in the telecommunications infrastructure and the finance and business services sector, but that much remains to be done in the human capital and quality of life arenas. The plan argued that “technical progress is the most critical factor in influencing competitive advantage of nations”. However, the main thrust of the plan was to promote competitiveness through improving physical infrastructure and reducing the regulatory, cost and tax disincentives to doing business in Dubai.

The sources of Dubai’s existing and developing competitive advantage were identified as:

- Well developed infrastructure
- Establishment of shopping malls and centres
- No direct taxes; corporate or personal
- Low crime and a secure location.
- Modern infrastructure; which is well maintained and efficiently run
- Excellent transport and telecommunication facilities
- Strategic location for regional trading and business activities and a convenient location between Europe and the Far East
- Excellent hotel and residential accommodation, with good living conditions
- Minimum government control and regulation of business activity and relatively free social environment.
- No restrictions on the movement of funds (i.e. foreign exchange) and goods
- Freedom to bring in cheap foreign labour

“Sustainability” in the terms of the 1996 Plan was defined as maintaining the country’s high income level and a high rate of economic growth and the “dynamism” of the trade, tourism, and transport sectors by adopting a policy of further expanding facilities as well as upgrading the quality of these services. This would also require net inward capital inflows to be sustained. The main routes towards achieving sustainability in these terms were workforce development, economic diversification and the application of technology. Other dimensions of sustainability, for example environmental ones, did not feature.

The 1996 Plan also analyzed the role of nationals in contributing to the development of the economy. The plan proposed the creation of a Human Resources Unit to coordinate, plan and

implement government policies and programmes relating to the labour market and the employment of nationals in particular. However, the plan was critical of the “employability” of nationals. In part this was ascribed to a mismatch between the education system and labour market demand. This would require improving the quality of education and expanding technical and professional training. The more difficult problem, perhaps, lay in improving the work ethic of nationals. The plan explicitly criticizes their punctuality, work discipline, commitment and loyalty. Apart from a vague suggestion that orientation programmes for new entrants to the labour market should be provided, the plan failed to make any proposals as to how this might be rectified.

The 1996 Plan also embraces a limited view of clustering as a development policy; it aimed to

*...improve the competitiveness of the manufacturing sector by achieving economies of scale through clustering industries and promoting ‘inter-industry’ linkages...*

The local and perhaps even the regional, market for many products is too small for economies of scale to be achieved. However, the reference to promoting inter-industry linkages suggests a strategy based on promoting external economies of scope rather than the pursuit of scale. As argued in Chapter 2, the concept of economies of scale is not a helpful one in trying to understand how knowledge-based clusters work and can be developed.

### **5.3 The 2003-2007 Plan**

The second strategic plan for Dubai was published in 2003 under the title *New Dubai in a New Economy* (DED, 2003). The document is 83 pages in length. The plan

*...sets out the vision for the Emirate up to 2030 as “attaining the ‘status’ and ‘orientation’ of a developed economy on the strength of non-oil sectors of the economy by year 2010. It would also mean having a well-educated and skilled work force and an excellent business environment to sustain the high income levels in the Emirate. Beyond 2010, Dubai would aim at catching up with the first league of developed economies..... in at least three key areas, viz Economic Dynamism, Quality of life and Regional Co-operation and Integration...*

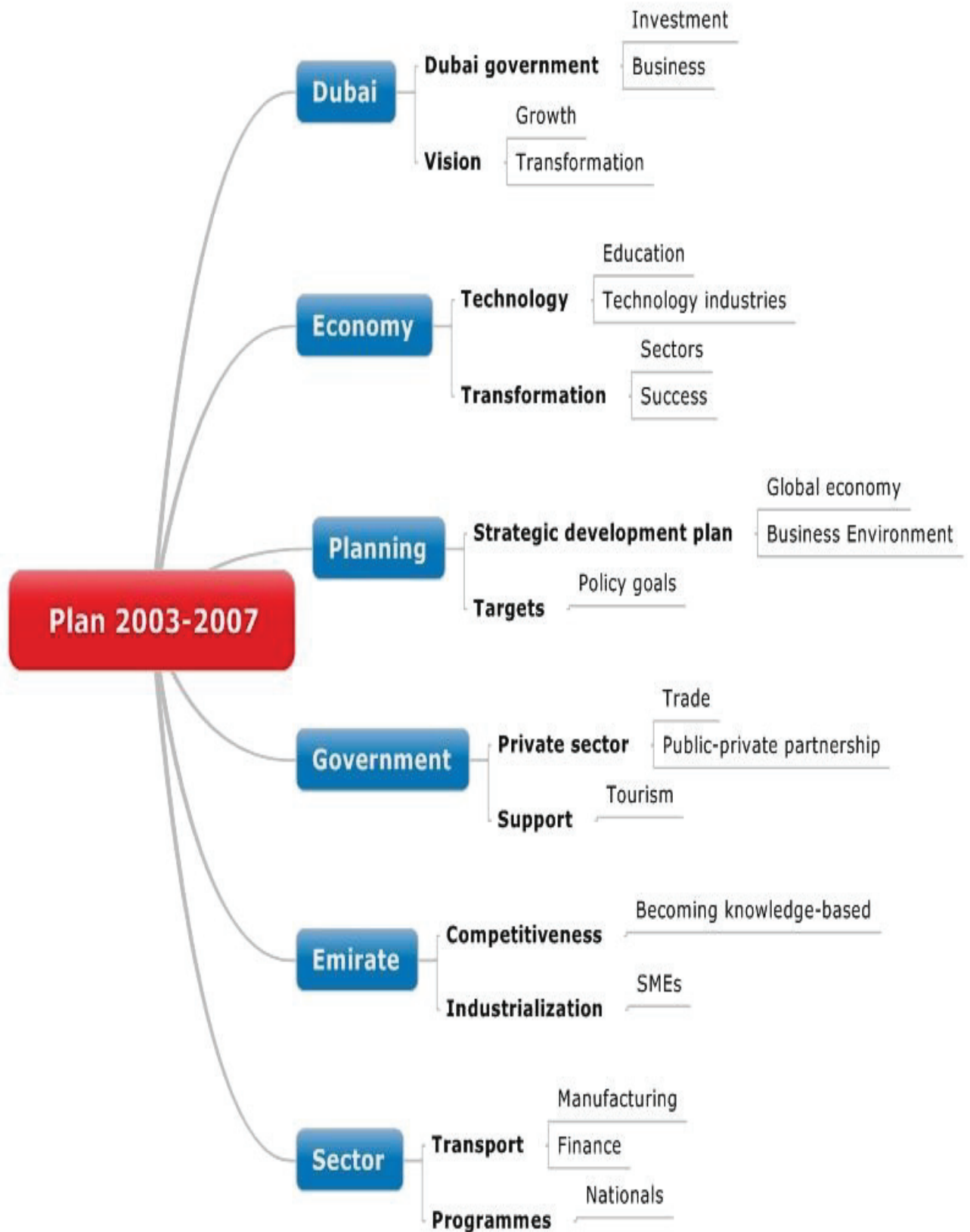
This repetition of the 1996 Plan aims recognized that the programme set out in that plan was still work in progress. However, the new sentence referring to a “well-educated and skilled work force and an excellent business environment” is an important addition. The document uses the phrase “positioning Dubai in the global economy” as shorthand for the proposed overall approach and refers to the period 1996-2000 as the “preparatory phase”.



Figure 5.2 shows a high level summary of the major themes of the plan in mindmap form. It reveals that the 2003 Plan was heavily concerned with the changing role of the government in the economy. The plan states that a “fresh approach” which embraces “a definitive break from old economic structures” is needed. This implied a breaking down of existing silos and a public-private partnership approach and multi-agency working within government and relevant NGOs. It argued that the Dubai Government needed to take a leadership position and develop co-ordinated action plans in six strategic areas:

- Developing a favourable business climate
- Upgrading the strategic infrastructure, particularly in the physical (roads, ports, airports etc) and digital (ICT networks) communications and the social arenas (education, health etc)
- Mobilizing the government, the private sector and education to create a culture of “innovation and design”
- Investing in human capital to develop a labour force capable of sustaining and developing a knowledge-based economy
- Promoting private sector investment in the economy, both by existing firms and through further participation by foreign firms (FDI)
- Promoting regional co-operation as a means of expanding Dubai’s market into the wider region

Figure 5.2: Mindmap of 2003-2007 Plan



This contrasts with the role of government in the 1996 Plan which focused on direct investment in physical infrastructure and facilitating business through improving the business climate by liberalizing the regulatory structure. Whilst these foci remain in the 2003 Plan, new emphases have been added. However, the government role in these additional areas is seen as “promoting” and “mobilizing” rather than directly funding. The exception is direct investment in education, particularly the tertiary and higher sectors. The need for investment in education as a means of developing a sustainable base for future development is firmly linked to the aspiration to become a knowledge-based economy. For example, the plan states that:

*...Now that knowledge is the most important factor of production, the government must re-evaluate the public sector’s role in facilitating the start-up of new business, attracting knowledge workers who power these businesses, and creating conducive amenities for workers and businesses to flourish... (page 28)*

*...In the Knowledge-based economy, the ability to attract talent creates significant advantage. Talent has become the single most critical factor of production. In the mass production era, competition revolved around the competition for firms. The location decisions of firms drove regional economies, and the location decisions of people followed from location of firms. For regions, the key was to combine endowments of natural resources or energy with advantages of transportation systems, labor costs, and/or business incentives to attract firms and industry..... In the knowledge-based economy, those places that have talent thrive, while those that do not decline..... economic growth increasingly turns on the ability to generate, to attract and maintain the talent base needed to create and grow technology-based companies...(pages 67-68)*

However, the proposed policies for attracting<sup>8</sup> and retaining talent may be questionable. In analysis of the factors which might attract (young) knowledge workers to a particular location, the emphasis is placed on lifestyle factors such as recreational amenities and environmental attractiveness (pages 68-69). So, for example, Dubai

*...must..... upgrade the areas surrounding universities and colleges and make them centers for Knowledge-based Economy recreational amenities... (page 68)*

This limited role of education contrasts with that of a later discussion of the H.H. Sheikh Mohammed IT Education Project (pp.39-40) where the wider role of education in economic development is recognized:

*...As the developer of human capital, education is an engine for economic growth and development..... it is the means by which people can take advantage of economic opportunities,*

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<sup>8</sup> Note, again, the use the term “attracting” when referring to talent. The term “attracting” rather than “developing and retaining” seems to suggest a lack of confidence that the domestic education sector will be capable of supplying talent to the new economy.

*enabling them to increase their income, self-sufficiency and social development. Educating skills and training of Dubai citizens are keys to the Emirate's competitive advantage...*

The plan largely passes over the intellectual, dynamic learning and career development aspects of knowledge-based clusters (see Chapter 2 for a discussion) and the role of high quality, well-funded universities and research institutes in attracting knowledge workers and knowledge-based firms<sup>9</sup>. Note that, in Figure 5.2, education only appears as a third level theme. In a revealing section (pages 7-8) the plan suggests a number of characteristics which the Dubai economy could exhibit by the year 2020. The list included Dubai becoming

*...the most opportune place for excellence and innovation in which educational institutions, government and the private sector interact and participate in sustaining a knowledge-based economy...*

an aspiration which clearly reflects the Triple-Helix model of economic development. A further passage in the plan states that

*...In the Knowledge-based economy, the economic success of any government will increasingly be determined but how effectively it can advance technological innovation, entrepreneurship, education and specialized skills and the transition of all organizations – public and private – from bureaucratic hierarchies to learning networks...*

Thus, the major recurring theme of the 2003 Plan is one of “transformation” of the economy to a modern knowledge-based one which relies on, and exploits, digital technologies. The term “transformation” is only tentatively defined:

*...transformation as an abstract concept could be defined as shifting from the present state of affairs to a qualitatively advanced one...*

However, the shift from the 1996 emphasis on quantitative targets to recognition that qualitative dimension of economic development planning are also important is, of itself, an important element of transformation. The 1996 Plan was seen as preparing Dubai for “its desired position in the global economy”. The aspiration in the 2003 Plan was to

*...integrate (the Dubai economy) positively into the global economy, which is becoming more and more knowledge-based and digitized...*

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<sup>9</sup> The distinction made in the quotes above is probably not as clear-cut as the plan tries to suggest. In general terms it may be the case that, in the past, labour has not made independent decisions about their location and has either followed firms or sought employment in the firms and industries that happen to be present where they were born or live. Whilst firm location is an important element in attracting mobile labour in a knowledge-based economy, it does not fully explain why firms locate where they do. For the firm access to research outputs, the availability of a local stream of talent and proximity to other knowledge-based entities is also important. In such cases labour is likely to follow the firm. The influx of talent to Northern Finland in the 1990's is a useful example (Morris et al, 2008).

Whilst the 1996 Plan also contains an aspiration to develop technology-based industries, a clear distinction is drawn in the 2003 Plan between the “capital intensive/advanced technology industries” promoted in the 1996 Plan and the 2003 targeted “knowledge-based/high technology industries”. The former were largely linked to the oil and petrochemicals sector and were process industries which generated little employment, particularly for nationals. The latter are seen as reliant on human capital and generators of significant numbers of high quality jobs. The 2003 Plan goes on to argue that

*...concerted effort must be directed towards three leading and two vital economic sectors, which act as the gearbox for the transformation process. The three leading sectors are manufacturing, trade and tourism, and the two supporting sectors..... are ICT infrastructure and financial services...*<sup>10</sup>

Manufacturing illustrates a number of the tensions inherent in economic development planning in Dubai (and elsewhere). The manufacturing sector accounts for less than 10% of GDP<sup>11</sup> but is nevertheless important and there are significant opportunities for regional leadership in some areas. The sector comprises a few large enterprises and a much larger number of small enterprises based on low-technology, low-wage, labour intensive production. As such they employ very few nationals and find it difficult to compete in other than the local market. Investment in the larger firms would probably, as is often the case in manufacturing, result in more capital intensive production methods being employed and a demand for a smaller, more highly skilled and qualified workforce. Again this is unlikely to be comprised of nationals due to the lack of supply of suitably qualified people and the differential between the public sector salaries and those the private sector can afford. Note here that the private sector is exposed to competition whilst the public sector in Dubai is not. However, the hope is that investment projects in larger enterprises will generate higher quality jobs in the local supply chain and act as a catalyst for qualitative improvement in the wider manufacturing sector.

#### **5.4 The 2007 Plan**

The Dubai Strategic Plan 2007- 2015 (Executive Office, 2007) was published in February 2007. Unlike previous plans, the 2007 publication was made freely available. It was presented under the sub-title of *Dubai...where the future begins*. The publicly available document is forty pages in length. The public publication of the plan document reflects the wider consultation of

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<sup>10</sup> Presumably the analogy is to the leading sectors being the “engine” of change and ICT and finance being the “gearbox”.

<sup>11</sup> Significantly more than oil.

stakeholders undertaken compared with previous planning phases. However, the focus of the plan is more clearly on government activities than in the 2003 Plan which saw a less direct role for government in the economy. The overall aim of the 2007 Plan is expressed as:

*...to establish a universal understanding of Dubai's vision among the various government entities and ensure a common framework for the operations of these entities. The plan serves as a framework under which all government related initiatives converge to consistently meet the vision and objectives set by Dubai's Government...*

The plan identifies, and was developed and structured around, five key sectors:

- Economic development
- Social development
- Infrastructure, land and environment
- Security, justice and safety
- Public sector excellence

Each sector plan developed a number of strategic thrusts; these are briefly summarized in Table 5.1. Surprisingly, perhaps, given the emphasis on consistency in the planning process, each sector plan developed its own strategic thrusts framework and means of presenting them. These were then aggregated to form the core of the plan. The rows of Table 5.1 show the five sectors and the columns are the author's groupings of strategic thrusts according to similarity. The first eight columns correspond to the strategic thrusts of the Economic Development Plan section. Subsequent columns have been added where sections of the overall plan introduce additional strategic thrusts. The mapping in Table 5.1, and particularly the number of empty cells, would suggest that more cross-agency work may be needed to achieve the consistency of approach which is desired. The alternative approach of asking each sector working group to identify strategic thrusts relevant to its own area and then discussing these across the five groups to identify a reduced common list may have produced a greater degree of consistency. The empty cells of Table 5.1 need not all be empty, there are useful opportunities to devise greater synergies between the sector plans.

Table 5.1 can be compared to Figure 5.3 which has been derived from the computer-based content analysis. There are some marked shifts from the 2003 Plan. Competitiveness does not feature at all as a theme. There is relatively little on the role of the private sector. The

transformation theme is absent<sup>12</sup>. The clear pattern of development linking the 1996 and 2003 Plans is not evident between the 2003 and 2007 Plans. On the other hand the scope of the 2007 Plan is much broader. The economic development elements are now one element out of five rather than being the predominant focus. The wider scope of the planning process is justified by the argument that

*...only those countries with an infrastructure supporting effective social development are able to sustain higher levels of continuous economic growth...*

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<sup>12</sup> The plan essentially confines itself to the comment that Dubai should be a “vibrant science and technology hub”.

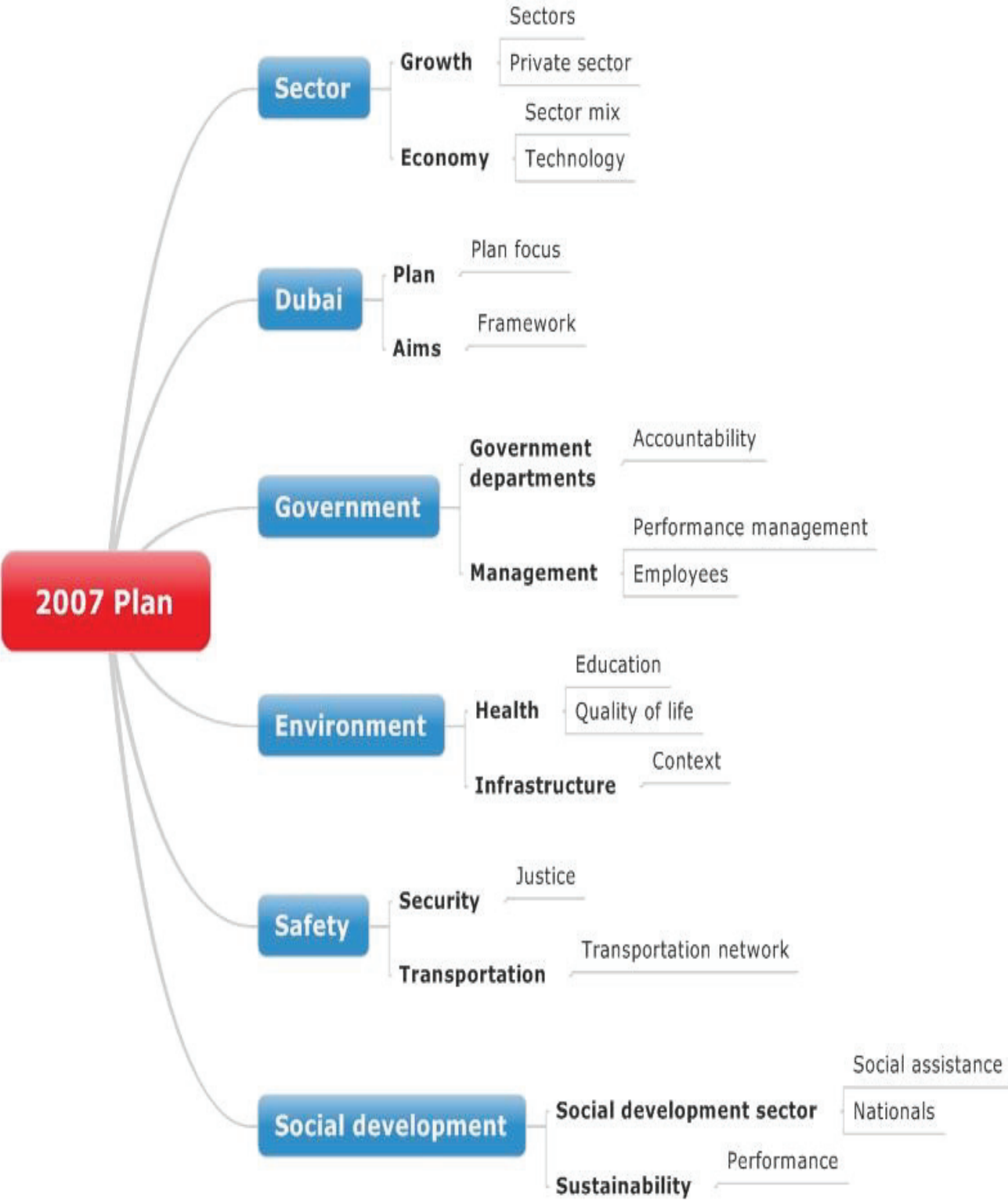
**Table 5.1 Mapping of Sectors and Strategic Thrusts (2007 Plan)**

<b>Sector Plan</b>	Sector development; further diversification and backing existing winners	Raise productivity	Human capital excellence	Science, technology and innovation capacity building	Manage rising cost of living	Quality of life improvement	Policy and institutional framework excellence	Align laws and regulations					
<b>Economic Development</b>													
<b>Social Development</b>			Increase nationals' participation in the workforce and society. Education system improvement.			Improve the quality of healthcare services. Ensure quality social services are provided.		Ensure equality and acceptable working conditions for Dubai's workforce	Preserve national identity and improve social cohesion	Enrich Dubai's cultural environment			
<b>Infrastructure, Land and Environment</b>		Optimise land use. Ensure efficient energy and water supplies over the long term. Raise transport system capacity.			Ensure adequate supply of low and medium income housing.	Develop community facilities.		Align environmental regulation with international standards.	Enhance Nationals' housing policies and programs	Adopt a sustainable development approach			Improve road and transport safety
<b>Security, Justice and Safety</b>						Protect public health and improve quality of life. Improve access to justice.		Guarantee equality, neutrality, accuracy and clarity of judicial judgements and investigations					Ensure public safety; preserve security and order
<b>Public Sector Excellence</b>	Strengthen strategic focus and planning capacity	Increase public sector efficiency and improve service delivery.		Exploit new technologies to improve communications and service delivery.		Enhance responsiveness and customer service.							

