



## **THE SIEMENS COMPANY OMAN- ITS GLOBAL BUSINESS OPPORTUNITIES AND ISSUES**

HAJIR NASSER AL HARRASI, DEPARTMENT OF MANAGEMENT STUDIES, MIDDLE EAST COLLEGE, MUSCAT,  
OMAN

DR. MARIA TERESA MATRIANO, ASSOCIATE PROFESSOR, DEPARTMENT OF MANAGEMENT STUDIES,  
MIDDLE EAST COLLEGE, MUSCAT, OMAN

### **ABSTRACT**

The factors of international business environments differ from one country to another, in terms of the culture of society, politics, and the country's gross domestic product. Sultanate of Oman is one of the active countries that facilitates hugely foreign investment. Many technology and construction companies have grown and developed outside the borders of their countries, and the reason for this is that the market size does not absorb the increasing production capabilities of the organization. It also forced many institutions to maintain their revenues and improve their field to travel abroad. In addition, project financing currently plays an important role for project tenders, through technological development, quality, and so on. The German company Siemens is one of the giant companies in the field of global technologies, industries, communications, railways, energy, trains, and others. Since Siemens' services were not limited to its headquarters, it expanded its fields until its services reached most parts of the world. The company was founded by the German Werner von Siemens in 1847, and it was limited to extending the telegraph until its industrial fields grew and fell under several companies offering various industries. This research has used secondary sources on information about the international driver framework and the globalization issues of the German company Siemens and its investments in the Sultanate of Oman. It was revealed from this research that the stable political situation enjoyed by the Sultanate of Oman made each of the Siemens procedures easy without any complications. The Omani government works to facilitate foreign investment as much as possible in order to develop the country's infrastructure and growth. Siemens indicated that the Sultanate of Oman exempts additional taxes for investing companies in a large proportion to preserve the survival of major international companies in contributing to the country's development. Security and stability are factors that encourage investment. Oman is a country that has no problems with other countries, no internal gangs, and has a reconciled society.

**Keywords:** German tire industry; global business operations; Siemens global operations; Siemen's foreign investment

## Introduction

The economic environment refers to all the external factors affecting the economy, including purchasing companies and consumers, and their impact on the performance of the organization; where external factors are often outside the control of the company and include unemployment, employment, tax rates, inflation, income, interest rates, recessions, and so on. In addition to the size of the market is the demand for services and products of the company. The Sultanate of Oman has a cross-border trade index, as it is the first among the Arab Gulf countries to engage on global trading. The economy of countries is strengthened when financial companies make them produce more and maintain growth. This financial investment affects the gross domestic product through consumption and spending factors, and this creates jobs in turn creates purchasing power for consumers.

## The International Business Framework

**Looking for growth opportunities:** This framework is to exploit new customers and markets, where the organization takes advantage of the demands of the local market. Moreover, when the company acquires in the market, it has a stronger position, and thus its growth and profit increases (Cozmiuc & Petrisor, 2021). Siemens continued to expand to distribute its services to various countries of the world. It cleverly exploited local customers, which made it acquire power and position in the market. The customer behaviour made Siemens focus on their requirements, which gained them new customers. The growth of Siemens has increased dramatically, and the reason for this is its entry into the world and the presence of its services and products in various countries of the world. In addition, Siemens services are largely concentrated in the countries of the Middle East, as it seeks to win customers and maintain the company's brand (Cozmiuc, & Petrisor, 2021).

**Developing economies of scale:** This framework includes developing the scale of the research, the production and marketing aspect of the organization. Here, the company aspires to establish volume quantities in order to reduce the cost of production and obtain a larger contribution (Cozmiuc, & Petrisor, 2021). Siemens applied this framework by developing research and expanding the field as much as possible. In 2011, the company invested approximately 3.9 billion euros, in the field of development and research, equivalent to 5.3% of its revenues. In December 2011, Siemens acquired 11.8 employees in Germany to participate in development and research, and approximately 16,000 in the rest of the world. Moreover, the countries in which Siemens has developed this field are China, Japan, Russia, France, Croatia, Slovakia, India, Switzerland, the United Kingdom, Mexico, the United States, and so on (Thorn & Hamilton, 2018).