Source: Author



Figure 5.3: Mindmap of 2007 Pan



However, the social development strategy may not be equally applied to all sections of the population. In a speech announcing the launch of the plan (reported by AMEinfo, 2007), H.H. Sheikh Mohammed said

*...At the end of the day, social development is aimed at Nationals, and we want Nationals to be the major instruments of its implementation...*

This contrasts with the emphasis placed on social inclusion in the 2003 Plan and is reinforced by the addition to the Government's mission for the plan of "protecting Nationals' interests, public interest and wellbeing". The plan envisaged that initiatives would be undertaken to ensure nationals were the preferred employees in strategic sectors. These initiatives would be aimed at improving education and skills development. Nationals would also be equipped with the necessary life skills to cope with a rapidly changing world.

The 2007 Plan embraces what it calls a "supply-side" emphasis through identifying supporting factors that have significantly contributed to economic growth. These include the presence of an efficient government, a solid institutional framework and effective mechanisms in the delivery of services, strong laws and regulations, an excellent logistics' infrastructure and a strategic location. Whilst the term "supply-side" is being used in a somewhat loose sense here, the strategic approach is clearly one that stresses the direct role of government in the economy. The emphasis on the supply side of the economy is also in marked contrast to the use of demand stimulus measures, particularly public procurement, for which Dubai is better known. In part this shift back towards a stronger role for government in the economy can be seen as a response to the problems experienced as a result of the very rapid growth in the economy in the period from 2001 to 2006. Dubai's tendency to favour a free market system coupled with rapid growth created opportunities for abuse, for example violation of the rights of migrant workers. The city's physical infrastructure was also stressed as manifested in constant major traffic jams. High inflation was also an issue, particularly in domestic property rents (Business Management, 2008).

#### **5.4.1 The 2020 Economic Strategic Plan<sup>13</sup>**

The optimistic growth targets of the 2007 Plan, for example an annual rate of increase in GDP of 11%, rapidly became untenable during 2008 and 2009. Real growth in many sectors of the

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<sup>13</sup> The Plan is referred to as the 2020 Plan and departs from the naming convention adopted for the first three plans. These were denoted by their publication date. However, there is no publication date for this plan.

Dubai economy, including those which had long been seen as pillars of the economy such as trade, tourism and construction, was negative in 2009. Overall the real growth rate of the Dubai economy was -2.5% in 2009. This outturn would have been far worse if the share of the government services sector in the economy had not increased by a third during the period<sup>14</sup> (Dubai Chamber, 2010). Whilst estimates suggested that GDP growth was positive in 2010 (+2.8%) (BI-ME, 2011) and would probably lie in the (plus) three to five per cent range in 2011 (Gulf News, 2011), the basic assumptions of the 2007 Plan were clearly no longer tenable.

The economic sections of the 2007 Plan were placed under review in May 2009 (Giuffrida and Hafez, 2009). The main emphases of the review were preserving jobs and stabilizing the financial system. A \$20bn cash injection into the economy was provisioned in order to help firms to meet their financing obligations. Much of this went to government-related companies rather than the private sector. The financial crisis exposed a number of structural weaknesses in the Dubai economy, including an over-reliance on construction and real-estate and the extreme character of the labour market.

The outcome of this review was the 2020 Economic Strategic Plan (ESP) which

*...recalibrates policy efforts especially towards the real economy, and carries the responsibility of aiding the intended contribution of the private sector.....an emphasis on supply-side measures.....will complement the demand stimulus... (Augustine, 2011).*

Thus, the 2020 Plan (which has not been publicly published) is to be seen as an adjustment to the 2007 Plan rather than mandating a change in direction. However, there is a clear recognition that much of the private sector will not be able to recover without substantial government support in one form or another.

## 5.5 Comparing the Plans

Figure 5.4 shows the mindmap summary of all the plans taken together. This does not show the features which are constant across the plans but does show how themes emerge from the text if the plans are treated as if they are a single aggregate entity. The core themes have thus been:

- The need to exploit technology and broaden and deepen its base
- Economic diversification

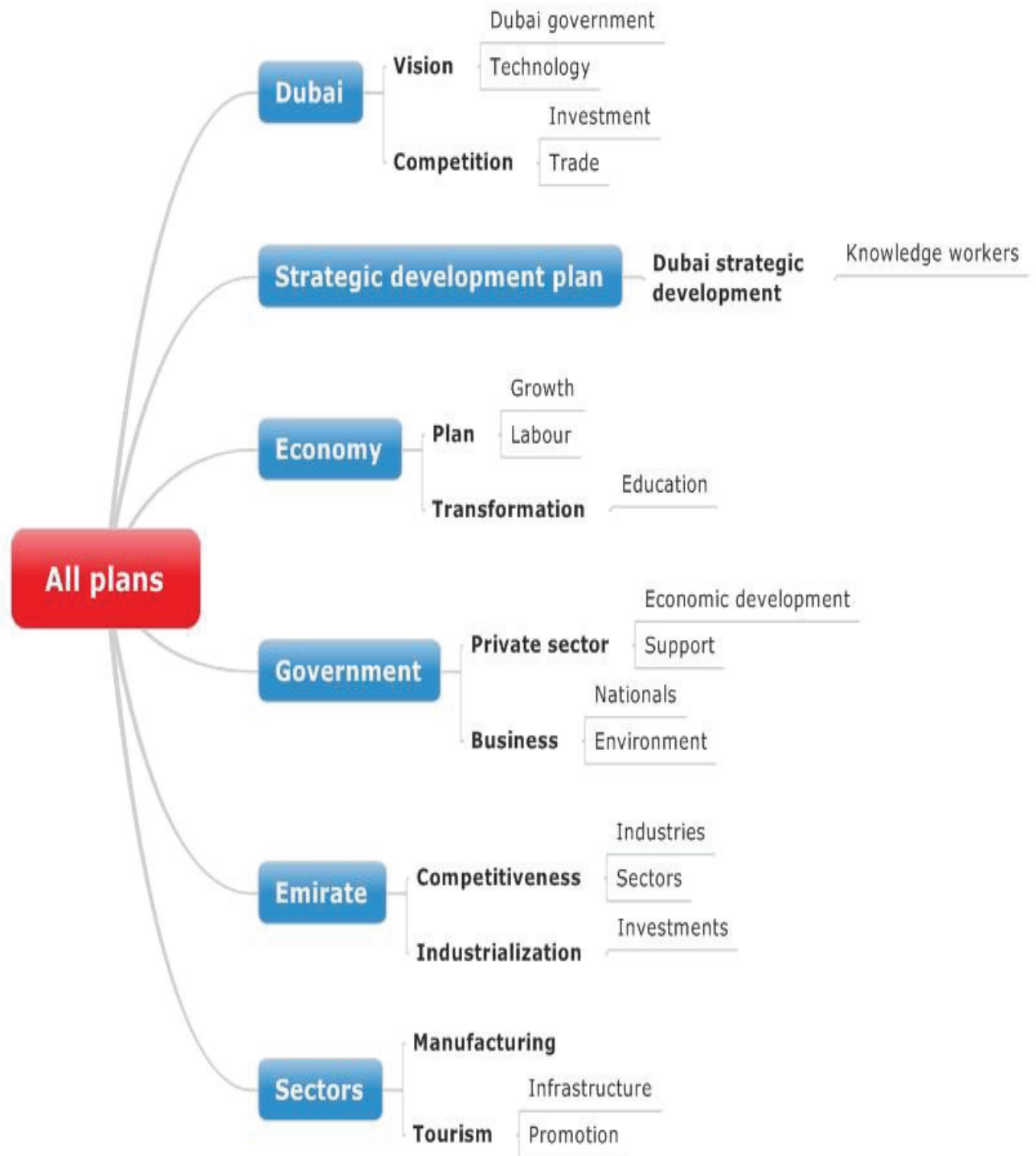
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<sup>14</sup> This runs counter to the long held aim of reducing the share of government services in the economy.

- Shifting the responsibility for growth to the private sector
- The importance of trade and trade revenues and continuing recognition of Dubai as an entrepôt
- A growing concern to transform Dubai into a knowledge-based economy
- A continuing emphasis on GDP growth as the major overall target
- A growing concern with the sustainability of the dual labour market model
- A recognition of the importance of education and the education sector in achieving economic transformation
- The need to supply substantial support to the private sector if it is to increase its share of output.
- The need to find new ways of employing new generations of Nationals outside safe government jobs.
- A continuation of strategic planning which has a sector-based emphasis
- Government responsibility for, and control of, infrastructure development
- A long term emphasis on improving the ease of doing business, promoting economic openness and creating flexibility in the economy.

Table 5.2 provides another form of convenient summary of Dubai's strategic development plans.

Figure 5.4: Mindmap Summary of All Plans



**Table 5.2: The Plans Compared**

Dimension	1966 Plan	2003 Plan	2007 Plan
<b>Vision</b>	Attain the status and orientation of a developed economy by 2010.	Transform Dubai into a knowledge-based economy.	Catch up with the first league of developed economies in three key areas: Economic dynamism Quality of life Regional cooperation and development
<b>Underpinning models</b>	Porter’s stages of development	Positioning Some use of SWOT, value chain analysis and cluster models	“First mover” advantages promoted through strengthening the supply side of the economy.
<b>Main focus</b>	Investment in physical infrastructure and factor improvements. Build on existing strengths. Create an “attractive business environment”. Position Dubai as a regional centre.	Two-pronged approach: (i) build on existing strengths (follow through from 1996), and (ii) transformation to a knowledge-based economy.	Build on existing strengths (the strongest sectors are those forecast to experience the strongest growth globally) coupled with some diversification. Integration of economic and social development. “Joined-up” government. Exploit advanced technologies.
<b>Role of government</b>	Investor in physical infrastructure.	Emphasis on public-private partnerships. Government as enabler and creator of an effective environment for business.	Government back to centre stage role including direct investment in new areas of business development. Government to use investment as a means of building private sector confidence.
<b>Role of private sector</b>	Major role foreseen in almost all areas of the economy.	Major role for private sector in almost all areas of the economy, but many sectors need consolidation into fewer enterprises.	Not discussed to any extent.
<b>Basis of competitiveness</b>	Shift from cost competition to matching capabilities of developed economies. Emphasis on technical progress. Improve competitiveness of the manufacturing sector by achieving economies of scale. Improve transparency, consistency and openness of regulatory frameworks. Develop Free Zones.	Become knowledge-based. Some emphasis on regional markets.	Supply-side improvements. Easier market entry. Greater flexibility in the labour market. Upskilling of the national workforce.
<b>Sustainability</b>		Sustain high income levels.	Aim to sustain “higher levels of continuous economic growth”. Brief mention in one section of environmental sustainability.
<b>Nationals</b>	Increase share of Nationals in employment from 7% to 10%.	Promote and develop local entrepreneurs within private sector.	Welfare of Nationals is prime concern of the plan.

## 5.6 Summary

There can be little argument that, for most of the period covered by this thesis, that Dubai has been highly successful in achieving its development goals. The period from 2009 onwards has yet (at the time of writing this thesis) to come to an end, although there are signs that Dubai's culture of optimism is returning along with slow GDP growth. However, there are a number of issues which stubbornly remain resilient to change:

- The proportion of economic activity accounted for by the government has risen and not fallen; indeed it is the government sector which has protected the economy from even more extreme downturn
- There is little evidence that Nationals are willing or able to take up private sector jobs
- The development of a culture of entrepreneurship and innovation is proving elusive
- Diversification, which initially had the express objective of reducing reliance on oil, has created an over-reliance on real-estate, construction, tourism and retailing
- The wider costs of growth, as manifested in environmental concerns, are only just beginning to approach centre stage

The next chapter explores the Dubai's strategic planning through the eyes of a range of informants able to give expert opinion on, and knowledge of, Dubai's strategic planning process and its effectiveness. This evidence will both give a perspective on the issues directly raised in this chapter but will also touch on some potential gaps of importance. In particular, there are issues concerning the plan monitoring and evaluation processes and whether any learning has been carried forward plan to plan. The three plans are very different in their approaches and, whilst there is some evidence of continuity and progression between them, there is little evidence of systematic concerted effort being expended in evaluating plan implementation and developing a methodology of planning which is closely aligned with Dubai's needs.

# Chapter 6

## Interview results

### 6.1 Introduction

This chapter initially describes the process of developing, conducting and analysing the semi-structured expert interviews. The twenty-four semi-structured interviews were carried out between 2 May 2010 and 7 February 2011. The interviews are a form of simple evidence triangulation with the author's experiences of running major businesses in Dubai and participating in a number of consultative and decision-making bodies, the generic issues identified from the literature review, the discussion in Chapter 4 and the analysis of Dubai's strategic plans. The four sources taken together provide a richer and potentially more valid identification of the key issues discussed in this thesis than any one of them taken in isolation.

The purposes of the interviews were to:

- 1- To obtain insight into how political leaders impacted the development of the strategies, their views on the successes and impacts of Dubai's Plans, as well as their feedback on the progress of the Dubai economy.
- 2- To assess how the business community looked upon the impacts of implementation of Dubai's strategies on the Dubai economy.
- 3- To seek knowledge from Strategic Team members who have been involved in building the strategies, to help understand how the strategies were built, what were the intended directions and their views on the results.

### 6.2 Preparing for the Interviews

As in all research activities, good preparation is required if interviews are to be successfully conducted and generate useful data. This is especially important with expert interviews where the interview situation takes the form of a conversation between equals and the interviewer needs to be credible in the eyes of the interviewee. The objective is to persuade the interviewee to share their honest and informed opinions with the interviewer. Interviewers



who are not themselves informed about the topic areas being discussed or who otherwise appear unprepared are unlikely to elicit useful responses. Expert interviewees are, by their nature, busy people whose time is valuable. The interviewer is unlikely to be able to arrange subsequent interviews if the first one proves to be unsatisfactory.

### **6.2.1 Selecting Interviewees**

In general, a sample should be representative of the population it is drawn from in order to be able to generalise research results. However, this representativeness can be achieved in a number of ways. Using a random selection procedure is the safest method of ensuring that a sample is representative of the population from which it is drawn. However, random sampling may not always be possible or desirable. Firstly, random sampling requires that the population from which the sample is to be taken can be clearly identified. Secondly, random sampling often requires a sample size which is too large to be accommodated within smaller research projects, particularly when the data collection method is interviewing. Thirdly, random sampling may not be required when the aims and objectives of the research are other than trying to predict the behavior or opinions of the research population at large.

In this research purposive sampling is used. Respondents are chosen because they have particular features or characteristics which will enable detailed exploration of the research objectives. With a purposive non-random sample the number of respondents is less important than the criteria used to select them. A useful way of looking at the sampling strategy followed in this research is provided by Patton (1990). Patton identifies sixteen variants of purposive sampling. Whilst some of these overlap, the type used here is “stratified purposive” sampling; that is, the sample is chosen to illustrate characteristics of particular subgroups of interest. Among other benefits this approach allows useful inter-group comparisons to be made.

An initial list of potential interviewees was drawn up by the researcher based on his personal knowledge. This formed the basis of discussion with colleagues who were also able to recommend potential interviewees. The Dubai Chamber of Commerce was also consulted. Twenty-four interviewees were then selected based on a number of criteria:

- Their likely availability
- Their potential willingness to take part in the research
- The need to cover a broad range of perspectives

- Exploiting expertise from a number of different areas
- Their potential to be able to speak authoritatively on the topics under consideration

Potential interviewees were then invited to participate in the research by personal contact, usually by telephone. Once an interviewee had agreed to take part, the researcher informed them about the study objectives and main issues to be covered in the interview in order to give them the opportunity to prepare and so help the researcher obtain more informed and considered responses.

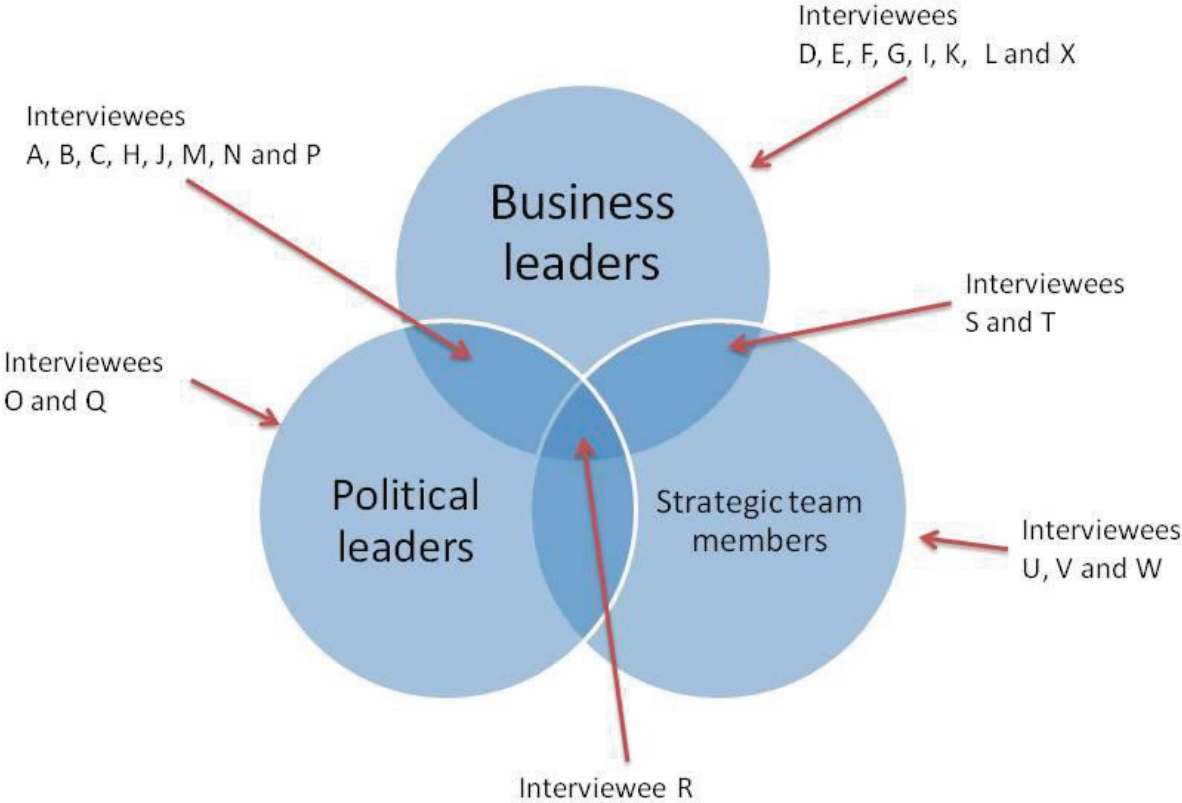
Interviewees were drawn from three broad categories of people:

1. Political leaders, who headed various Government Departments and participated in, or were consulted on, the development of one or more of Dubai's strategic plans
2. Business leaders, both Nationals and senior expatriates, who had business experience in Dubai of 15 years or longer
3. Strategic Planning Team members, who have been directly involved in building one or more of the strategies

In addition, an attempt was made to ensure that the interviewee sample also included people from different age groups. For example, it was important to include a number of older interviewees who had direct experience of the earlier days of Dubai's development.

However, given the nature of Dubai culture and the period of time covered by this thesis, several interviewees fell into more than one category. Thus, it is not uncommon for the same individual to hold a government position and be actively involved in business. Similarly someone who was a businessman at the time of development of one plan might be a member of the government at another. A number of people who were called in to help with 1996 Plan development moved to government positions or the private sector, sometimes in consulting. Figure 6.1 gives a schematic overview of such relationships. The letters indicating which interviewees fall into each category are those used to anonymously identify interviewees in the discussion.

**Figure 6.1: Overlapping Roles Among Interviewees**



**6.2.2 Interview Questions**

Interview questions were developed following the work on the literature review, the contextual analysis reported in Chapter 4 and preliminary analysis of the strategic plans. The researcher’s own experience was also an important factor in identifying topics for potential inclusion. Preliminary drafts of the proposed interview schedule were discussed with the Director of Studies and a local expert. Given that the interviews take a semi-structured form, the questions are designed to introduce topic areas for discussion rather than elicit precise pieces of information. On the other hand, there is a need to identify some common areas for questioning so that comparisons between the responses given by interviewees can be made.

The questions were subjected to peer review which included two other PhD research students. The questions were also sent to three academic lecturers specializing in management and business administration. In addition, continuous revision in discussion with the Director of Studies was also employed. These procedures help enhance reliability and validity of the interview process. The result of the peer review led to the restructuring of a number of questions, deleting two questions and adding some clarifications. The interviews followed the same overall structure for all categories of interviewee. However, supplementary questions were used to probe the opinions of interviewees in their particular areas of expertise. This approach was especially relevant for those with experience on working directly in the planning arena. Strategic planning team group supplementary questions focused on the development and building of the strategies. The interview schedule is shown at Annex 6.1.

### **6.2.3 Pilot Interview**

The pilot interview was carried out with a respondent known to the researcher on a personal level. The respondent interviewee was a business expert who fitted the criteria for the full interview programme. The pilot interview purposes were to:

- Identify, if any, questions which might be misunderstood or misinterpreted
- Identify any question to be deleted or rephrased
- Assess the approximate length of the interview
- Assess the approximate time needed for each question
- Ensure the clarity of opening and closing statements
- Provide an interview rehearsal
- Test the use of the audio recording equipment
- Practice note-taking

### **6.3 Interviewees**

Table 6.1 gives the names of the interviewees and the dates on which they were interviewed. Interviewees have been grouped in the three categories “political leaders”, “business leaders” and “strategy experts” to indicate the primary reason why they were invited. Annex 6.2 provides brief biographies of the interviewees.

#### 6.4 Conducting the Interviews

At the outset of each interview the researcher introduced himself if necessary (five cases in the business group and two in the strategic team group). The interviewer checked with the interviewee to establish if he<sup>1</sup> was still available for the interview for the scheduled time (which was forty five minutes to one hour). The researcher explained the purpose of the interview (PhD research) and asked if the interviewee wished to raise any preliminary issues. Respondents were also told how they were chosen to be one of those interviewed. Interview protocol then was outlined and interviewees asked for their approval of audio-recording the interview and reminded of their right to stop the recording if they wanted to have any part of it taken off the record. Moreover, the interviewer reminded the interviewees that if they wanted to skip or not answer any questions then that would also be their right. The researcher personally conducted all interviews and they were one-to-one and face-to-face. All interviews were conducted in English, apart from seven which were conducted in Arabic since they (the interviewees) felt that because their mother tongue was Arabic that the interviews should be in Arabic.

At the conclusion of the questioning, the researcher asked the interviewee if there was anything they want to raise, add or clarify. The researcher thanked them for their time and help. Finally, the researcher reminded the interviewee that they could have a copy of the transcript of the interview which would be forwarded to them once available.

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<sup>1</sup> Not unusually in the Gulf, all the interviewees were men.

This list of political leaders has been removed due to personal names being used. The unabridged version of the thesis can be viewed at the Lanchester Library, Coventry University

This list of business leaders has been removed due to personal names being used. The unabridged version of the thesis can be viewed at the Lanchester Library, Coventry University

This list of strategic developers has been removed due to personal names being used. The unabridged version of the thesis can be viewed at the Lanchester Library, Coventry University



### 6.4.1 Data capture

Data was captured through audio recording where permission was given. Audio recordings were professionally transcribed by a native English speaker and checked by the researcher. In addition, the researcher took notes during the interview and made additional notes from immediate memory post-interview. Where interviews were not recorded a greater volume of in-interview notes were taken. Once the transcript was finalised, which took approximately four weeks (or more in some cases) from the date of the interviews, then it was sent to the interviewee for their approval and comment. Three interviewees stated that they were satisfied with the interviews and asked that transcripts not be sent<sup>2</sup>. Ten interviewees returned transcripts with comments. In the remaining eleven cases transcripts were not returned (or returned after analysing interviews), despite reminders, and, in line with the agreed protocol, interviewee agreement to the transcript was assumed<sup>3</sup>. Six of the interviewees have made very minor changes to the transcript; one interviewee made major changes. None of the interviewees exercised their right to withdraw their transcript.

### 6.4.2 Difficulties in the Interview Process

A number of difficulties were encountered during the interview process; these include:

1. The estimated time frame for completion of the programme of interviews was too short. The main reason for this was under-estimation of the time it would take to arrange interview times with heads of government departments and successful businessmen.
2. It was difficult to locate strategic team members who had been involved in building Dubai strategic plans since 1994, keeping in mind that most of them are expatriates.
3. The original numbers of intended interviewees in the three categories was significantly greater (a third more) than the sample identified in Table 6.1. After the 2008 financial crisis major changes took place in personnel in senior positions. Some of the initially invited interviewees, although they had verbally confirmed their participation, eventually declined to be interviewed giving reasons of their business schedules.
4. Some older interviewees focused more on telling personal stories rather than directly addressing the questions.
5. Some interviewees did not answer all of the questions.
6. Three interviewees did not give permission for audio recording but allowed the interviewer to take notes.

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<sup>2</sup> Indicated by a blank in column 4 of Table 6.1.

<sup>3</sup> Indicated by “No reply” in column 5 of Table 6.1.

## 6.5 Analysing the Interviews

The first stage of the interview analysis was descriptive categorization<sup>4</sup>. Categorization involves a systematic recording of data; descriptive categories help provide a first-level organization of responses. Categories may cover key themes, concepts, questions or ideas and can be generated in a number of ways. For example, categories relating to concepts could be derived from a literature review or previous studies. However, one simple way of beginning the categorization process is to use the interview questions themselves as a categorization system. The process is not dissimilar to that recommended by King and Horrocks (2010) where initial descriptive coding is carried out by marking off relevant passages<sup>5</sup>.

The researcher therefore constructed a grid with three columns and a row for each question as shown in Table 6.2. The first transcript was then read carefully and the responses to each question summarized in column 2. Notes were added in column 3 as reminders for further analysis. The responses were annotated with a simple key identifying the respondent. The next transcript was then analyzed in the same way, except that where a response was the same as one already recorded, then that respondent's identifier was added to the existing response. Subsequent transcripts were analyzed in the same way; new or additional responses were added along with the identifier. This process was repeated until all transcripts had been analyzed. The end result was a lengthy table showing all the responses to each question grouped by the interviewees who made that response. This initial categorization was checked on a sample basis by a colleague who was an experienced researcher to ensure that researcher bias in categorization was eliminated as far as possible. This process quickly revealed areas where there was commonality of responses, the range of views and areas of disagreement. These three areas form the basis of initial analysis of most qualitative research data.

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<sup>4</sup> The term "categorization" rather than "coding" is used here. Whilst the two terms are often used interchangeably (see, for example, Kvale and Brinkman (2009: 201), the methods used here do not adopt the type of strict coding techniques which have been developed in the context of various methods of qualitative research, for example grounded theory.

<sup>5</sup> Although here the starting point for marking off is to take the answers to questions as relevant passages. However, interviewees may, in the course of answering early questions, cover (later) material "out of order". The simple approach used here accommodates this.

**Table 6.2: Outline Descriptive Categorization Table**

Questions	Summary of response(s)	Notes
Q1		
Q2		
etc		

However, this initial approach does little to identify relationships or generate insights between the themes, although use of the notes column helped at a preliminary stage. “Thematic categorization” emerged through gradual immersion in the interview data. Construction of the initial table of responses facilitated this deeper engagement. The help of another researcher was enlisted to both check that the initial table represented a useful summary of the transcripts and as a person with whom to discuss potential patterns in responses which cut across answers to questions and could be grouped to form themes. The themes, as reported here, do not follow the interview questions. Instead interviewee evidence is grouped around the major themes which emerged through working with the transcripts in detail. Given that the themes emerged from analysis of the data, they do not follow the research questions exactly. Table 6.3 in Section 6.8 below maps the major conclusions drawn from the interviews to the research questions.

## **6.6 Interview Results**

The origins of ideas, opinions and quotations are ascribed to interviewees through an identifier. This takes the form of a capital letter in the range A to X. The letters have been assigned to the interviewees listed in Table 6.1 in a random order to protect the identity of individual respondents as required by the Coventry University ethical code of practice for research<sup>6</sup>.

### **6.6.1 What were the Major Steps in the Development of Dubai’s Economy over the Last Thirty Years?**

Interviewees pointed to a number of landmark events which were important steps in Dubai’s economic development. The first of these was the discovery of commercially viable oil reserves in 1965-66. The political leadership saw an opportunity to exploit oil revenues for longer term

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<sup>6</sup> In any case there would need to be a significant gain in research terms from revealing the identity of individuals even if there was no necessity to do so. There is no compelling case for revealing the source of quotes in this research.

benefit through using them for physical infrastructure investments (Interviewees A, B, C and K). Interviewees (B) and (K) also noted that some regional oil revenues were also invested in Dubai. Infrastructure developments included dry dock and deep water port facilities, Dubai airport, road networks and energy generation and distribution. Interviewee (A) summarized the pattern of events as follows:

*...When the oil was found, and later on, when the United Arab Emirates was founded, Dubai quickly became a very active trade and export centre. This was possible because a high percentage of the oil revenues was used in establishing the infrastructure, such as building the port and the airport. Also, the land, aviation and marine sectors were developed so that Dubai could reach the high standards it currently enjoys...*

The recession, in Dubai, during 1980-1987 was a result of the dramatic fall in oil prices during the period. Some interviewees pointed to longer-term positive consequences of this recession, in that it forced Dubai to assess where long-run competitive advantage might lie. During the 1980's Dubai began to build a modern institutional framework capable of attracting and supporting a wide range of businesses. Notably this included more open and transparent government regulation of business and the genesis of Free Zone development.

The development of the 1996 Plan was considered critical by several interviewees in that it recognized the importance of long-term diversification, particularly in non-oil activities, as a development strategy (Interviewees K, N and O). The creation of the UAE in 1971 was also important (Interviewee J) since it extended Dubai's domestic market and provided the opportunity for it to establish itself as the regional hub for trade and associated business and financial services (interviewee O). One interviewee (I) divided recent history into two periods:

*...We can say that the first phase was related to the discovery of oil, while the remaining phases were the outcomes of strategic planning supported by the ambitious visions of the Rulers in Dubai...*

## 6.6.2 What have been the Main Drivers of Economic Activity in Dubai?

A number of respondents pointed to Dubai's accessibility. In part this can be based in the history of Dubai as a trading centre and free port (Interviewees G and P). However, the development of Dubai airport is also seen as an important factor (Interviewees G and O). Another important dimension of accessibility is the relative freedom from regulation present in Dubai. The freedom to move capital and profits without restriction (Interviewee A), the zero tax rate (Interviewee E) and the comparative lack of bureaucracy and regulation and the presumption of free trade (Interviewees A, E, I and K) coupled with the perceived equity of the courts (Interviewee P) were seen as important drivers. Interviewee (I) summed this up in saying:

*...tension of businessmen is more in other countries due to complication of government process...*

Lower factor costs were also cited by a number of business leaders (Interviewees E and P).

Business leaders tended to emphasize the cultural background to a greater extent. Interviewee (K) argued that the mindset of the people of Dubai is "more entrepreneurial" than in regional competitors; Interviewee (L) suggested that there was a greater acceptance of business risk-taking. Interviewee (E) referred to people "capturing opportunity in the market around them". Interviewee (A) praised the "pioneering of the private sector". The willingness of entrepreneurs to sacrifice short-term profits in order to grow the market was also seen as a factor (Interviewee G). Interviewee (D) pointed to the flexibility and innovative capacity of entrepreneurs. "Openness" was seen as an important factor by Interviewee (P). The "commercial attitude" of the ruling Maktoum family was also identified as an important element in the business culture; as Interviewee (K) put it

*...foreign investors had faith and belief in the Dubai system and were comfortable with the Maktoum family who they felt had a commercial attitude...*

In contrast political leaders tended to answer the question in terms of sectors of the economy. The most frequently mentioned "drivers" were services, tourism and recreation, finance, hospitality and leisure and trade. Political leaders, not surprisingly, also pointed to the strategic planning process as being a driver and, in particular, the vision of the leaders in promoting it (Interviewees M, U and V).

### 6.6.3 What do you Think are the Main Elements Contributing to Dubai's Competitive Advantage?

The three main factors identified were location, leadership and infrastructure. Interviewee (B) summed up the argument:

*...I would say from my perspective..... we believe the strategic location of Dubai in this region was the major advantage to make Dubai what it is right now..... Strategic location is number one. Number (2) I believe is the leadership of Dubai, they saw this opportunity and decided to invest and make Dubai what it is right now to support the region, though at that time, Sheikh Rashid maybe didn't have all the information about globalization, that will be the future of the whole world. But he really saw that Dubai although it didn't have enough oil can benefit from the oil of the region and growth of the world to become the hub to support this part of the world, and then he decided to invest in infrastructure to make Dubai in a better position. And the infrastructure is the third element. So Location, leadership and infrastructures as the three elements...*

However, other factors were also seen as being important. Business leaders and strategic developers tended to stress the “can do” attitude of Dubai's people. Interviewee (A) described this as “the attitude that we can be the best and nothing can hold us back”. Another (Interviewee K) described Dubai as having

*...vibrancy and dynamism and an achievement attitude that is infectious.....your average person here knows how commerce works...*

The accumulated expertise of the way in which a trading economy works and the business mentality evident in Dubai were pointed out by political leaders (Interviewees M, N, Q and R), business leaders (Interviewees A, D, E, F, I, K and P) and strategic developers (Interviewees S,T and V) alike.

The origins of these attitudes were ascribed by many interviewees (for example E, F, G, H, K, N and P) to the example set by the political leaders and in particular their ability to communicate a vision for Dubai and retain close relationships with the business community. Interviewees from the strategic development area were particularly forthright in expressing the importance of the vision of the political leadership. Interviewee (V) argued that “the vision is probably 70% of success, the rest will be commitment”. Leadership ability has been greatly helped by two periods of long and stable rule (Sheikh Rashid and Sheikh Mohamed) and a strong consensus among Nationals to preserve the existing political system (Interviewees G and L among others).

Interviewees pointed to political stability (D and G), safety and security (A, B, D, E, F, J, M and Q), personal freedoms (F) and lack of corruption (D, K and P) as important factors in creating an open, tolerant society with a high quality and standard of living where people will want to stay and work (Interviewees B, D, E, F, I and J). One interviewee (F) put this quite clearly in saying that “the main success of Dubai is the tolerance of 220 nationalities living in harmony”. As many interviewees (for example, B, D, F) pointed out, Dubai is not rich in natural resources and must, therefore, rely to a substantial extent on high quality committed human capital for its competitive success.

The ease of doing business and the open business culture were stressed by many interviewees. As one strategic developer (Interviewee S) said

*...the attitude of making it easy for others to come and do business in Dubai is one of the biggest assets of Dubai...*

The ease of doing business was, in the view of (eleven of the thirteen) business interviewees, greatly aided by the almost universal use of English as the common language in the private sector. Interviewee (D) summed up the argument:

*...our domestic market is tiny so our success is through trade internationally, and it is through trade that we have had....so much more success than everyone else....we are able to communicate internationally better than most of the other places in the region....it allows Dubai to communicate with the rest of the world and the rest of the world to communicate with Dubai...*

The lack of taxes was underlined by business leaders (A, D, E, F and I). The independence of the courts and access to arbitration in case of business and other disagreements were considered important by the several interviewees (for example, E and F). The right of non-Nationals to own property is also considered important in providing incentives for skilled labour to stay and to integrate more fully into Dubai communities (Interviewee K), although there is still some uncertainty about what the exact legal position might be (Interviewee I). Political leaders laid emphasis on the quality of institutions, flexibility in the regulatory system and the technological readiness of Dubai. One strategic developer (Interviewee T) also argued that “the main advantage of Dubai is that you have harmony of the public and private sector”.

All the business leaders bar two (Interviewees A and H) agreed that Free Zones have had a positive impact on economic growth in Dubai. This positive view was endorsed by the majority

of political leaders (J, M and R). The reasons given to support this judgment included the possibility of 100% foreign ownership<sup>7</sup> in Free Zone enterprises. This was a particular incentive for long-term foreign investors (Interviewees A, B, D, F, I, K and L). As Interviewee (B) said

*...ownership is very important for the long term, so I believe the Free Zones, especially the Jebel Ali Free Zone were able to attract foreign direct investment that was interested in staying in the region for a long time and having full control over their own investments...*

The lower burden of regulation and the flexibility of operation they allow were also cited (Interviewees D, E and F). One business interviewee (B) suggested the Dubai government

*...wanted kind of back door incentives to attract foreign direct investment.....ownership is very important for the long-term so I believe that through the Free Zones, especially the Jebel Ali Free Zone, they were able to attract foreign direct investment that was interested in staying in the region for a long time and having full control over their own investments...*

Interviewee (B) also pointed out that the Jebel Ali Free Zone had attracted 125 *Fortune 500* companies to Dubai and suggested that this would be a maximum of 50 in the absence of Free Zones. Interviewees (B) and (F) pointed out the “stickiness” of Free Zone companies, most of them had stayed in Dubai; some had moved out of the Free Zones into the city itself.