**Reducing production costs:** This is represented by access to labor at a low cost. In addition to cheaper raw materials so as to reduce costs for the organization. Also, the organization should search for a location close to the sources it supplies. The company can open a new factory for its productions, in another country where the raw materials are cheaper, the manpower and the sources of supply are cheap, and therefore production costs will decrease over a longer period and so with operating expenses (Thorn & Hamilton, 2018). Siemens benefits from efficient supply and costs from one country to another as the cost engine is an opportunity for globalization and building economies for Siemens worldwide. Siemens'

strategy is to attract low-cost raw materials in order to reduce the company's budget. In addition, through this approach, Siemens has developed products and services to date in its various branches. Siemens also chose sources of supply close to its centres to reduce costs (Thorn & Hamilton, 2018).

**Gaining new ideas and capabilities for working methods:** This framework is represented by the internationalization of a company, which attracts new workforce and possesses new capabilities and ideas that the organization can benefit from. Moreover, an organization can acquire new ideas from one country and then use them for its operations in other countries (Cozmiuc & Petrisor, 2021). Siemens's entry into the world gained new ideas through customer behaviours and needs. The growth of the company in the world has brought its new ideas from every country, which contributed to the progress and development of the company and its entry into new areas that dazzled its customers and attracted new customers towards it. Moreover, when Siemens expanded in the Middle East, it considered that customers differ from one region to another, and took this into account by offering what suits to customers in each country in order to preserve customers and the brand (Cozmiuc & Petrisor, 2021).

**Access to major international clients:** This is represented by making investment and new relationships. Where sometimes companies that are obligated to internationalize reach their customers without any difficulty. Also, they are often internationalize in order to maintain relationships and plans to establish joint ventures. Moreover, with this, tire industry gets a stronger market and thus attracts new customers (Cozmiuc & Petrisor, 2021). Siemens has achieved access to customers in various countries around the world. Where the reason for Siemens reaching this stage of success is the foreign investments and the entry into globalization, which made the internationalization of its customers easy and with no difficulty. The establishment of major projects between countries and governments for Siemens has made the company in a strong position (Cozmiuc & Petrisor, 2021).

**Gaining strategic strength and balancing:** The company can balance the risks by distributing its operations over its multiple market areas. Where if one of its markets is affected by a financial crisis, another region will benefit. In addition, when operations spread, the risks of the impact of crises on funds are less. Moreover, companies can enjoy a great advantage in becoming global, for strategic reasons such as gaining the power of local competitors, and thus the company can start a price war (Cozmiuc & Petrisor, 2021). Siemens controlled its potential risks by distributing its production operations to different areas in the market. As this gives the company strategic strength, when a certain region faces a financial crisis, it benefits from the other region, and so on. In addition, the spread of Siemens operations in various regions reduces its risk of financial crises, as it often suffers from that. The management of Siemens has achieved great success for the company, due to the company's entry into the price war by studying customers and what suits them (Cozmiuc & Petrisor, 2021).

**Facing competitors and opposing competition in the local market:** When the company has globalization in foreign markets and its reputation and position is stronger, this automatically gives its place in the local market. (Cozmiuc & Petrisor, 2021). Siemens is held accountable that it has local and global competitors, as it seeks to maintain customers and the reputation and prestige of the company. As its entry into the world worried some companies, especially

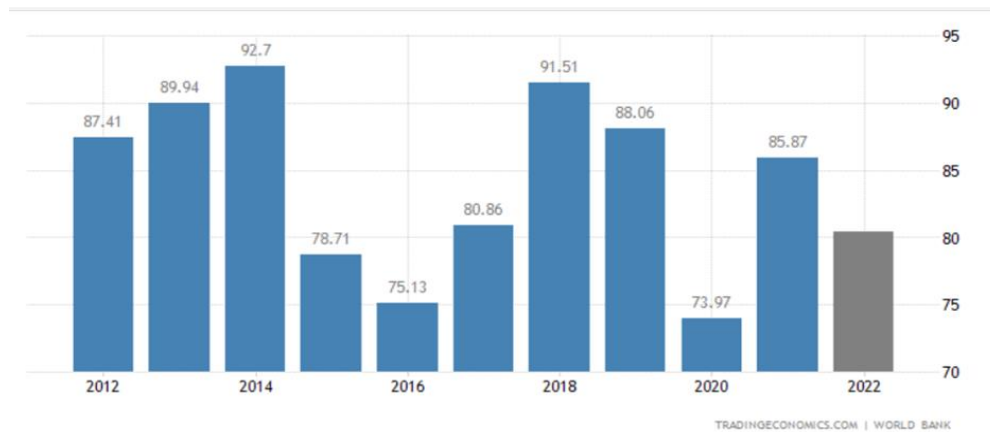
as it took the price war step; Siemens has also established its position in the local market through the quality of what it offers at fantastic prices (Cozmiuc & Petrisor, 2021).