However, some interviewees (for example A and H) suggested that the Free Zone policy may have had some negative impacts. Firstly, since Federal Laws in business matters do not apply to Free Zones there is no requirement for enterprises within them to employ Nationals. Secondly, there is a potential loss in fees revenue since Free Zone companies are free from taxation and a wide variety of other fees and duties. Thus, for example, there may be a displacement effect from firms on the outside of the Free Zone paying say, port duties, to those within it which do not thus reducing Dubai’s income (Interviewee H). Thirdly, Free Zone companies may be able to supply goods to the local market on their own account rather than through agencies thus reducing agents’ fees.

However, the most important element underpinning Dubai’s competitiveness was argued by most interviewees, from all categories, to be the quality of the physical infrastructure. One business leader, reflecting on the 2008 financial crisis, summed the position up as

*...infrastructure is number one..... I strongly believe that we are in a better situation right now because of our infrastructure...*

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<sup>7</sup> Outside the Free Zones the normal UAE limit of a maximum of 49% foreign ownership applies. Some interviewees stated that Free Zones were a way “to get round” the usual regulations.



The high quality infrastructure coupled with the physical location of Dubai and the development of major transportation facilities, such as the main airports, has made it a highly accessible regional trade and business hub. The proximity of Dubai to newer markets such as India is a particular positive factor (Interviewees A and B).

Foreign Direct Investment (FDI) is attracted to Dubai for a number of reasons. Political leaders tended to stress the life style and standard of living coupled with a reputation for safety and security. Some emphasis is also placed on the health and education facilities and the degree of connectivity of Dubai with the rest of the world. These “softer” elements (lifestyle, the multicultural environment and the ease of communications) were also high up the list of attractions in the view of strategic developers. Thus, the policing and security systems were seen as “strong enough” and Dubai could be “trusted more than other centres” (Interviewee D). In particular the political stability of Dubai compared with, for example, Iran and the former Soviet Union, made Dubai an attractive alternative (Interviewees A, G, I, L). One expatriate businessman drew attention to the role of political leaders in attracting FDI:

*...Sheikh Mohamed is also a magnet from his personal exposure in terms of horse racing and the environment in Europe and other charitable things that he's done. I think that attracts individuals to Dubai because they trust him...* (Interviewee L).

These factors are in addition to the relatively low cost of doing business in Dubai and the overall attractiveness of the business environment, including the physical environment and the sophistication of business services.

#### **6.6.4 What Might be the Sources of Dubai's Competitiveness in the Future?**

The optimism evident in discussions of Dubai's current competitive advantage was less obvious in responses to questions about the future. Many interviewees conveyed a strong sense of Dubai's confidence being challenged by the financial crisis of 2008 on; for example, in discussing the rapid growth of 2000-2007, Interviewee (K) said

*...one of the problems it created was that it gave Dubai the impression it could do no wrong and it was always right...Dubai didn't realize its limitations...*

Many interviewees stressed the need for Dubai to become much more innovative. For example Interviewee (E) suggested that

*...the knowledge base part of Dubai will be dominant in the future and Dubai will lean on its “soft power” to enhance its competitiveness and.....strategic position...*

Interviewee (D) suggested that Dubai needed to

*...make brave and bold commercial steps to attract people talent and business to Dubai and to trade from Dubai to the rest of the region...*

It was also widely recognized that Dubai will need to rely on the quality of its human capital in the future (for example, Interviewees B and D). This is not to deny the importance of the high quality physical infrastructure, but it does recognize that it will not be enough to secure competitive advantage in the future. However, the high degree of reliance on expatriate professional labour was suggested as a weakness. Interviewee (B) drew a comparison with Singapore:

*...the challenge we have...all the human capital in Singapore is Singaporean, ours we don't own...*

Some interviewees believed that expatriate labour would not be loyal to Dubai (for example, Interviewee B). Other interviewees argued that educated Nationals were not being employed effectively. Interviewee (P) argued

*...we have to send.....young men to be trained and educated abroad and get them to train others later on and not employ them in offices...<sup>8</sup>*

Interviewee (I) suggested

*...taking a long range view, you want to encourage more and more the entrepreneurial classes and bring along all the young UAE Nationals to become entrepreneurs...*

However interviewees were critical of the education system in its role of developing human capital. Interviewee (M) was direct in his criticism:

*...Unfortunately, our educational system is still incapable of providing what we need to face the future challenges...*

Interviewee (N) described education as the “engine of human capital formation”. Some interviewees, for example (A), (L) and (P), stressed the need for education to concentrate the curriculum on activities which serve economic development and business needs. The education

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<sup>8</sup> A reference to government offices.

system was criticized for being unchallenging and achieving low standards. Interviewee (I) suggested that teachers were undervalued in Dubai and that

*...taking a long range view, you want to encourage more and more the entrepreneurial classes and bring along all the young UAE Nationals to become entrepreneurs...*

Interviewee (A) summed up the predominant view:

*...We should focus on education outputs that serve development and the economic activity in Dubai. Economy has changed nowadays, as we have witnessed the emergence of new industries, such as tourism, tourism development, financial services and others. All these industries need an educational system that can enhance them. Unfortunately, our educational system is still incapable of providing what we need to face the future challenges...*

However, many interviewees believed that Dubai's current sources of competitive advantage would still be relevant in the future. These included the strategic location (A, E, F, G and K), visionary leadership (G, H and P), the ease and low cost of doing business (A, D, E, F and I) and life-style attractions (B, D, E, F and P). However, interviewees also recognized that these advantages would require continuing investment and action in order to maintain them.

### **6.6.5 The Effects of the Financial Crisis**

The financial crisis of 2008 on has clearly caused Dubai to reassess its strategy. For example Interviewee (B) said:

*...we overinvested in the past internationally and we lost.....the structuring of most of our finances wasn't right...*

Interviewee (K) suggested:

*...Dubai is too ambitious and hasn't listened to voices of caution.....western banks encouraged the Dubai government to get into this state, to get in to too much debt.....Dubai has been getting quite a bad press in some quarters, in particular after Dubai World around November 2009. This was the single worst thing.....it was very badly handled...*

Many interviewees (A, L and P among others) saw longer term dangers in the government response to the financial crisis. For example Interviewee (K) said the

*...high cost of doing business is a risk...I definitely think it's become more expensive and I think Dubai must be careful in this regard...because of the credit crunch Dubai is feeling very squeezed and there is a feeling in the market that the Dubai authorities are looking for every way to try and get more money...*

Particular concerns were expressed about rentals and property service charges which were now perceived as a serious barrier to entry for new businesses (Interviewees I and L) and the transactions costs of hiring expatriate labour. The emerging danger is that other countries can close the gap; as Interviewee (B) put it

*...in some of them (other countries) that are given pretty good incentives and we are not giving much and we were successful without giving. Right now I don't know how much we can give to keep or attract more...*

Interviewee (L) complained that

*...fees have suddenly been growing which is not good and you never know when new taxes are charged on something...*

Other dangers were also highlighted. For example “accessibility and openness has definitely gone down rather than up”, there is a growing lack of transparency and the speed of decision-making is slower. Where once there was a single point of decision-making “now there are four or five layers that have taken over” (Interviewee I). However, Interviewee (I) also pointed towards some recent improvements:

*...but fortunately things have proved considerably over the past year<sup>9</sup> and now we see top politicians who are much more open to talk and give facts. The absence of real statistics in the past<sup>10</sup> that also has improved, now one sees much more openness and transparency in putting the picture of what is really happening and what are the decisions that are going to be taken...*

Interviewee (K) summed up the overall position well:

*...ultimately if Dubai becomes and remains a friendly place encouraging people to come here and settle here and do business here, that will continue to give it an edge.....be careful not to introduce any new rules or recommendations that discourage people from coming and it's got to make sure that people who are here are kept happy.....it would be a huge mistake for Dubai to introduce direct taxation...*

In strategic planning terms the major lesson seems to have been that plans need to be more flexible and incorporate more sophisticated risk management (Interviewees B and M). Whilst many interviewees regarded the financial crisis as being negative overall some pointed to more positive aspects. For example firms that survived were in stronger position since weaker competitors had exited the market; for example interviewee (L) suggested

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<sup>9</sup> 2010

<sup>10</sup> Systematic economic and social data collection is a recent development in the UAE and the individual emirates, including Dubai. The Dubai Statistics Center (<http://www.dsc.gov.ae>) was only established in 2006.

*...what the crisis did was to leave the best of breed which will leave them bigger and stronger and better and because of the other businesses that disappeared...*

A political leader (Interviewee N) argued that

*...the consequences of the financial crisis can be used for greater diversification in the economic sectors and for the prioritization of our innovative alternatives...*

A business leader (Interviewee I) summed up this argument:

*...many people say negative. I say positive as it has awakened people up. I mean by people those who guide the destiny and implement it...*

### **6.6.6 Have the Dubai Strategic Plans helped the Economy to Grow?**

Interviewee (W), a strategic planner, argued that 1996 represented a fundamental shift in direction for planning in Dubai:

*...Dubai came up with a new idea for strategic planning, a planning called indicative planning rather than budget planning...*

The idea of indicative planning is now accepted as being the norm. As strategic planners (R) and (W) note “the importance of a strategic plan is to give direction”. Planners (T) and (V) call strategic plans “guidelines for the government and private sector”. Planner (V) placed additional emphasis on the private sector:

*...these plans show the areas of emphasis where the government will spend its money in order for the private sector to follow suit...*

The strategic plans were frequently referred to as “frameworks for growth”. Political leaders tended to stress the role of the plans in attempting to get government departments working in concert and “make the private sector work towards the plan” (Interviewee J).

There was broad agreement among business leaders that strategic planning had a positive influence on economic growth. Interviewees (B), (D), (F), (L) and (P) welcomed the plans as providing a “road map” and for communicating the direction of travel clearly. Interviewee (E) went further:

*...the government was making it all happen since all the ingredients were there in government which are determination, capacity and desire...*

However, there were also criticisms. Interviewee (I) pointed up the necessity for continuous review. Interviewee (B) suggested that the plans were designed “by a group of people that did not have full responsibility and accountability”. He also suggested that

*... I don't believe in the concept of the strategic plan for a city is that great an idea. I believe in the issue of vision, to set a vision maybe a mission but to go to the level of strategic plan I think it has a lot of challenges, it's good for a company where you could control a lot of elements but for a city it's very challenging..... It's not like a company, you know when you put a plan approved by the board of directors then you go and implement.....*

Interviewee (F), a business leader, challenged the basis of planning:

*...making a forecast for the next five years I say “guys it is impossible, how can you make a forecast here, just fiction, complete fiction”...*

Interviewee (K), an expatriate business leader, argued that the “plans were good to a large extent, but towards the end they got a little ambitious”.

#### **6.6.7 The Planning Process**

*...A wise man always listens to those who speak to him and I'm sure that the growth of Dubai has been from wise men talking in the majlis and communicating... (Interviewee L).*

*...how can you devise a strategy when you are in the fish bowl, you have to go outside and talk to people... (Interviewee D).*

Overall, business leaders were positive about the level and quality of communication with political leaders. Interviewee (A) pointed to the problem-solving aspects of communication and the building of trust with the business community. However, there was some suggestion that the willingness to communicate had been prompted by adversity; as Interviewee (D) put it:

*...the worry was that during the boom years I think we didn't have the opportunity for dialogue and I think any people who were critical were not well received at any level...*

However, some interviewees questioned whether traditional forms of consultation (the majlis) were still fit for purpose. Interviewee (K) suggested:

*...it's not a very efficient system any more....the substitute could be some form of assembly that's elected or appointed...*

This sentiment was echoed by Interviewee (F) who called for the consultation system to be “institutionalized”. Interviewee (I) pointed to the role of existing institutions, for example the

Dubai Economic Council<sup>11</sup>, which provides a forum for government and the private sector to meet.

However, the discussion of consultation and communication is predicated by the potential existence of a gap between government and business. The reality in Dubai may be that such a gap does not exist. For example, Interviewee (D) pointed out that

*...there are not enough people here to separate government and business, there is a small pool for an economy of this size...when you get that lack of resources you always have to get bright people.....being asked to look after government projects and they are also going to have a commercial interest...*

Interviewee (F) was more direct:

*...being part of the government means being part of the business, you know Dubai government is business...*

However, not all business leaders thought this close and overlapping relationship was necessarily an advantage in the future. Interviewee (B) summed up the case:

*...I really think the government should step aside because we reached a level where there was disadvantage and the competition wasn't fair between the pure private sector and semi-government entities.... Their main objective was growing the economy, but then shifted to making profit and this is where the problem happened.....going forwards this is not good, in the past it was good...*

Interviewee (R) compared corporate planning processes and those used by Dubai in its strategic planning:

*... You can draw an analogy at the corporate level. You have target to meet your start vision, mission, you have the resources then you start your target and..... you try to achieve that vision. At a country level or state level it isn't different; you set up your vision and mission but of course it become to some extent more complicated and difficult to mobilize the resources in the right directions, to give the right signal at the right time..... both have their own challenges in terms of environment, competitiveness, the competition.....you are trying at the state level to position yourself but people are competing in the region, the challenges are there, competition is there. There are others issues that you would not find at the corporate level, I mean the balancing between the social aspect of implication of the plan and the financial aspect sometimes you can achieve your financial target but at a very high cost...*

Interviewees provided little information or opinion on the issue of monitoring and evaluation of plan successes and implementation. The 1996 and 2003 Plans were recognized as being

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<sup>11</sup> <http://www.dec.org.ae>





**Table 6.3: Comparisons between Interviewee Subgroups**

*What are the major steps in the development of Dubai economy over the last thirty years?*

Area	Business leaders	Political leaders	Strategic developers
Investment in physical infrastructure			

*What have been the major drivers of economic activity in Dubai?*

Area	Business leaders	Political leaders	Strategic developers
Zero tax rates			
Free trade policies			
Exploiting opportunities			
Freedom from regulation			
Vision of the leaders			
Strategic planning process			

*What do you think are the main elements contributing to Dubai's competitive advantage?*

Area	Business leaders	Political leaders	Strategic developers
Strategic location			
Leadership			
Quality of physical infrastructure			
Strong relationships between political leaders and the business community			
Open and tolerant society			
Open business culture			
Ease of doing business			
Lack of taxes			
Flexible regulatory environment			
Free Zones			

***What might be the sources of Dubai’s competitiveness in the future?***

Area	Business leaders	Political leaders	Strategic developers
Strategic location			

***What weaknesses does the Dubai economy exhibit?***

Area	Business leaders	Political leaders	Strategic developers
Crisis of confidence			

***Have the Dubai Strategic Plans helped the economy to grow?***

Area	Business leaders	Political leaders	Strategic developers
Through indicative planning			
Providing guidelines for government and the private sector			
Making the private sector works towards the plans			

On the surface, there is little to be surprised about in these results. There is widespread agreement on the benefits of the excellent physical infrastructure and the contributions made by the political leaders. Business leaders tend to be positive about the business environment, remembering that many of the business leaders operate from Dubai by choice whilst the rest are Emirati residents. Strategic developers tend to be more positive about the benefits of planning than others. However, these straightforward conclusions hide the lack of consensus on a wide variety of other issues. This may be a result of the use of semi-structured interviewees rather than other research methods designed to draw out a consensus, for example Delphi<sup>12</sup> approaches. It may also be that many interviewees took similar elements for granted and chose not to mention them, for example safety and security.

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<sup>12</sup> The Delphi method was originally developed in the 1950s. This approach consists of a survey conducted in two or more rounds and provides the participants in the second round with the results of the first so that they can alter the original assessments if they want to - or stick to their previous opinion.

## 6.8 Summary

Table 6.4 provides a summary mapping between the research questions posed at the outset of this thesis and the evidence drawn from the interviews. The broad consensus view of interviewees is that Dubai's success has been built on three main pillars: its strategic location, the quality of its political leadership and the very heavy investment in high quality physical infrastructure. In addition, the commercial culture of Dubai, built on its long history of trade made possible by its location at the head of the Arabian Gulf, and the relative ease of doing business in Dubai have also been important factors. Whilst oil provided a revenue stream for funding infrastructure developments for a period of time, it is now a relatively minor factor in sustaining Dubai's competitive position. Strategic planning in Dubai has evolved from the pre-1994 era of simple budgetary plans to the more indicative economic development plan of 1996 to the much more integrated economic and social development planning model of 2007.

The financial crisis of 2008 proved a shock to Dubai. The irrepressible optimism for which had become known was shaken and the ambitious targets of the 2007 Plan questioned. Perhaps for the first time Dubai began to consider the possibility that there could be weaknesses in the economy and that its regional leadership in trade, financial and business services could be challenged. The crisis led to some longer term trends being reversed. The ease of doing business, a major attraction of Dubai over regional competitors, went, in the view of many interviewees into reverse. Government's intentions to take a more arms length role in economic development were thwarted by the need for public expenditure to fill the employment gap left by an increasingly beleaguered private sector. The real estate and construction sectors, the major engines of growth in the pre-crisis period, faced the greatest difficulties. Dubai began to look over its shoulder at the challenge being provided by the oil and gas rich states of Qatar and Saudi Arabia.

Dubai aims to build its future competitive advantage on becoming an innovative and entrepreneurial knowledge-based economy. It also wants Nationals to take the lead in this, particularly in the development of the private sector. However, Nationals are, in the main, ill-equipped to take on this role and the private sector unable to meet the wages and employment conditions expectations of Nationals. On the other hand, there is a growing belief that it may be difficult to retain the loyalty, commitment and presence of the professional expatriates on whom the economy currently largely depends. Overcoming these difficulties is a major

challenge for Dubai. It requires major cultural change for Nationals to see themselves as entrepreneurs and to seek private sector employment as a matter of choice. The education system is widely regarded by interviewees as not being fit for purpose for an aspiring knowledge-based economy. The institutional infrastructure between education, the private sector and government is not yet developed enough to supply the quality of human capital needed for the transformation of Dubai's competitive base.

The kind of concerted effort between these three pillars of the economy which is at the core of the Triple-Helix model of development of knowledge-based economies is far from being realized.

In terms of Porter's Diamond Model it is clear that some excellent progress has been made in terms of factor conditions, particularly where physical infrastructure is concerned. The ease of doing business is also to be admired. However, the other corners of the Diamond are less well developed. For example the very large role played by the state in the business sector may stifle rather than promote rivalry. The development of the related and supporting industries and industries necessary to underpin and promote innovation is still in its infancy. The penetration of Dubai-based firms into regional and international markets is still below the level which would generate sustainable competitive advantage.

**Table 6.4: Summary of Interview Evidence by Research Question**

<b>Research question</b>	<b>Views of interviewees</b>
<i>What conceptual frameworks are useful in understanding the potential future sources of sustainable competitive advantage for the Dubai economy and strategies for developing them?</i>	<p>Diversification strategy.</p> <p>However, interviewees were not asked a direct question on this topic and no opinions were volunteered.</p>
<i>What are the current sources of sustainable competitive advantage for the Dubai economy?</i>	<p>Excellent physical infrastructure.</p> <p>Strategic location and the logistics capabilities.</p> <p>Trading experience and culture – the “business mentality”</p> <p>Leadership of rulers and political stability.</p> <p>“Can do” attitude of people.</p> <p>Ease of doing business supported by establishment of Free Zones and universal use of English.</p> <p>Openness and quality of life.</p> <p>Zero tax rate.</p>
<i>What are the economic, cultural, social, political and environmental drivers for change in the Dubai economy?</i>	<p>Business mind-set of people in Dubai and commercial culture of the leaders.</p> <p>Strategic planning process.</p>
<i>To what extent are current sources of competitive advantage likely to be sustainable in the future?</i>	<p>The 2008 financial crisis has dented internal business optimism and challenged external trust in Dubai. It has also highlighted weaknesses in governance systems and revealed a lack of transparency.</p> <p>The ease of doing business has been matched by competitors and the financial crisis, which has impacted Dubai more severely than oil-rich neighbours, has put pressure on government revenues and limited the possibility of keeping fees on business low.</p>

<b>Research question</b>	<b>Views of interviewees</b>
<i>What weaknesses does the Dubai economy exhibit?</i>	<p>The education system is not fit for purpose in a knowledge-based economy.</p> <p>Low levels of entrepreneurship amongst Nationals.</p> <p>Low participation of Nationals in the private sector other than in family firms.</p> <p>A heavy reliance on low-paid, unskilled expatriate labour.</p> <p>Heavy reliance on expatriate labour in the professions.</p>
<i>What are the critical success factors for the successful future development of Dubai?</i>	<p>Greater alignment of the education system with the needs of business in a knowledge-based economy.</p> <p>Implementation of better risk management and scenario planning.</p> <p>Better plan communication.</p> <p>Greater integration between economic and social planning, including recognition of the growing welfare needs of an ageing population.</p> <p>Re-assessment of the relationship between government and business.</p>

## Annex 6.1: Interview Schedule

Questions in normal type are the main ones. Questions in italics are supplementary ones.

1. I would like to hear your views on what has happened to Dubai's economy over the last thirty years. Can you identify and phases in the economy's development?  
*What were the phases?*  
*When, roughly, did the phases take place?*  
*Did these phases occur naturally or were they created by planning?*
2. What has led to increased economic activity in Dubai?
3. Have Dubai's strategic plans helped the economy to grow?  
*Were you consulted during the development of any of the strategic plans?*  
*What was your contribution?*
4. To what extent have Dubai's strategic plans impacted on the economy?  
*Can you give me any examples?*
5. Do Free Zones have an impact on Dubai's economic growth?
6. What are the effects of the involvement of political leaders in business?  
*Can you give me any examples of the positive effects of the involvement of political leaders in business?*  
*Examples of negative effects?*
7. What do you think were the main elements underlying Dubai's strategic plans?  
*What was the vision behind the 2007 Strategic Plan?*
8. What do you think are the main elements of Dubai's competitive advantage?  
*What do you think these are at the present moment?*  
*Were they any different in the past?*  
*What do you think they might be in the future?*
9. In your view, why do foreign investors want to come to Dubai?
10. Do you think the widespread use of the English language in business has any effect in promoting Dubai's economic growth.
11. Does the Majlis system provide a good means of communication for strategic planning issues?
12. What are the strengths of Dubai's economy?
13. What do you think the weaknesses are?

14. It has been said that education is a fundamental pillar in the development of the economy? Do you agree?  
*Can you give me any examples?*  
*Do you think the current education system is doing a good job?*  
*Are there any ways in which it might be improved?*
15. How has the recent financial crisis changed your views on Dubai's strategic planning?  
*Do you think there has been a shift in strategic direction?*  
*In what ways has it shifted?*



Annex 6.2 has been removed as it lists personal names. The unabridged version of the thesis can be viewed at the Lanchester Library, Coventry University









# Chapter 7

## Conclusions

### 7.1 Introduction

This study aims to analyze and evaluate how the nature of Dubai's national strategic planning changed over the period 1996 to 2010 and the factors underpinning those changes. This period covers the development and implementation of Dubai's first three formalized development plans. The thesis also offers an assessment of the potential for Dubai to develop and maintain a sustainable competitive advantage in the future based on its latest strategic plans. The overall question posed by this research is:

*Has strategic planning in Dubai been successful in helping Dubai achieve a sustainable competitive advantage?*

The purposes of the research are expressed in terms of a set of objectives which, in turn, are mapped on to a series of (sub-)questions. As with many research questions, it is impossible to provide definitive answers to them, and would be misleading to pretend that definitive answers were possible or even desirable. These questions are:

*What conceptual frameworks are useful in understanding the potential future sources of sustainable competitive advantage for the Dubai economy and strategies for developing them?*

*What are the current sources of sustainable competitive advantage for the Dubai economy?*

*What are the economic, cultural, social, political and environmental drivers for change in the Dubai economy?*

*To what extent are current sources of competitive advantage likely to be sustainable in the future?*

*What weaknesses does the Dubai economy exhibit?*

*What are the critical success factors for the successful future development of Dubai?*

The bulk of this chapter comprises a discussion of each of these questions in turn. Later sections consider the limitations of the current study and some suggestions for future possible research.

This thesis draws on, and contributes to, a very wide literature on the sources and development of national competitive advantage. In the case of Dubai, although this is by no means a problem which is unique to it, defining the economic space within which competitive advantage is developed is problematic. Do we regard Dubai as an entity (Emirate) in itself, a partially self-governing region within a nation (the UAE) or a sub-region within a larger one (the Gulf/GCC)? Or is it best thought of as a nation state like Singapore, a country which has often been cited in Dubai as a potential model or benchmark? Given that Dubai (the Emirate and not the city) has responsibility for its own economic development planning and retains the rights to its own revenues, it is logical to regard the Emirate as the appropriate entity, although it is important to place it economically, politically and culturally within the wider context of the UAE and GCC.

The research methodology deployed in this thesis is an exploratory one using mixed methods. This approach is justified in part because of its congruence with the aims and objectives of the thesis and partly on pragmatic grounds. Whilst other research methods could, in principle, be applied, the necessarily limited resource base accessible within the scope of doctoral research and the limited availability of published data rule out some potential choices on pragmatic grounds. The content analysis of Dubai's plans (Chapter 5) drew out the main themes which have influenced Dubai's economic development over the last 26 years. These themes formed a major input into the semi-structured interviews (reported in Chapter 6) with twenty four experts drawn from business, politics and government and strategic planning professionals.

The discussion in this chapter needs to be seen in the overall context of Dubai's overarching economic development aims. As stated at the outset of this thesis, it is Dubai's ability to achieve the aims and objectives it has set itself that is the criterion for measuring the success of its economic development planning. It is not the function of this thesis to question those aims or to suggest alternatives. In turn, the success of the research should be judged in terms of how far the thesis has usefully evaluated Dubai's strategies in terms of their fit with Dubai's overall planning aims.

Dubai's aims have been expressed in the various development plans in a number of ways. For example the 1996 Plan stated the aim of Dubai as

*...that of attaining the 'status' and 'orientation' of a developed economy on the strength of non-oil sectors of the economy by year 2010...*

The 1996 Plan also laid great stress on the idea that Dubai should reach the innovation-driven stage of economic development within the same time frame. The 2007 Plan expressed the same aims in a slightly different way by seeking to promote the transformation of a Dubai into a knowledge-based economy.

## **7.2 What Conceptual Frameworks are Useful in Understanding the Potential Future Sources of Sustainable Competitive Advantage for the Dubai Economy and Strategies for Developing Them?**

The literature review (Chapter 2) provided a comparison of two major approaches to strategic planning with obvious potential relevance to Dubai. These were those of economic development planning and corporate strategic planning. The two approaches are not mutually exclusive nor are they inclusive in the sense that they cover all possible approaches. However, in the case of Dubai they have obvious attractions as possibilities. The choice of economic development planning recognizes the status of Dubai as a political entity having responsibility for the economic and social wellbeing of citizens (Nationals)<sup>1</sup>, residents and employees<sup>2</sup>. Unusually, only a small proportion of residents are citizens (less than 10%) and, whilst most citizens may be residents some will have their main home in other Emirates. The majority of citizens who are employed are (Dubai) government employees, although some may be federal employees. However, the drivers for promoting the wellbeing of Nationals and non-National employees and other residents may be quite different. The former group exercise some power over the government and forms part of the political consensus whilst keeping non-Nationals outside is required to maintain the supply of skills and competences required to fulfill the Emirate's development plans and maintain economic activity. A major aim of planning in Dubai is therefore shared with economic development planning, that is the improvement in the economic and social wellbeing of the population, although what this means in practice will differ depending on which section of the population is being considered.

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<sup>1</sup> Although care must be exercised here. Citizenship is of the UAE and not Dubai, although many citizens may regard themselves as being from Dubai rather than the UAE.

<sup>2</sup> Chapter 4 provides discussion of the complexity of the Dubai population.



On the other hand, Dubai is often popularly conceptualized as a corporate entity. Indeed, Dubai frequently refers to itself as if it were a large corporation. Most of the Dubai government economic activity is subsumed under three very large holding companies, Dubai Investments, Dubai World and Dubai Holdings. Dubai has also pursued a branding strategy which is very similar to those adopted at the corporate level by major companies. Dubai is in fierce competition with a number of neighbouring states in its one or more of its three major focus sectors; finance and financial services (Bahrain, Kuwait and Saudi Arabia), logistics (Saudi Arabia) and tourism (Qatar and Abu Dhabi). Dubai, unlike some near competitors such as Abu Dhabi, Qatar and Saudi Arabia, cannot and does not rely on income from oil and must seek and develop sources of sustainable competitive advantage elsewhere. The quest for such advantages is at the heart of corporate strategic planning.

Table 7.1 is a development of Table 2.1. Table 2.1 compared the generic economic development planning and corporate strategic planning models along a number of dimensions. Table 7.1 seeks to locate Dubai along these dimensions. Cells of the table are shaded to show where, based on the evidence presented in this thesis, Dubai falls. The darker the shading, the more relevant the approach is to understanding Dubai's strategic planning. Overall, and unsurprisingly perhaps, the table suggests that a mix of the two is needed to adequately represent Dubai's planning stance. However, this table should not be taken to suggest that the three plans all have the same emphases. Of the three the 2003 Plan is most strongly influenced by corporate strategic planning thought whilst the 2007 Plan is much more concerned than previous ones with social welfare and quality of life issues.

The 1996 Plan was heavily influenced by Porter's notion of stages of development. The 2003 Plan is also influenced by Porterian thought. An emphasis is placed on the Dubai government being the enabler and creator of an effective environment which both attracts FDI and promotes development in the domestic private sector. However, these are seen as sources of additional growth; the plan does not foresee any significant privatization, although precisely what "privatization" would mean in practice, given the involvement of government in business and the nature of government in Dubai, is difficult to foresee<sup>3</sup>. In addition, elements of a positioning strategy were clearly present. Dubai saw itself as being a global competitor in a

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<sup>3</sup> Rather than privatization in the usual sense, the three major government-owned holding companies would be more likely to divest themselves of specific assets in the same way that any large corporate conglomerate might. See BI-ME (2012b).

number of markets (notably financial services and logistics) through becoming a regional hub. One means of achieving this was seen to be the development of clusters in these areas<sup>4</sup>. Cluster development was also foreseen and pursued in a number of other sectors including media, IT services, health and education.

However, other theoretical perspectives are also helpful in attempting to explain Dubai's emerging approach to economic development (see Section 7.10 for a further discussion). In particular the desire to engage the private sector in a transformation of the economy towards a knowledge-based one implies both a shift along the continuum from being and allocation state to becoming a production one. This has major implications for the role of the government in the economy. In this the Triple Helix model of economic development may be more persuasive than many, particularly where the role of the higher education system is concerned. Dubai is a complex place and a useful understanding of its economic development issues might require taking elements from a number of theoretical frameworks rather than relying on a single approach.

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<sup>4</sup> However, see the discussion in Section 7.6 below.

**Table 7.1: Corporate Strategic Planning and Economic Development Planning: Locating Dubai**

<b>Dimension</b>	<b>Corporate strategic planning (CSP)</b>	<b>Economic development planning (EDP)</b>
<i>Scope</i>	The company	Economy as a whole
<i>Overall aims and focus</i>	Survival and firm growth	Improve the economic wellbeing of the population as a whole. Improved economic wellbeing is presumed to promote improvements in quality of life and social wellbeing.
<i>Initiators</i>	CEOs and senior management professionals	Political leaders supported by civil servants
<i>Goals</i>	Profits, revenue growth	GDP growth
<i>Stakeholders</i>	Often just, and always primarily, shareholders; but in some cases includes employees, suppliers, customers and local communities in which the firm is present.	Citizens and residents. Enterprises based in the country/region. Often stakeholders are represented by special interest groups. Political groupings.
<i>Concept of value</i>	Monetary value of shareholdings. Private returns to shareholders.	Social value - including wellbeing of the population in health, educational, social, security, safety and other terms.  Public value – the benefits accrued to the population as a result of economic development policy.
<i>Measuring impacts</i>	Concentration on outputs.	Emphasis on outcomes.
<i>Key performance indicators</i>	Profitability, revenue growth, value of the firm as reflected in share prices or some other terms (for example assets at the firm’s disposal).	GDP growth, employment rates, government debt ratios and liquidity, exchange rates, government borrowing costs, budget surplus/deficit, balance of trade, rates of new enterprise formation.
<i>Meaning of “sustainability”</i>	Sustainable competitive advantage	Economic, environmental, political, resource, social, cultural.
<i>Time frame</i>	Often short term.	Medium to long term, often up to 20 years.
<i>Accountability</i>	Shareholders, via a Board of Directors and associated corporate governance mechanisms.	Depends on the political system. In general terms accountability is to those who maintain political leaders in their positions of power. In a democracy this is (in theory) the electorate. In other countries, for example Dubai, political leaders are maintained in their positions through the consent of a powerful group of citizens (nationals) who are often a minority of the population as a whole.
<i>Strategic agility</i>	Can be fast and responsive.	Tends to be slow and cumbersome.

### 7.3 What are the Current Sources of Sustainable Competitive Advantage for the Dubai Economy?

The most obvious starting point for a discussion of the possible current sources of competitive advantage is the 2007 Plan. The period up to 2008 was one of unprecedented growth in Dubai and the plan argued that:

*...Most of Dubai's success has been a result of its bold and visionary leadership, mainly through the Government's policy initiatives to further improve the business and investment environment in the Emirate, in addition to initiatives to establish specialized zones and mega projects (e.g. Internet and Media City, Healthcare City, The Palm, Dubailand, etc...). This granted Dubai a first-mover advantage, and helped in attracting the excess regional liquidity in the form of Foreign Direct Investment (FDI).*

*Economic growth has also been fuelled by the private sector participation in developing sectors for which the Government has set the stage through establishing a conducive business environment, coupled at many instances with heavy investments to boost private sector confidence.*

*Other supporting factors have been supply-side factors such as high labour leverage and land for major real estate projects, the existence of an efficient government services, a solid institutional framework and good mechanisms in delivery of services, strong laws and regulations, excellent logistics structure, strategic location coinciding with rapid rise in global trade especially in China and India over the past five years, and openness to other cultures giving Dubai a reputation as a safe and comfortable place to live and do business... (Executive Office, 2007: 16).*

This argument is very close to that Hvidt (2007) in his statement of the “Dubai Model” (see section 2.11). An obvious question is the extent to which the model, and the sources of competitive advantage identified in the quote above, can stand in isolation from one another. Is the model a self-reinforcing, dynamic whole or are there components which could be removed without damaging it? For example, the in Hvidt's model, “bold and visionary leadership” is the source of rapid decision making which allows first mover advantages to be exploited. Many of the interviewees also identified the vision of the leaders as being an important source of competitive advantage. However, the other major manifestation of visionary leadership has been the very high level of public spending.

A further question is whether or not there are missing elements which are important in understanding Dubai's success. For example, one potential factor which is not considered is chance (in the Porter sense), although the rise of the Indian and Chinese economies might fall

into this category given Dubai's location. This has partially insulated Dubai and the UAE from problems in the Eurozone economies.

A first mover advantage<sup>5</sup> exists where an entity is better off than its competitors as a result of being first in the market. Such advantages will be sustainable if there are cost advantages to being the first mover. These could arise from the existence of economies of scale, that is the market is only large enough and economies of scale great enough, that it can only support one firm. Alternatively first movers could gain an advantage if costs fall as experience and expertise is gained through learning and innovation. Reputation advantages might be gained as a result of being a first mover. For example, Dubai has become familiar to many as a tourist destination. Whilst other Emirates are also targeting tourism growth, for example Abu Dhabi, they are far less recognizable than Dubai. Switching costs and inertia may also be factors. Once a firm has located in, say, Internet City, it may be difficult to switch operations elsewhere even if it might become potentially beneficial to do so.<sup>6</sup>

It may be possible to combine first mover advantages. For example, Dubai has invested very heavily in its airline *Emirates*, founded in 1985. The airline industry is characterized by extensive economies of scale, learning and experience effects and the potential to build brand equity. The initial intention was that *Emirates* should become the national airline of the UAE and Dubai one of a small number of hubs on global long haul routes. However, such advantages are not sustainable in the face of competitors with deep pockets who can enter the market and compete by acquiring capacity, routes and expertise. The successful 2003 market entry of *Etihad*, the national carrier of the UAE, provides concrete evidence.

However, as noted at the outset of this section and elsewhere, the period leading up to the publication of the 2007 Plan was one of unprecedented growth and success, not just for Dubai, but for Gulf economies in general. However, the period from 2008 onwards has been one of un-paralleled crisis, both financially, and in the case of some Arab economies, politically. Some of the foundations of the optimistic 2007 statement of Dubai's competitive advantage have been eroded. Most obviously, excess regional liquidity has dried up and FDI has suffered. Some interviewees also suggested that the "ease of doing business" had declined as a result of

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<sup>5</sup> First mover advantages are discussed in detail by Lieberman and Montgomery (1988).

<sup>6</sup> Another first mover advantage is probably not relevant in the Dubai case. First movers can succeed by pre-empting the scarce resources needed for a particular activity. The most likely scarce resource would be highly skilled labour. However, most of this is expatriate and highly mobile.

government defensive actions, including increasing fees. Government-funded projects have been put on hold or cancelled. The confidence of some expatriates in Dubai's future has been challenged. Dubai's reputation as a safe place to do business has been questioned. The current global economy may not be the most obvious climate for potentially risky first moves.

On the other hand, some of the core elements of Dubai's competitive advantage are still present. The strategic location has enabled Dubai to take advantage of the rapid growth in the Indian and Chinese economies. The heavy investment in physical infrastructure has helped reduce costs. Previous first mover interventions have helped Dubai retain a position as a regional centre in some sectors. Dubai still has a more liberal business legal and regulatory regime than nearly all its regional competitors, the possible exception being Qatar.

#### **7.4 What are the Economic, Cultural, Social, Political and Environmental Drivers for Change in the Dubai Economy?**

The 1996 Plan was developed following a period of contraction in the Dubai economy. The major factor behind the fear of continuing economic stagnation was the diminution of oil production and declining oil reserves, although during the 1980's the oil price was relatively low. The Plan noted:

*...the contraction suffered by the economy of Dubai during much of the 1980s has been a sharp reminder of the urgent need for concerted policy measures and other systematic efforts for steering and managing the economy.....policy analyses and actions have to be fully cognizant of the likely exhaustion of the Emirate's gas and petroleum resources within foreseeable time spans...*

A further major issue flagged in the 1996 Plan was one which has continued to be a major source of concern, that is the heavy dependence on foreign labour:

*...the issue posed by the current heavy dependence on the skills of foreign nationals also has to be addressed in order to make the process of development sustainable within a harmonious social environment...*

The 1996 Plan also recognized the importance of anticipating the effects of globalization and stressed the

*...identification of global economic trends and Dubai's long-term development perspective and vision as a guiding framework for business activities and the public sector medium-term plans and programmes...*

Another enduring problem, the tension between regional competition and cooperation in the face of global competition, was also recognized in the 1996 Plan:

*...In the regional context, cooperation among AGCC<sup>7</sup> countries has so far remained inconclusive in several areas...*

*...AGCC countries are competing with one another rather than pursuing a complementary development strategy by specializing in selected activities corresponding to their competitive advantages...*

*...The idea of creating 'production triangles/sub-regions' and 'investment zones' (as being implemented in the East Asia) would be examined to determine their usefulness as a vehicle for development in the Gulf area...*

The enduring nature of this issue was underlined in the 2003 Plan when it pointed out the

*...growing competition among developing nations for investment funds and technology to support their own economic development and improve their competitive advantage within a more liberalized economic environment...*

and stressed the need to develop Dubai's position as a "regional and international business and investment center", but in the context of free trade and internationally mobile capital. Likewise, the 2007 Plan stressed the need to adopt free market economy principles. However, it also highlighted the tension between "openness to the world" and "maintaining uniqueness".