## Factors Affecting the Oman Economy

### GDP

The Omani economy depends on the oil sector, with trading and fishing activities around the coastal areas. Since the discovery of oil in 1964, exports and production have increased even more. The government worked strategies to diversify the economy away from oil, within the framework of Omanization and privatization. This helped in the continuous increase in per capita GDP in the Sultanate of Oman. In 2021, the gross domestic product reached \$85.87 billion in the Sultanate of Oman, according to World Bank data. Where the gross domestic product represents about 0.06% of the global economy (Alkathiri & Soliman, 2022).

Figure 1. GDP in sultanate of Oman

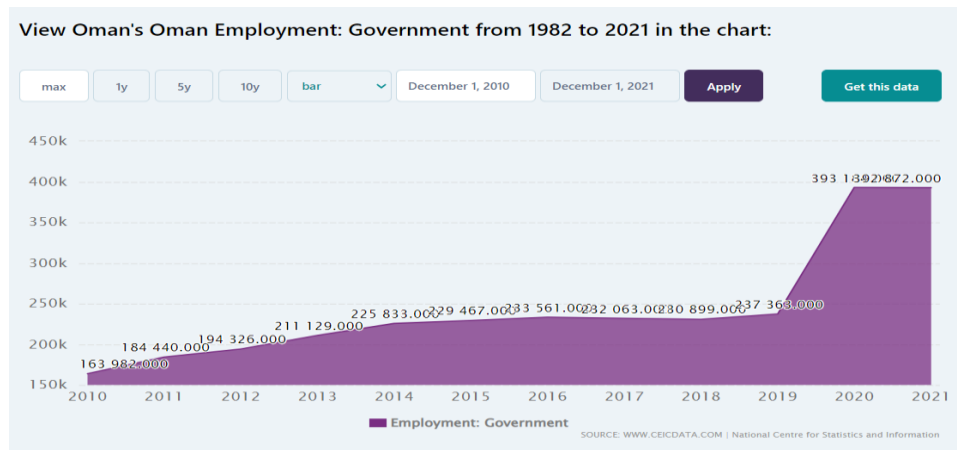


In addition, Oman is one of the largest oil producing countries in the world, as natural gas and oil extraction represents about 51% of the gross domestic product while the services sector is 37% of all wealth. In addition, the largest sectors are wholesale and retail trade services, which represent about 7% of the GDP. The mining and manufacturing sector also contributes 6% of the GDP (Alkathiri & Soliman, 2022)

### Employment

According to government data, the number of Omani workers during the year 2021 has accounted to 392,872 people while in 2020, the number of Omani workers is 393,184. Where the data is updated by the government for employment, the highest percentage in 2020 was 393,184 people, and the lowest number was 51,61,200 in 1982 (Majid, 2020)

**Figure 2. Employment in Oman 1982-2021**



Employment in Oman is linked with the Ministry of Manpower and Civil Service. These two ministries are a fabric for employment and job seekers. As the Omani government began in 2021 to reduce the unemployment rate by sorting jobs in various fields for the growth and recovery of the Omani economy; the Omani government has focused on Omanisation and privatization in employment (Majid, 2020).

**Investment**

According Majid (2020) investment plays an important role in the Sultanate of Oman in all economic activities as it derives most of its dynamic resistance from development, growth and structural changes. The Omani government has also granted, in the recent period, an encouraging climate for foreign investment, and has facilitated the matter by setting easy laws and principles that attract investors to it. The Omani government also indicated that foreign investment will make the economy diversified and help its growth. One of the most prominent Omani properties for foreign investment is stability and security. In addition, Oman's geographical location attracts trade, as it overlooks the most important regional and international sea lanes.