The main economic driver for change is the need to position Dubai in such a way as to allow it to both compete regionally and develop a sustainable competitive position in international markets both for selected products and services and, more generally, for internationally mobile factor inputs including capital, technology and professional, scientific and skilled labour. However, at the same time Dubai needs to cooperate on a regional basis. The balance between cooperation and competition will change depending on economic circumstances. For example Dubai has, to some extent, been supported by financial assistance from Abu Dhabi in managing the effects of the 2008 financial crisis. On the other hand the strategy of creating internationally competitive cross-border<sup>8</sup> groupings of economic activity, whether clusters or production triangles or investment zones, has not been realized. Dubai's major response to balancing off regional and global positions has been to develop regional hubs in a small number of industries, notably logistics, financial services and trade. Current developments extend this strategy to media

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<sup>7</sup> The Arab Gulf Countries Council (forerunner of the Arab Gulf Cooperation Council of today) comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

<sup>8</sup> Including cross-Emirate.

industries, IT services and health among other sectors. However, competition is increasing. The emergence of Qatar, backed by its massive oil and gas wealth, as a potentially attractive alternative to Dubai, and the aggressive expansion of Saudi Arabia, are threats<sup>9</sup>.

The other major economic driver for change is Dubai's "status" as a small open economy. The drive for openness, a fundamental pillar of Dubai's economic development strategy, is also a source of potential weakness, particularly in the face of a global downturn in activity. Dubai is faced with accepting a high degree of volatility in the macroeconomic environment. The main instruments of macroeconomic policy, the exchange rate, the rate of interest, tax policy and even control of the money supply<sup>10</sup>, are not available to the Dubai government. This did not matter too much provided the economy was growing rapidly; it has proved problematic in managing during a global downturn. The economic development policy response has two main elements. Firstly, the 2007 Plan places much greater emphasis on the need to develop risk management strategies and secondly, the need to diversify Dubai's portfolio of activities is recognized<sup>11</sup>.

The main political drivers underlying economic development strategy have been the desire to maintain the employment of Nationals, the promotion of regional cooperation and, more recently, a concern for human rights. The government is required to ensure that the economy is capable of satisfying the aspirations of Nationals. This has been achieved, in the main, by ensuring that the government provides sufficient well-paid jobs for all Nationals who want them. However, rapid growth in the numbers of Nationals, particularly in the 18 – 30 age group, has put pressure on the government's capacity to create enough jobs. This translates into an economic development objective of strengthening the private sector so as to create more jobs.

Regional cooperation is seen to have major benefits in maintaining regional security, or at least the UAE's security. Whilst cooperation in economic development matters has been weak, the Emirates have benefitted individually and collectively from maintaining the UAE intact. Recent suggestions that the GCC might be expanded to include other countries, notably Jordan and

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<sup>9</sup> Although, given its political and security problems, Bahrain is more likely to suffer from Qatar's expansion than Dubai in the short term.

<sup>10</sup> Monetary policy is a federal matter implemented by the UAE Central Bank.

<sup>11</sup> The 2007 Plan does not use the term "portfolio", but it is clear that one aim of diversification is to reduce the exposure of the economy to sectors which are likely to suffer in a downturn, such as construction and real estate, by strengthening others, such as logistics.



possibly Morocco, are, in part, a response to the events of the “Arab Spring”. Economic cooperation does, however, extend to major infrastructure projects. The most recent example of this is the plan to build a high speed railway linking GCC countries (Swain, 2011).

Latterly there has been an increased concern for human rights. In part this is a response to western political pressure. At another level the bad publicity associated with a perceived poor record on human rights could damage Dubai’s brand image. More pragmatically, the reliance of Dubai on a flexible supply of low cost and compliant labour could be compromised if unrest developed among migrant workers. The potential for unrest has been increased since 2008 as downward pressure has been exercised on production costs and the demand for labour has fallen. Less scrupulous employers and labour agents, often non-Nationals, have responded by denying workers their employment and other rights and, in extreme cases, simply not paying them. The longer term objective of economic development strategy is to reduce the reliance on low-paid unskilled labour.

Dubai’s rapid expansion has not been without environmental costs. These are now, in the 2007 Plan, recognized as concerns for the future. In particular, water and energy security have come to the fore and have been recognized as legitimate drivers of economic development strategy. Protection of the coastline is also recognized as being important in supporting growth in tourism. Social welfare issues have also moved up the development agenda. The 2007 Plan is structured into several sections of which economic development is only one. However, the mutual interdependencies between the sub-plans are also recognized. The major social issues concern an ageing, wealthy population with the consequent rise in related health issues such as obesity, Type 2 diabetes and cardiovascular diseases.

Dubai’s desire to be open and attractive to a wide variety of investors, workers and visitors from all over the world can, potentially, conflict with the simultaneous desire to maintain Arab and Islamic cultural norms. For example, in common with the predominant pattern in many countries, younger female Nationals wish to work. However, the bulk of available government jobs are taken by men meaning that women can often only find jobs in companies managed by expatriates. This results in the raising of significant cultural barriers to the employment of female Nationals, although the source of such objections is often families (Gallant and Pounder, 2008). However, the number of women employed by the Dubai Government has risen sharply since 2006.

## 7.5 To what Extent are Current Sources of Competitive Advantage Likely to be Sustainable in the Future?

Existing competitive advantages could lose their potency for a number of reasons. Firstly, they could be competed away by existing and emerging market players. Secondly, external events could undermine the sustainability of competitive advantages. Thirdly, a competitive advantage could persist, but the market for the product or service could decline. Fourthly, competitive advantages need maintenance and continued investment. Dubai has been, or could be, affected by all these potential dangers.

Table 7.2 summarizes the elements of Dubai's competitive advantage and offers a prediction of their likely sustainability. The first column shows a number of areas where competitive advantage has been claimed for Dubai. These have been gathered from four sources discussed in this thesis; the literature review and particularly Section 2.11, the analysis of the Dubai economy in Chapter 4, Dubai's strategic plans themselves (discussed in Chapter 5) and the evidence provided by expert interviewees presented in Chapter 6. The list in column 1 is not meant to be exhaustive. For example, individual interviewees suggested many sources of competitive advantage which have not been included simply because they were not corroborated by other interviewees or analysis of the plans. Similarly, the plan documents asserted a number of sources of competitive advantage which were not echoed by other sources of evidence. In addition, the author has conflated a number of more specific references to supposed competitive advantages into single headings. For example "lack of bureaucracy" mentioned by some interviewees is subsumed in "ease of doing business".

The table follows a simple "traffic lights" convention. In column three, green shading indicates areas where Dubai's competitive advantage is likely to be sustainable in the future. Orange shading indicates areas where Dubai's competitive advantage is under threat or could be eroded if appropriate action is not taken. Red areas indicate areas of significant concern. These shadings are based on the judgement of the researcher based on the evidence presented in this thesis. Shadings in columns 1 and 2 represent areas in which Dubai has made significant recent progress in developing competitive advantage. For example, technological readiness has been significantly advanced by heavy investment in ICT infrastructure. The move from red to orange reflects the need to build on that investment by developing the human capital able to exploit it.

**Table 7.2: Elements of the Sustainability of Dubai's Competitive Advantage**

Source of competitive advantage	Prior to 2006	2007 - 2010	In the future	Comment
Vision of the leaders				Although succession plans are in place and future leaders prepared, there is no guarantee that they will be as successful as their ancestors. The style of leadership may also be less appropriate as the economy becomes more diverse and complex.
Political stability				Political stability is promoted through being a part of a federation (the UAE) and membership of the GCC. There is no history of internal dissent.
Security				The UAE is probably the most secure country in the Gulf region and seems set to remain so.
Speed of decision making				The increasing complexity and diversity of the economy makes it difficult for traditional decision-making mechanisms to operate effectively. Governance and management systems will need to be strengthened.
Ability to execute the strategy				The shift in strategy away from an emphasis on physical infrastructure developments to less controllable objectives, for example creating a knowledge-based economy, requires a much higher degree of commitment and input by other actors and agencies. Some of this activity will need to be bottom-up in a development culture which is predominantly top-down.
Quality of physical infrastructure				Although the pace of physical infrastructure development will slow, there is no reason to question future plans in the area.
Strategic location				Dubai's location is likely to continue to serve it well, particularly as Indian and East Asian markets expand.
Availability of cheap factors of production				Dubai's "build it and they will come" strategy depends on the availability of plentiful cheap factors of production, notably labour, land and capital. Threats exist to future supply of all three.
Position as a business hub				Dubai's position as the premier business hub in the Gulf could be eroded by emerging competitors with "deeper pockets" such as Abu Dhabi and Qatar.

Source of competitive advantage	Prior to 2006	2007 - 2010	In the future	Comment
Position as financial hub				To some extent the knowledge-based economy is a reality in Dubai's financial services industry. The global growth in Islamic finance has also strengthened Dubai's position. The issues of sustainability derive from the damage done to Dubai's reputation by the 2008 financial crisis and the very high reliance on expatriate professional talent.
Position as a logistics hub				Previous heavy investment in ports, airports, and logistics facilities and expertise have given Dubai significant first-mover advantages in this sector.
Reputation and trust				Dubai's reputation has suffered as a result of the 2008 financial crisis. In part this may have been due to lack of transparency and weak governance systems. Trust needs to be carefully rebuilt.
Ease of doing business				Dubai's prime position as the "easiest" place to do business in the Gulf has been eroded by the rise of Qatar. Concerns about the number of illegal workers and overstayers in Dubai have led to a tightening in labour regulations raising transactions costs for businesses.
Cost of doing business				Interviewees reported that fees on business had risen in a number of areas, particularly outside the Free Zones.
Freedom to do business				The Free Zones policy, in particular, has allowed business to be conducted freely in Dubai. The ubiquity of Free Zones in Dubai compared to the rest of the UAE (notably Abu Dhabi), provide a competitive advantage. In some cases, given the disincentives to relocating business (switching costs) the strategy has given Dubai first-mover advantages.
Technological readiness				Whilst there have been significant investments in ICT infrastructure to bring it up to world class, there is a shortage of domestic talent able to exploit it effectively for new business generation.
Culture of trading				Although the nature of trading has changed, the culture of trading remains and Dubai remains an important entrepôt and trading hub.

Source of competitive advantage	Prior to 2006	2007 - 2010	In the future	Comment
Attractiveness as a tourist destination				Dubai will remain an attractive tourist destination. However, regional competition for tourists is increasing particularly in the business tourism, sports tourism and cultural tourism sectors. Qatar, Abu Dhabi and Oman are all investing heavily in tourism infrastructure, conference and exhibition facilities, museums, galleries and concert venues and a wide variety of sports provision for both spectators and participants.
Attractiveness as a place to live and work				Whilst Dubai will always, for a large number of people, have attractions as a place to live and work that position by eroded by increasing job insecurity, inflation and downward pressure on wages and salaries.
Openness				Dubai has deliberately positioned itself as the most open society in the Gulf. The slower pace of change in other Gulf countries and the more conservative nature of their leadership and societies suggests that Dubai is unlikely to be challenged in this area.
Use of English as language of government and business				The pervasiveness of English as the language of business, government and now the business legal system increases Dubai's attractiveness as a place for foreign businesses to locate. The language of much of the higher education system is now also English which will help maintain this advantage.

Source: Author

The major conclusions which can be drawn from the summary analysis captured in Table 7.2 are:

1. Dubai's reputation as a safe, secure and attractive place to do business has suffered in the aftermath of the 2008 global financial crisis. The main issue was non-payment of Dubai World bonds and loans during 2009. This has now been resolved and there are signs that trust is being rebuilt.
2. The transition from economic development strategy based on development of physical infrastructure and promoting a business-friendly climate will not be enough in the future. Among other consequences this will make it more difficult for Dubai to rely on a top-down, government-led development process.
3. Dubai, largely as a result of the vision of its leaders, has profited from being a first mover in a number of areas. The competitive advantages gained from being the first mover are likely to be sustainable provided continuing investment is made in them. An example is the logistics sector.
4. There are other sectors, for example tourism, where Dubai enjoys some current advantages but which could be competed away by others. This could reduce Dubai's market share significantly.
5. The "supply-side" strategy adopted by Dubai prior to 2008 is unlikely to work as well in future for two main reasons. Firstly, factors of production, with the possible exception of cheap unskilled labour, are no longer as plentiful and secondly supply-side strategies are built on the assumption that demand will follow. This assumption may be valid in times of rapid growth and prosperity but is questionable in the current (2012) economic climate.

## **7.6 What Weaknesses does the Dubai Economy Exhibit?**

The weaknesses of the Dubai economy are summarized in Table 7.3. To some extent these weaknesses are a consequence of previous successes. In other cases they have always been present but have come to the fore since 2008. In a few cases what were regarded as strengths have become weaknesses. In these situations it may be a matter of adjusting systems and structures to create a better fit with the new economic realities. For example, strong leadership is acceptable and even accepted in Arab culture and there is little evidence in Dubai that the existing leadership is under any threat. On the other hand, there is also widespread acceptance

that greater transparency and improved governance systems are vital if Dubai is to continue to be a safe and attractive place to do business. Strong leadership and strong governance are not necessarily mutually exclusive although it will take time, effort and goodwill to reach a new balance between them. Improved risk management, including greater appreciation of downside risk, is a particular element of the governance and management system which needs improvement.

**Table 7.3: Weaknesses of the Dubai Economy**

Area of weakness	Comment
Lack of innovation, SME growth and entrepreneurship	The knowledge-based economy needs to develop bottom-up. This depends on creating an “innovative milieu” in which entrepreneurs can take risks and small companies can grow. Such an environment does not currently exist in Duabi.
Private sector confidence and participation in the economy	The desire to increase private sector participation in the economy has been an ever present feature of Dubai’s plans. However, there is little evidence that this has been achieved especially where domestic firms are concerned. Where it has been achieved it has been dependent on major government investment and government procurement contracts. Private sector confidence has fallen since 2008.
Education sector which is not fit for purpose	The needs of a knowledge-based economy are not being satisfied by the education sector, and in particular universities. This not simply an issue concerning teaching but also embraces the role of universities as centres of research and as generators of new knowledge-based businesses.
Property development base of cluster strategy	Dubai’s current cluster strategy is consistent with its supply-side approach. The strategy is property-led. However, simply building “Cities” is unlikely to be enough.
Poor risk management	Dubai’s development plans have been built in acclimate of optimism and embrace a “can-do” attitude. Whilst this worked in a period of rapid growth the 2008 financial crisis and subsequent economic downturns have exposed the downside risks in the 2007 Plan resulting in the necessity to completely revise its underlying assumptions.
Poor reputation management	Dubai has adopted “city branding” with enthusiasm. It has also been largely successful in building that brand. However, brand equity can leak away quite rapidly. Dubai’s handling of its debt exposure during 2008 and 2009 damaged the brand.

<b>Area of weakness</b>	<b>Comment</b>
Weak corporate and other governance, poor transparency	The rapid pace of growth prior to 2008 was orchestrated by a small leadership group making rapid decisions. This was successful as long as growth continued and the scale and scope of development projects was within the ability of that group to maintain personal involvement. However, the downturn in the economy revealed the weaknesses of this governance system. The lack of transparency in decision-making, muddled ownership of assets, responsibilities and accountability became evident with the economy under stress.
Low levels of labour productivity	High levels of labour leverage are often cited as an advantage for the Dubai economy. However, these are based on low wages rather than high productivity. As the economy moves towards one which is reliant on knowledge-based industries, reliance on a plentiful and flexible supply of low-cost unskilled labour will become less important.
Muddled Emirate/federal relationships	The lack of coordination between Emirates in some areas of economic development could create wasteful competition, duplication of efforts and lead to missed opportunities for cooperation in non-competitive research, establishing standards, product testing and so on.

Source: Author



As noted at the start of this chapter, these weaknesses should be seen in the context of Dubai's desire to become a knowledge-based, innovation-driven economy. It is instructive to assess Dubai's approach to developing clusters. Ahmad (2005)<sup>12</sup> boldly stated:

*...We have made Porter's theory a reality. If you bring all the companies from the same segment together, channel development opportunities materialize. It's real life networking. It is bringing the integrator together with the software developers. Our ICT cluster includes 600 companies working within 2km of each other. Our clients set up joint ventures together and do trade together.....Silicon Valley has some similarities but it is an area, not a single managed entity...*

This quote, which is not necessarily representative, illustrates some of the weaknesses of the policy. The comparison between Silicon Valley, characterized as "an area" and Dubai Internet City (the ICT cluster referred to in the quote) as a "single managed entity" misses the point. Firstly, it assumes that successful clusters will emerge simply by the act of bringing a group of supposedly similar firms together and that cluster development is a "managed activity". As Porter and many others have been at pains to point out, this is not the case. Successful clusters emerge over time as a result of the social and professional interactions of the skilled professionals who inhabit the cluster environment. The reality of cluster development is that it is a much more organic process. Secondly, successful clusters comprise a much wider group of actors and agencies than just firms. Research institutes, training facilities, university presence, coordination agencies and industry associations are all part of the successful cluster mix. Thirdly, clusters are not necessarily based on conventional industry boundaries. For example, the links between the media and ICT industries may not be best served by the creation of separate ICT and media "Cities". Similarly, some of the most significant technological advances in logistics, for example online consignment tracking, have been a product of the ICT industry.

The Triple Helix theory, briefly introduced in Section 2.9.3, provides support for this argument. As noted earlier, the Triple Helix view suggests that successful economic development requires a concerted effort to ensure conscious co-ordination between different parties to work towards the same aims. This is not to say that they should be motivated to work towards achieving those aims for identical reasons; it does require, however, that everyone wants the same end results. Such social integration requires a high degree of communication and trust. Economic development does not "just happen", nor is it the product of external forces such as national policies or a natural result of orchestrated co-location. This point was emphasized by Porter in a

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<sup>12</sup> Director of Marketing, Dubai Internet City.

presentation given in Dubai (Porter, 2003). Porter pointed out that, throughout the world, responsibilities for economic development were shifting. He identified two models of economic development. The “old model” saw government driving economic development through policy decisions and incentives. The “new model” conceived of economic development being a collaborative process involving government at regional and national levels, firms, universities and research institutions brought together to make common cause by institutions for collaboration. Dubai is making significant steps in this direction. The new *technopark*<sup>13</sup> contains the mix of institutions identified in the “new model” and is likely to be critical in developing the knowledge economy. It will be important to translate the exciting designs of the brochures to the dynamic, organic environment needed to promote innovation.

This new model depends on having an education system which is fit for purpose and responsive to the needs of business. There are, however, a number of difficulties to be overcome. Firstly, there is a question as to whether Dubai’s instruments of policy and coordinating agencies are strong enough to promote change. Change is unlikely to occur simply as a result of exhortation, although this may have a role (Swan, 2012). Secondly, whilst it is natural for business to look for a proactive and positive role in education so as to ensure that it is more aligned with their needs, this presupposes that industry knows what it wants in terms of subject matter and skills development. There is also an implicit assumption that “industry” is capable of presenting a coherent collective view, whereas different sectors and businesses may have competing educational agendas. Thirdly, there is doubt concerning the willingness of Nationals to seek the kinds of jobs that will be created in the new economy, especially if they are private sector jobs. The marked preference of Nationals for public sector jobs, based on job security, salary, working conditions and status considerations, will need to be overcome by promoting the attractions of the new jobs rather than pushing Nationals out of government jobs.

Dubai’s SMEs contribute about 35% to GDP and account for 90% of all businesses; they are mostly in the service sector. However, start-up costs are high and loans difficult to obtain (Parmar, 2012). There is little support for innovators in setting up a business or in product development. In such conditions it is unlikely they will be the source of new developments that Dubai is seeking.

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<sup>13</sup> See <http://www.technopark.ae>

## 7.7 What are the Critical Success Factors for the Successful Future Development of Dubai?

A major critical success factor is to prepare the Dubai workforce for a knowledge-driven economy; as the 2007 Plan notes:

*...preparing Dubai's workforce for the high-value, knowledge-driven economy, which requires attracting and retaining highly skilled employees, improving National's qualifications and increasing their motivation...*

The second issue which the 2007 Plan emphasized is:

*...turning Dubai into a vibrant science and technology hub in targeted sectors by supporting the development of existing sectors, and establishing the right environment for nurturing the post 2015 economy...*

The plan recognized that achieving this transformation was as much a matter of social as economic development:

*...for economic success to be sustained, it is absolutely crucial that the social development sector infrastructure be developed. Only by improving performance in key areas such as education, health, social assistance and working environment can economic prosperity be sustained and enhanced...*

These quotes identify three of the major critical success factors for Dubai's successful development. This research has identified a number of others. Firstly, there is the need to develop the higher education sector as major contributor to the economic development process. This may require changes in the curriculum, the adoption of new pedagogic approaches which stress the application of knowledge in a problem-solving environment rather than the acquisition of knowledge for its own sake, developing academic and other staff to develop, deliver and quality assure the new curriculum and matching resources to the new needs. There will also need to be much closer relationships at all levels between universities and industry (broadly defined). Universities will also need to engage in joint (with industry) research which can be used in the development of new products.

Whilst some researchers (see Hvidt 2007; 2009; 2011) have argued that public-private ties have made a positive contribution to Dubai's development, such ties have been based on historical links between the major founding families of Dubai, including the ruling family. There has also been, inevitably, the development of some ties between inward investors and the public sector in the form of the government. Others, including Porter (2010), argue that the (UAE) private

sector is weak and protected by the granting of exclusive partnership agreements with international firms. All three Plans have laid, to a greater or lesser extent, emphasis on the role of the private sector in promoting innovation, generating employment for Nationals and diversifying the economy. The experience of the period following 2003 has been a mixed one for the private sector. Whilst many private sector firms benefited from public sector contracts linked to the “mega projects” of the 2003-2007 period, public investment in the private sector was squeezed out by the need to finance the projects and government attention and human resources were naturally focused on them. The post 2007 period has been dominated by the financial crisis and the need to manage Dubai’s debts. The *Dubai Economic Outlook 2011* seminar emphasized the need for strengthening public-private partnerships if growth based on diversification was to be achieved (BI-ME, 2011f). Dubai needs to rebuild its private sector confidence and develop new public-private partnerships which do not revolve around domestic developments and markets, but are focused on external markets (Porter, 2010).

Dubai also needs to improve its governance and management of public investment projects. Whilst there is little doubt that Dubai has amassed considerable experience in designing and executing very large and ambitious development projects, there is (always) space for improvement. As has already been noted, insufficient attention may have been given to the possibility of downside risk and strategies for managing such possibilities. The supply-side belief may also have contributed to a view that everything will work out positively given time. Improved governance, greater transparency, better communication and more sophisticated risk management will all contribute towards restoring international and domestic confidence in the Dubai economy<sup>14</sup>.

## **7.8 Contribution to Knowledge**

Chapter 1 argued that this thesis should and would make a contribution to empirical knowledge. It has done so in a number of ways. Firstly, it has added to the collective knowledge of Dubai. Much of what is “known” about Dubai stems from either the popular media including a wealth of television documentaries, more or less sensationalist books and magazine articles, or from government or near-government sources. There is relatively little academic research

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<sup>14</sup> It is tempting to describe governance systems as “weak” when they do not comply with those of western developed economies. Similarly “transparency” might mean transparency to outsiders. It is quite possible that insiders have both a transparent understanding of Dubai’s governance systems and regard them as being strong. However, if governance systems are to be fit for purpose in an open economy trying to compete in global markets, governance systems need to adapt and be transparent to outsiders as well as insiders.

published on Dubai despite its popular interest. This thesis adds to, rather than supplants, these other sources of knowledge. Hopefully, it will provide a useful resource for other researchers, but will also be of interest to policy makers and planners in Dubai.

Dubai is also of interest as a locus of a case study. Case studies can fall into a number of categories where their interest is concerned. For example, they may be prototypical and illustrate concerns which may be directly relevant in many other situations. Alternatively they may be novel and describe and explore situations which have not previously been encountered. Thirdly, they may be “extreme” in some sense, that is they illustrate characteristics which may occur elsewhere but in a less pronounced way. Dubai falls into the extreme category in that, when compared to other Gulf States at least, it is the most open, the least dependent on oil and the most exposed to global financial and business conditions of all the GCC states. Dubai has coped with a greater degree of cultural, social and economic change than its near competitors, survived running out of oil and has been hit hardest by the global financial crisis. Its successes and failures in coping with such shifts in its internal and external environment are worthy of study. Dubai also has a longer experience of economic development planning than other Gulf countries with the possible exception of Saudi Arabia. The lessons gained from Dubai’s experience should be of interest to other countries and Emirates, even if the approach is not directly used.

Whilst it has not been a major aim of this work to evaluate theoretical perspectives on economic development planning and the work should not be judged by its contribution in that area, it does provide evidence for the usefulness of both the Porter framework and the Etzkowitz Triple Helix Model in providing a framework for thinking about economic development planning in the context of Dubai. Whilst the Porter framework is the one which is most frequently referred to in Dubai itself and in this thesis, the Triple Helix perhaps points up most clearly where the major future challenges lie. Its emphasis on the relationships between (regional) government, the private sector and (higher) education and research establishments strikes at the heart of the aspiration to become a knowledge-based economy. Compared to the multi-faceted Porter approach, the Triple Helix provides a clear and focused set of messages even if the policy implications might be hard to achieve in practice. The emphasis on concerted partnership rather than government led interventions is one which Dubai states it desires but has not yet found a way of achieving.

## 7.9 Limitations of this Research

All research has limitations, if only because the resources to undertake it are not unlimited. This research is no different. It would have been useful to be able to locate more interviewees who had been directly involved in the detailed process of developing the Plans. Chapter 3 has already discussed the possibility that the interviewees in this research might be inclined to give a more positive view of Dubai's development progress than might be the case with other groups. It would have been helpful to have been able to access documents, such as working papers, research studies and consultancy reports, prepared as part of the background work for Plan development<sup>15</sup>.

It is also difficult to assess how far the conclusions of this research can be related<sup>16</sup> to other contexts. Section 7.10 below offers some brief final comments on the complexity of Dubai; Dubai is sufficiently different to be wary of making easy comparisons. On the other hand, some of the conclusions could credibly be applied in other contexts. For example, the need to strengthen the higher education system to make it an active contributor to economic development is relevant to Abu Dhabi (see Zamzam, 2011) and Gulf countries generally. Current governance systems are also an issue in many economies. However, Dubai is of sufficient interest on its own to justify the effort put into this, and other, research.

## 7.10 Alternatives to Porter

This thesis has relied heavily on the Porter framework to help structure the argument. That choice was made not simply as recognition of the importance of Porter's work in general but also his specific and, on occasions direct, influence on Dubai's strategic planning. It is worth recalling that the 1996 Plan was being developed in the early 1990's just as *The Competitive Advantage of Nations* was the centre of debate on strategic planning issues at the national level. This influence also pervaded the 2003 Plan, but is less evident in the broader-based 2007 Plan. Whilst doubts have been cast on many aspects of Porter's framework, for example its applicability to many economies, including small open ones, and the relevance and usefulness of concepts of competitive advantage drawn from the firm level to nations or regions, this does

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<sup>15</sup> The researcher attempted to locate these, but they seem not be available or no longer exist.

<sup>16</sup> The term "related" rather than "generalized" is deliberately used here. Relatability refers to the notion that research undertaken in one context may be useful in another context. Generalisability is a narrower concept which asks how far the results of research in one context would hold in another.

not lessen the influence of his thinking on past Dubai plans. However, the final paragraph of section 7.2 suggested that alternatives to the Porter framework might be more useful in mapping out Dubai's future as opposed to its past.

An alternative, principally to Porter's Diamond, model would need to take into account a number of factors identified as important in this thesis, these include:

- The importance of FDI not simply as a source of investment capital but also a route to inward knowledge transfer and a driver of innovation
- A broader conceptualisation of sustainability than one just applied to competitive advantage
- A more sophisticated understanding of the role of institutions, particularly those at the meso level, in economic development
- The socially-embedded nature of economic development and the influence of cultural factors, for example, the Shaikhdom system, employment and remuneration expectations of Nationals, attitudes towards the private sector, entrepreneurship and risk-taking, and the tendency to favour competition at the expense of cooperation
- An understanding of the ways that innovation inputs (where Dubai is relatively strong) are transformed into innovation outputs (where Dubai is weak)
- A clearer exposition of the nature of knowledge as an asset for the economy and the ways in which knowledge is developed and shared in the development of competitive products
- The dynamic processes needed for the economy to continue to regenerate itself within the innovation stage of development rather than suffer from prolonged lapses into the wealth harvesting stage (the Triple Helix model provides useful insights here)
- Ways of learning from the economic development planning itself through monitoring and evaluation of implementation and outcomes, independent analysis and research, to identify what works for Dubai rather than simply importing ideas from elsewhere

A potentially useful approach, at least in part, is that of market logic theory. Zysman (2006) argues that institutions play an important role in determining economic development and growth. Zysman (1994:244) stated that:

*...Indeed all economic interchange takes place within institutions and groups. Markets do not exist or operate apart from the rules and institutions that establish them and that structure how buying, selling and the very organization of production take place...*

In this sense, Zysman argues, institutional structure forms a market logic that creates a framework for corporate and government behaviour. This view of economic development is in contrast to the factors approach of the comparative advantage model adopted by earlier researchers and the Porter approach which plays down the role of institutions, particularly government ones. Thus, economic development is not a product of a sum of factors, as in the Diamond, rather it is the interplay of these factors to create a clear institutional structure that is important.

Recovering from a severe economic crisis in early 1990's, Finland provides an interesting example of market logic theory and the clustering strategy which was adopted by the Finnish government during a period when the country emerged as the most rapidly growing economy in Europe. The combination of high social security, dynamism and growth worked to the advantage of the country and led the economy to a period of unprecedented growth. Policies and regulations were changed to facilitate innovation and the focus was on long-term microeconomic strategy. Investment in innovation related to information and telecommunication technology and the re-skilling of the human capital to lead the industry were the focus of the policy change and gave a competitive advantage to Nokia and the ICT cluster industry at the emergence of the digital technology era, which in turn gave Finland an advantage in Europe (Ornston and Rehn, 2006). The market logic and changes in policies adopted by the Japanese government in the 1980s and 1990s enabled Japan to develop a competitive advantage. The policies adopted created a domestic market closed to foreign companies and expanded domestic demand for technology innovations. This led to fierce competition among Japanese companies operating locally. Their local success enabled them to compete globally through providing lower cost products and services.

Other potentially productive approaches could include ecological models, theoretical frameworks which explicitly consider the balance between competition and cooperation, adaptations of other firm/industry based models such as value chain analysis or portfolio models and approaches derived from conventional economic development planning. The final sentence of section 7.2 hinted that an eclectic approach drawing on a number of models might be a possibility. Whilst such approaches have considerable dangers, in particular the tendency to promote opportunism in explanation and analysis (using the first model that comes to hand which seems to fit the particular issue under discussion), a careful synthesis of ideas from an



number of sources may stand a better chance of “fitting” the Dubai experience than concentrating on a single model and downplaying the issues which do not fit the model.

### **7.11 Suggestions for Future Research**

The opportunities for future research on economic development in Dubai are many. This research could usefully be deepened in a number of ways. For example, case studies of the development of particular clusters are warranted. The nature and extent of relationships between higher education, government and industry need detailed exploration, again perhaps in the context of a case study. The role of public-private partnerships also bears future investigation. This research has concentrated on plan development; it needs to be followed up by studies of the ways in which plans are implemented, progress monitored, risks managed and plans adjusted in the light of events. In particular, there will be an important opportunity to assess the impact of the 2009 financial crisis on Dubai’s economic development and the impact it has had on the planning process<sup>17</sup>.

In terms of widening the research it would be useful to compare Dubai’s recent plans with those of Qatar<sup>18</sup>, Abu Dhabi and Bahrain, all of which have a similar time frame and seek to diversify the economies. It is possible, and probably likely, that these plans focus on overlapping areas. This would then give impetus to the question of where regional cooperation can benefit all countries/regions and the extent to which planning processes can or should be integrated. In the case of the Emirates this calls into play the balance of responsibilities for economic development planning between the federal UAE and Emirate governments.

This research has looked at Dubai’s economic development through a, predominantly but not exclusively, “Porterian lens”, that is Porter’s theoretical framework has been used as a framework to help explore the main issues. This approach is justified on three main grounds. Firstly, the influence Porter has had on strategic planning in Dubai, secondly the major influence Porter and his colleagues have had on shaping our understanding of national competitiveness and thirdly its potential usefulness as an organizing framework for parts of the discussion. However, it may be that other theoretical frameworks could be equally or more useful in helping explore, explain and understand Dubai’s activities in the areas under study.

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<sup>17</sup> At the time of writing (March 2012) it may still be a little early to reach any sound conclusions.

<sup>18</sup> Qatar has recently been advanced as an economic model for the rest of the Middle East. The key features of the model are seen as social cohesion, trusted political leadership and social inclusion (BI-ME, 2012a).

Recent debates on the nature of the state in relation to economic development could provide a useful starting point.

## 7.12 Final Comments

It is tempting, in the world of economic development planning at least, to think of change occurring in well-defined phases rather than being gradual. The practice of attaching titles to Plans<sup>19</sup> and the publicity which surrounds their publication and launch adds to perception that change occurs in cycles. Such approaches are sometimes labeled as “epochalist”. Epochalism, which can be characterized as “the way we must be now and in the future” can be contrasted with essentialism, “the way we really are and always have been”. The epochalist appeal of capturing the spirit of the age via sudden transformation can have a tendency to block out the consideration of alternatives and deny the more gradual but powerful influences of historical change processes. Porter essentially takes an epochal approach. Indeed the dominance of the Porter school of thought can, in the view of some researchers (see, for example, Stonehouse and Snowden, 2007), be seen as defining an epoch in itself. The temptation to declare “breaks from the past” and appeal to the idea of “new beginnings” fits well with applying the Porter framework with its emphasis on strategic positioning. However, such approaches tend to downplay the influences of culture and history on strategic choice.

In addition, the two long reigns of the most recent rulers may have mitigated the tendency towards epochalism.

It is also very tempting to see economic development as a “journey”. The implication here is that it is possible to identify some kind of destination and map out a route towards it. Dubai’s Plans identify a number of such journeys, for example the passage through factor-driven and investment-driven stages of growth towards the destination of being innovation driven. There is also the transition from allocation (or development) models of the state to the production (or competition) model. Similarly the transformation to a knowledge-based economy is presented as a journey. “Journey” is a powerful metaphor, but the reality is that several journeys may be being undertaken at the same time. Different sectors will proceed at different paces, Not everyone will reach the final destination and such an outcome may be inevitable and acceptable. The young may be expected to reach the destination before the old. Advance parties may be needed to plot the route if the terrain becomes difficult. Dubai may, particularly

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<sup>19</sup> 1996 – *Into the 21<sup>st</sup>. Century*; 2003 – *New Dubai in a New Economy*; 2007 – *Dubai.. where the future begins*

in a time of relative resource constraints, need to think more clearly about who starts the journey at what time and what speed.

Finally, Dubai, at least in economic development terms, defies characterization. Is it best viewed as a city state on the Singapore model, or as an autonomous region of a larger country, a country in its own right, a diversified family firm or a conglomerate corporation? All these potential models contain some attractions; none of them encapsulate all the features of Dubai. The nature of leadership and decision-making in Dubai has inevitably resulted in a high degree of eclecticism, and Dubai illustrates both its consequent strengths and weaknesses. A major danger is that of selecting the approach that seems best at the time, and switching approaches when the strategy seems not to be working. Economic development is, as noted above, a gradual process and may benefit from a consistency in strategy and policy terms. The strengths of Dubai in terms of visionary leadership, rapid decision making, political stability and willingness to get on with the job can be substantially weakened if they are not joined by a consistency of purpose and direction.

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## Medium to High Risk Research Ethics Approval Checklist

### 1 Project Information (Everyone)

Title of Project <b>Is Dubai's competitive advantage sustainable?</b>
Name of Research Degree Student <b>Ahmad Hassan Bin Al Shaikh</b>
Faculty <b>Business, Environment and Society</b>
Names of Co-investigators (CIs) and their organisational affiliation <b>N/A</b>
How many additional research staff will be employed on the project <b>0 (none)</b> Names and their organisational affiliation (if known) <b>N/A</b>
Proposed project start date (At least three months in the future) <b>February 2010</b>
Estimated project end date <b>September 2011</b>
Who is funding the project? <b>Self funding</b> Has funding been confirmed? <b>Yes</b>
Code of ethical practice and conduct most relevant to your project: <b>Coventry University Code Ethics</b>
<b>Students Only</b>
Degree being studied (MSc/MA by Research, MPhil, PhD, EngD, etc) <b>PhD</b>
Name of your Director of Studies <b>Prof. David Morris</b>
Date of Enrolment <b>22 October 2008</b>



## 2. Does this project need ethical approval?

Questions	Yes	No
Does the project involve collecting primary data from, or about, living human beings?	X	
Does the project involve analysing primary or unpublished data from, or about, living human beings?	X	
Does the project involve collecting or analysing primary or unpublished data about people who have recently died other than data that are already in the public domain?		X
Does the project involve collecting or analysing primary or unpublished data about or from organisations or agencies of any kind other than data that are already in the public domain?		X
Does the project involve research with non-human vertebrates in their natural settings or behavioural work involving invertebrate species not covered by the Animals Scientific Procedures Act (1986)? <sup>1</sup>		X
Does the project place the participants or the researchers in a dangerous environment, risk of physical harm, psychological or emotional distress?		X
Does the nature of the project place the participant or researchers in a situation where they are at risk of investigation by the police or security services?		X

If you answered **Yes** to **any** of these questions, proceed to **Section 3**.

If you answered **No** to **all** these questions:

- You **do not** need to submit your project for peer ethical review and ethical approval.
- You should sign the Declaration in **Section 16** and keep a copy for your own records.
- Students must ask their Director of Studies to countersign the declaration and they should send a copy for your file to the Registry Research Unit.

<sup>1</sup> The Animals Scientific Procedures Act (1986) was amended in 1993. As a result the common octopus (*Octopus vulgaris*), as an invertebrate species, is now covered by the act.

### 3 Does the project require Criminal Records Bureau checks?

Questions	Yes	No
Does the project involve direct contact by any member of the research team with children or young people under 18 years of age?		X
Does the project involve direct contact by any member of the research team with adults who have learning difficulties?		X
Does the project involve direct contact by any member of the research team with adults who are infirm or physically disabled?		X
Does the project involve direct contact by any member of the research team with adults who are resident in social care or medical establishments?		X
Does the project involve direct contact by any member of the research team with adults in the custody of the criminal justice system?		X
Has a Criminal Records Bureau (CRB) check been stipulated as a condition of access to any source of data required for the project?		X

If you answered **Yes** to **any** of these questions, please:

- Explain the nature of the contact required and the circumstances in which contact will be made during the project.

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### 4 Is this project liable to scrutiny by external ethical review arrangements?