**Population**

The total population, according to the latest census of citizens and residents in the Sultanate of Oman, is estimated at about five million, for the year 2021. However, the Sultanate of Oman is one of the Gulf countries that has a small population density compared to its area. In addition, the Sultanate of Oman is characterized by differences in customs, cultures and traditions. It also includes expatriate workers from different countries of the world. The ages of the citizen population occupy the youth category, which is the resulting category in any society. Moreover, most of the Omani population has higher academic degrees. However, in the recent period, the country has been suffering from employment, due to the effects of the Covid-19 pandemic and the deterioration of the Omani economy. Despite this, when the Omani economy began to recover during the year 2021, the Ministry as concerned with employment has provided job opportunities in various fields to address job stagnation and improve the level of per capita income (Akbar & Shinwari, 2019).

**Inflation**

In 2021, the inflation rate in the Sultanate of Oman increased by 2.4%, while the rate indicates stability in 2022. The data also showed that the consumer items that were issued by the National Centre for Statistics and Information achieved a rise in the price index. As the prices of consumables rose on certain materials at specific rates. Oman's policy makers and economists also monitor the consumer price index and personal consumption expenditures. Politicians also said that inflation in Oman will address job problems (Akbar & Shinwari, 2019)

### **Evaluation of the Omani Economic Environment for Siemens Investment**

According to Alkathiri and Soliman, (2022), the Sultanate of Oman is one of the developed countries in the region, as it has achieved remarkable growth in all sectors of the economy in the past years. As this indicates that the economy is growing excellently, oil is still the most important source of revenue for the Sultanate of Oman. In addition, development and growth are more sustainable in Oman in the long term. The Omani government encourages foreigners to invest for the benefit of the country. In addition, it facilitated its untapped resources by transferring knowledge, technology and skills to benefit from it. The Sultanate of Oman has a developed infrastructure that is attractive to invest in. Oman is also one of the most prominent countries committed to the open market policy for free competition. Tax exemptions for Siemens are a positive point, as well as tax exemptions. The Omani government has made trade procedures easy and simple, which makes it easier for Siemens to complete its work in an uncomplicated way. The country also offers a climate suitable for investment and as friendly as possible, which made Siemens achieve its goals and profits from this country in a smooth manner. The Omani government drafted the foreign capital investment law to remove the complications of foreign investment by 70%. Oman opened most of the sectors and areas for foreign investment in order to develop and grow its economy without acquisition. It also has the ability to face the consequences of low oil prices, being its primary economic dependent, by entering into fields that bring good income to the country, such as developing the tourism sector and better exploitation of natural resources.

Siemens company stated that the Sultanate of Oman is working to grow and develop its economy to be sustainable and diversified. Its economy keeps pace with industry technology developments and considers the field of sustainability. In addition to the Oman Vision 2040, it aims to develop the infrastructure as a major economic tool that helps the Sultanate to become a commercial and industrial centre. The Omani government has also worked to reduce dependence on hydrocarbon exports and increase the non-oil sector in order to increase the gross domestic product, and thus provide job opportunities for Omani citizens. As the economic stability of the Sultanate of Oman is a good factor for Siemens because its preserving per capita income and diversifying the economy and thus recovering the gross domestic product (Alkathiri & Soliman, 2022)

There is an opportunity to conduct business explorations worldwide by Siemens, which provide services to most countries of the world as this company entered the globalization market with its intelligence by developing a special study of the market economy and its requirements in the target countries. The company has many different branches around the world. In addition, in some countries Siemens has more than one project, that helps it to study the economy and trade in that region with ease. This company, which has become global in the commercial market, has reached this achievement because of studies and explorations of all kinds before starting work in any country. Also, through the control of Siemens on the market trade, it has the ability, experience and information about the economy of most countries. In addition,

Siemens appoints a head of each trade for it, who collects observations and data about the market and the economy of that country. Siemens will succeed more if it conducts commercial exploration worldwide, especially since it has information regarding unemployment, employment, gross domestic product, supply and demand, exports, imports, and economic influences for most countries of the world.