Questions	Yes	No
Has a favourable ethical opinion been given for this project by an external research ethics committee (e.g. social care, NHS or another University)?		X
Will this project be submitted for ethical approval to an external research ethics committee (e.g. social care, NHS or another University)?		X

\*\*If required

If you answered **No** to **both** of these questions, please proceed to **Section 5**.

If you answered **Yes** to **either** of these questions:

- Sign the Declaration in **Section 16** and send a copy to the Registry Research Unit.
- Students must get their Director of Studies to countersign the checklist before submitting it.

## 5 More detail about the project

**What are the aims and objectives of the project?**

The project aims to extend our understanding of the strategic planning processes deployed in Dubai, UAE.

**Briefly describe the principal methods, the sources of data or evidence to be used and the number and type of research participants who will be recruited to the project.**

Two major sources of data will be used:

- Published sources in the public domain
- Key informant interviews (approximately 15 – 20 interviewees; interviews will be recorded and transcribed)

**What research instrument(s), validated scales or methods will be used to collect data?**

Interviews will be semi-structured. The proposed interview schedule is attached. Interview data will be collected from key informants.

**If you are using an externally validated research instrument, technique or research method, please specify.**

N/A

**If you are not using an externally validated scale or research method, please attach a copy of the research instrument you will use to collect data. For example, a measurement scale, questionnaire, interview schedule, observation protocol for ethnographic work or, in the case of unstructured data collection, a topic list.**

The interview schedule is attached.

## 6 Confidentiality, security and retention of research data

Questions	Yes	No
Are there any reasons why you cannot guarantee the full security and confidentiality of any personal or confidential data collected for the project?		X
Is there a significant possibility that any of your participants, or people associated with them, could be directly or indirectly identified in the outputs from this project?		X
Is there a significant possibility that confidential information could be traced back to a specific organisation or agency as a result of the way you write up the results of the project?		X
Will any members of the project team retain any personal or confidential data at the end of the project, other than in fully anonymised form?		X
Will you or any member of the team intend to make use of any confidential information, knowledge, trade secrets obtained for any other purpose than this research project?		X

If you answered **No** to **all** of these questions:

- Explain how you will ensure the confidentiality and security of your research data, both during and after the project.

The identities of individuals, departments, and participants will be made anonymous through pseudonyms; personal details (E.g. real name) will not be disclosed to individuals outside of the project. Data and transcripts, including observations reported beyond the researcher's initial notes, will also be fully anonymous; names and potentially identifying details will be removed and/or replaced with pseudonyms. Transcripts (and equivalent audio or visual data) will be stored securely in password-protected computer files or locked cabinets only accessible to the researcher.

Interviews will be conducted in a confidential and secure setting, or over private communication channels in the case of online correspondence.

Interviewees will be given the opportunity to read transcripts of their interviews before they are used for research purposes. They will be invited to offer clarifications and make changes. They will also be given the opportunity to withdraw themselves from the research at this stage.

If you answered **Yes** to **any** of these questions:

- Explain the reasons why it is essential to breach normal research protocol regarding confidentiality, security and retention of research data.

N/A

## 7 Informed consent

Questions	Yes	No
Will all participants be fully informed why the project is being conducted and what their participation will involve and will this information be given before the project begins?	X	
Will every participant be asked to give written consent to participating in the project before it begins?	X	
Will all participants be fully informed about what data will be collected and what will be done with these data during and after the project?	X	
Will explicit consent be sought for audio, video or photographic recording of participants?	X	
Will every participant understand what rights they have not to take part, and/or to withdraw themselves and their data from the project if they do take part?	X	
Will every participant understand that they do not need to give you reasons for deciding not to take part or to withdraw themselves and their data from the project and that there will be no repercussions as a result?	X	
If the project involves deceiving or covert observation of participants, will you debrief them at the earliest possible opportunity?	N/A	

If you answered **Yes** to **all** these questions:

- Explain briefly how you will implement the informed consent scheme described in your answers.
- Attach copies of your participant information leaflet, informed consent form and participant debriefing leaflet (if required) as evidence of your plans.

Interviewees will be invited to participate via a brief letter. Invitees will be given the opportunity to clarify any matters with the researcher prior to the interview.

At the outset of the interview the researcher will remind the interviewee of the confidentiality arrangements and ask if all matters are clear. The researcher will seek explicit consent to audio record the interview and take brief notes. The audio recording will commence with a verbal note that consent has been given to record.

Transcripts of interviews will be offered for edit and review prior to analysis, and participants will be informed of the right to withdraw from the project at any time without providing a reason.

If you answered **No** to **any** of these questions:

- Explain why it is essential for the project to be conducted in a way that will not allow all participants the opportunity to exercise fully-informed consent.
- Explain how you propose to address the ethical issues arising from the absence of transparency.
- Attach copies of your participant information sheet and consent form as evidence of your plans.

N/A

## 8 Risk of harm

Questions	Yes	No
Is there any significant risk that your project may lead to physical harm to participants or researchers?		X
Is there any significant risk that your project may lead to psychological or emotional distress to participants or researchers?		X
Is there any significant risk that your project may place the participants or the researchers in potentially dangerous situations or environments?		X
Is there any significant risk that your project may result in harm to the reputation of participants, researchers, their employers, or other persons or organisations?		X

If you answered **Yes** to **any** of these questions:

- Explain the nature of the risks involved and why it is necessary for the participants or researchers to be exposed to such risks.
- Explain how you propose to assess, manage and mitigate any risks to participants or researchers.
- Explain the arrangements by which you will ensure that participants understand and consent to these risks.
- Explain the arrangements you will make to refer participants or researchers to sources of help if they are seriously distressed or harmed as a result of taking part in the project.
- Explain the arrangements for recording and reporting any adverse consequences of the research.

N/A

## 9 Risk of disclosure of harm or potential harm

Questions	Yes	No
Is there a significant risk that the project will lead participants to disclose evidence of previous criminal offences or their intention to commit criminal offences?		X
Is there a significant risk that the project will lead participants to disclose evidence that children or vulnerable adults have or are being harmed or are at risk of harm?		X
Is there a significant risk that the project will lead participants to disclose evidence of serious risk of other types of harm?		X

If you answered **Yes** to **any** of these questions:

- Explain why it is necessary to take the risks of potential or actual disclosure.
- Explain what actions you would take if such disclosures were to occur.
- Explain what advice you will take and from whom before taking these actions.
- Explain what information you will give participants about the possible consequences of disclosing information about criminal or serious risk of harm.

N/A

## 10 Payment of participants

Questions	Yes	No
Do you intend to offer participants cash payments or any other kind of inducements or compensation for taking part in your project?		X
Is there any significant possibility that such inducements will cause participants to consent to risks that they might not otherwise find acceptable?		X
Is there any significant possibility that the prospect of payment or other rewards will systematically skew the data provided by participants in any way?		X
Will you inform participants that accepting compensation or inducements does not negate their right to withdraw from the project?		X

If you answered **Yes** to **any** of these questions:

- Explain the nature of the inducements or the amount of the payments that will be offered.
- Explain the reasons why it is necessary to offer payments.
- Explain why you consider it is ethically and methodologically acceptable to offer payments.

N/A



**11 Capacity to give informed consent**

Questions	Yes	No
Do you propose to recruit any participants who are under 18 years of age?		X
Do you propose to recruit any participants who have learning difficulties?		X
Do you propose to recruit any participants with communication difficulties including difficulties arising from limited facility with the English language?		X
Do you propose to recruit any participants who are very elderly or infirm?		X
Do you propose to recruit any participants with mental health problems or other medical problems that may impair their cognitive abilities?		X
Do you propose to recruit any participants who may not be able to understand fully the nature of the research and the implications for them of participating in it?		X

If you answered **Yes** to **only the last two** questions, proceed to **Section 16** and then apply using the online NHS Research Ethics Committee approval form.

If you answered **Yes** to **any** of the **first four** questions:

- Explain how you will ensure that the interests and wishes of participants are understood and taken in to account.
- Explain how in the case of children the wishes of their parents or guardians are understood and taken into account.

N/A

**12 Is participation genuinely voluntary?**

Questions	Yes	No
Are you proposing to recruit participants who are employees or students of Coventry University or of organisation(s) that are formal collaborators in the project?		X
Are you proposing to recruit participants who are employees recruited through other business, voluntary or public sector organisations?		X
Are you proposing to recruit participants who are pupils or students recruited through educational institutions?		X
Are you proposing to recruit participants who are clients recruited through voluntary or public services?		X
Are you proposing to recruit participants who are living in residential communities or institutions?		X
Are you proposing to recruit participants who are in-patients in a hospital or other medical establishment?		X
Are you proposing to recruit participants who are recruited by virtue of their employment in the police or armed services?		X
Are you proposing to recruit participants who are being detained or sanctioned in the criminal justice system?		X
Are you proposing to recruit participants who may not feel empowered to refuse to participate in the research?		X

If you answered **Yes** to **any** of these questions:

- Explain how your participants will be recruited.
- Explain what steps you will take to ensure that participation in this project is genuinely voluntary.

N/A

### 13 On-line and Internet Research

Questions	Yes	No
Will any part of your project involve collecting data by means of electronic media such as the Internet or e-mail?		X
Is there a significant possibility that the project will encourage children under 18 to access inappropriate websites or correspond with people who pose risk of harm?		X
Is there a significant possibility that the project will cause participants to become distressed or harmed in ways that may not be apparent to the researcher(s)?		X
Will the project incur risks of breaching participant confidentiality and anonymity that arise specifically from the use of electronic media?		X

If you answered **Yes** to **any** of these questions:

- Explain why you propose to use electronic media.
- Explain how you propose to address the risks associated with online/internet research.
- Ensure that your answers to the previous sections address any issues related to online research.

### 14 Other ethical risks

Question	Yes	No
Are there any other ethical issues or risks of harm raised by your project that have not been covered by previous questions?		X

If you answered **Yes** to **this** question:

- Explain the nature of these ethical issues and risks.
- Explain why you need to incur these ethical issues and risks.
- Explain how you propose to deal with these ethical issues and risks.

N/A

**15 Research with non-human vertebrates<sup>2</sup>**

Questions	Yes	No
Will any part of your project involve the study of animals in their natural habitat?		X
Will your project involve the recording of behaviour of animals in a non-natural setting that is outside the control of the researcher?		X
Will your field work involve any direct intervention other than recording the behaviour of the animals available for observation?		X
Is the species you plan to research endangered, locally rare or part of a sensitive ecosystem protected by legislation?		X
Is there any significant possibility that the welfare of the target species or those sharing the local environment/habitat will be detrimentally affected?		X
Is there any significant possibility that the habitat of the animals will be damaged by the project such that their health and survival will be endangered?		X
Will project work involve intervention work in a non-natural setting in relation to invertebrate species other than <i>Octopus vulgaris</i> ?		X

If you answered **Yes** to **any** of these questions:

- Explain the reasons for conducting the project in the way you propose and the academic benefits that will flow from it.
- Explain the nature of the risks to the animals and their habitat.
- Explain how you propose to assess, manage and mitigate these risks.

N/A

<sup>2</sup> The Animals Scientific Procedures Act (1986) was amended in 1993. As a result the common octopus (*Octopus vulgaris*), as an invertebrate species, is now covered by the act.

## 16 Principal Investigator Certification

Please ensure that you:


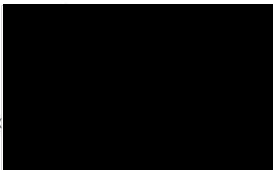
- Tick all the boxes below that are relevant to your project and sign this checklist.
- Students must get their Director of Studies to countersign this declaration.

I believe that this project <b>does not require research ethics peer review</b> . I have completed Sections 1-2 and kept a copy for my own records. I realise I may be asked to provide a copy of this checklist at any time.	
I request that this project is <b>exempt from internal research ethics peer review</b> because it will be, or has been, reviewed by an external research ethics committee. I have completed Sections 1-4 and have attached/will attach a copy of the favourable ethical review issued by the external research ethics committee.  Please give the name of the external research ethics committee here:  Send to <a href="mailto:ethics.uni@coventry.ac.uk">ethics.uni@coventry.ac.uk</a>	
I <b>request an ethics peer review</b> and confirm that I have answered all relevant questions in this checklist honestly. Send to <a href="mailto:ethics.uni@coventry.ac.uk">ethics.uni@coventry.ac.uk</a>	X
I confirm that I will carry out the project in the ways described in this checklist. I will immediately suspend research and request new ethical approval if the project subsequently changes the information I have given in this checklist.	X
I confirm that I, and all members of my research team (if any), have read and agreed to abide by the Code of Research Ethics issued by the relevant national learned society.	X
I confirm that I, and all members of my research team (if any), have read and agreed to abide by the University's Research Ethics, Governance and Integrity Framework.	X

### Signatures

If you submit this checklist and any attachments by e-mail, you should type your name in the signature space. An email attachment sent from your University inbox will be assumed to have been signed electronically.

**Principal Investigator**

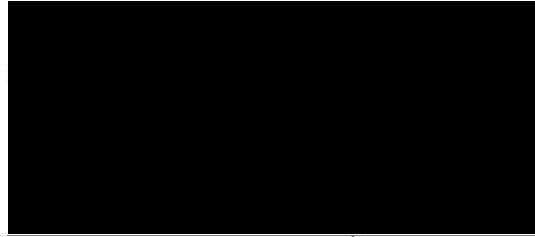
 

(Principal Investigator or Student)

Date

Students submitting this checklist by email must append to it an email from their Director of Studies confirming that they are prepared to make the declaration above and to countersign this checklist. This email will be taken as an electronic countersignature.

**Student's Director of Studies**



Countersigned

(Director of Studies)

Date

3 November 2009

I have read this checklist and confirm that it covers all the ethical issues raised by this project fully and frankly. I also confirm that these issues have been discussed with the student and will continue to be reviewed in the course of supervision.

Note: This checklist is based on an ethics approval form produce by Research Office of the College of Business, Law and Social Sciences at Nottingham Trent University. Copyright is acknowledged.

## **Appendices**

1. Participant consent form
2. Participant information sheet
3. Proposed interview schedule

### Participant Consent form

Thank you for taking part in this research project investigating **strategies for developing and maintaining sustainable competitive advantage in Dubai**. Information about the project can be found on the accompanying information sheet, and before consenting to take part in the study you should read this. Any questions regarding the nature of the research can also be answered by the researcher.

By signing below you agree to take part in the research and acknowledge that you understand that:

- Any information provided during the project is confidential, and no identifiable personal data will be published within my doctoral dissertation or related publications. Participants in this study will remain anonymous outside of the research project; real names of contributors will not be used at any time.
- Your consent is entirely voluntary, and at any time you may withdraw your participation and/or your research data in part or in whole without giving a reason.
- Data collected through interviews will be transcribed and kept securely, accessible only to the researcher and his supervisory team. Interviews will be recorded only with your permission.
- You may, at any time during the course of the research, review any such data that has been collected by the researcher and withdraw it in part or in full.

If you have read the above and resolved any queries with the researcher, please sign below if you wish to participate in the research project.

Signature of participant	Print name	Date
..... .....	..... .....	..... .....
Signature of researcher	Print name	Date
..... .....	..... .....	..... .....

Please retain the attached information sheet containing details on how you may manage your continued participation, including complaints procedure and withdrawal from the research.



## **Participant information sheet**

### **What is the purpose of this study?**

The project aims to explore process of Dubai strategic planning. This study is the focus of a PhD research programme being undertaken at Coventry University, UK. My Director of Studies is Professor David Morris.

### **What do I have to do?**

I will ask some people to help me by being interviewed. Interviews will normally last for less than one hour and will take place at a time and location to suit the interviewee. I will let all interviewees have some notes outlining areas where I would like to ask questions before the interview is scheduled to take place. I will be conducting all interviews personally.

The data gathered from interviews is a vital component of my research. In order to make full use of it I will need to record interviews wherever possible. Recordings may subsequently be transcribed for fuller analysis. If you are willing to take part in an interview but do not want to have it recorded than I would still like to go ahead.

### **What if I change my mind?**

Your participation in this study is voluntary and you are free to withdraw from the project at any time during its course. It is not necessary to provide a reason for doing so (although feedback is always appreciated). If you are uncomfortable with any aspect of the research then inform the researcher and you may either withdraw, or participate in a manner than does suit you.

Data (e.g. recordings, interview transcripts) may be withdrawn at your discretion during the course of the research period.

### **What will happen to the information I give?**

Data will be stored securely and reviewed by the researcher only. None of the information you give, notes taken, or recordings will be used outside of the project without your permission, and no-one outside of me and my supervisory team will have access to the data. Details that would lead others to be able to identify you (such as your name, or particularly detailed information about your university work) will not be released in either my thesis or publications.

### **What will happen to the results of this study?**

The results of this study are intended primarily for publication as a PhD thesis. They may also be used for other publications (such as journal articles) or in presentations within the framework set out in this information sheet. You may also wish to view the results of the study at the completion of the PhD thesis, if this is the case then please contact me.

### **Who should I contact if I have any queries?**

Should you have any questions about the research, please contact

**Ahmad Hassan Bin AL Shaikh**

[ahmad@modern.ae](mailto:ahmad@modern.ae)

### **Making a Complaint**

If you take part and are unhappy with any aspect of this research then you should contact my Director of Studies

Professor David Morris

[d.morris@coventry.ac.uk](mailto:d.morris@coventry.ac.uk)

In the first instance if you still have concerns and wish to make a formal complaint about the conduct of the research then you should write to:

Professor Ian M Marshall  
Pro-Vice-Chancellor (Research)  
Coventry University  
Priory Street  
Coventry  
CV1 5FB

In your letter please provide as much detail about the research as possible, the name of the Researcher and indicate in detail the nature of your complaint.

## **Key Informant Interview Schedule**

### *Prologue*

I am presently doing a research project at Coventry University, UK, on the subject of the sustainability of Dubai's Competitive Advantage. As part of my work I want to interview some people with good knowledge of the area. As a person well versed in aspects of the Dubai Strategic planning process, your views and suggestions will provide impetus and authority to my thesis. I can assure you that all the information and data collected and recorded will be kept confidential and used only to support my thesis. I would like, with your permission, to record the interview. Once this recording is completed you will be sent a copy for your information. Any corrections you would like made will then be included.

The interview should take about 45 minutes to complete.

Thank you for your help.

Ahmad Bin Hassan Al Shaikh

**I would like to begin by seeking your views about the origins of Dubai's current strategic plan.**

1. What was the vision to proceed with the Plan ?
2. What was the scope of the Plan ?
3. How was the main shape of the Plan developed ?
4. Who were the team members responsible for setting planning in motion? Was there a champion? What kind of person was the champion (eg a government minister, an external expert....)
5. When did the planning process begin?
6. How was the process started?

**Thank you. Can we now look at the processes by which the plan was developed?**

7. Who were the stakeholders in the process?
8. Who was invited to contribute to the process?
9. Did the process of planning involve any public consultation?
10. Did the plan process focus on grouping particular economic activities together in any particular way? How was this done?
11. Were any consultants employed in the planning process? What was their role?

**Dubai is an important member of the UAE and GCC. Please can you give me your views on how Dubai's plans are affected by this.**

12. Has the Plan development process referred to the federation (UAE) or to AGCC issues?
13. During the planning process, did the plan focus on regional or local issues? Did the plan see Dubai in its local or regional context?

**My research is concerned with the types of approaches which are useful in strategic planning for Dubai. So I am particularly interested in your views on the next question.**

14. What were the differences between the planning process adopted for Dubai and the type of planning process which might be adopted by a large company?

**Closing questions**

15. Is there anything else you think is relevant which we have not talked about?
16. Is there anyone else I can talk to who may be able to help me?
17. Have you any questions you want to ask me?

Finally, I would like to ask your permission for to come back to you if there are any particular points on which I want further help or clarification.

Once again thank you for all the support and help.