### **The Social, Cultural and Political Business Environment of the Oman**

At the present time, no business can be national or commercial, due to the impact of globalization; as some businesses ignore national and cultural ties and technological development. The Sultanate of Oman also occupies a unique position in terms of social, economic, developmental and political aspects. Moreover, the national culture of the Sultanate of Oman has played an important role in the development of international business (Comunian & England, 2020). The last dimension is cultural convergence, which is represented in the global trend, exports and imports related to the gross domestic product. Furthermore, social factors of the business environment revolve around morals, values, and lifestyle in society where people differ from one country to another through the times of purchase of services and products. It is also difficult to know about social factors as these factors are mostly subjective. People change according to their age in taste and inclinations. In addition, if household income rises, the demand for goods and services increases. The population growth rate is one of the important things that the company must take into account. The Sultanate of Oman has a reasonable population and an understanding society with international trade (Chaika, 2020). Siemens can conduct social exploration, which includes the assessment of consumers and individuals in a particular market. Where this aspect is known as demographic factors, and social indicators such as gross domestic product, exchange rates, and inflation are necessary to manage the company. In addition, Siemens research included most of the countries of the world in this aspect in order to enter the market, succeed and control it. Also, in this aspect, Siemens can explore global trade by studying the changes that occur in some markets caused by social factors. Moreover, the focus on the demographic structure of most countries in terms of youth, old age, change in lifestyle, educational level, educational distribution, etc. is owned by Siemens through its various trades. Clarity of consumer behaviour in Siemens due to globalization makes it easier for it to explore and compare between countries.

The Omani national culture is important to international business and it is essential for any company to understand the culture of the country. The Omani culture is predominantly Arab, with several regions of Swahili and Baluchi. The Omani culture is deeply rooted in Islam. The Omani Islamic culture is diverse, including Ibadi Muslims, Sunnis and Shiites. Omanis are tolerant of all forms of Islam as well as other religions. The Omani culture is open as a whole, so there are no problems with the actual community of foreign business. The Omani society also welcomes things that help the development of the country. Siemens owns the cultures and customs of different countries, due to its involvement in international trade. Siemens studies countries through the cultural aspect, customs and traditions of the society of the country in which the investment will be made, in terms of religions, language, race and lineages. In addition, it has explored most of the countries of the world. The company also possesses intelligence to win customers by discovering trade in each country according to the culture and view of any society.

### **Political**

The political factor is often measured by several things, including the number of foreign embassies in the country and international organizations, and the country's registration within

the United Nations International Peace Organization. The political dimension of the Sultanate of Oman has also become an effective role in drawing business competition and steady stability despite the challenges that afflict the world. Where the political aspect is the most important aspect of the business environment, companies need stability and security appropriate for the success, development and growth of business without any problems or obstacles. The Sultanate of Oman is one of the countries that rank first in terms of smart policy that follows an appropriate atmosphere in which business can be attracted. Foreign investments prefer the atmosphere of the Sultanate of Oman, which excels through the ethical atmosphere, strategies and foundations that the Omani policy possesses (Apriliyanti & Kristiansen, 2019). Siemens can explore global trade through its political inclusiveness of the countries of the world. Siemens also focuses on the entire political aspect, based on the fact that the global economy replaces the local economy. Also, Siemens often looks at the threats and opportunities for most of its markets in different countries before expanding to new markets.

### **Evaluation of the Omani Social and Cultural Environment for Siemens Investment**

The social and cultural environment that the Sultanate of Oman enjoys made Siemens invest in an easy way. Siemens took advantage of the diversity of Omani society in terms of cultures, traditions and customs that the Islamic religion possesses. Siemens considers the Sultanate of Oman as one of the most important countries that can control its local market. Siemens indicated that the Omani society of different ages is easy to study in terms of the target group. Also, there are no security problems for Siemens, as it performs its services stably. Siemens expands its services in Oman and in various regions in order to completely control the Omani market. Siemens indicated that the Omani society is tolerant and understanding despite the different cultures and races. Siemens also respects society, its cultures and religious beliefs. It provided aid to the poor several times during the month of Ramadan, in order to establish a good reputation in the country (Hamidm & Alam, 2022)

### **Evaluation of the Omani s Political Environment for Siemens Investment**

The stable political situation enjoyed by the Sultanate of Oman made each of the Siemens procedures easy without any complications. The Omani government works to facilitate foreign investment as much as possible in order to develop the country's infrastructure and growth. Siemens indicated that the Sultanate of Oman exempts additional taxes for investing companies in a large proportion to preserve the survival of major international companies in contributing to the country's development. Security and stability are factors that encourage investment. Oman is a country that has no problems with other countries, no internal gangs, and has a reconciled society.

### **Conclusion**

In conclusion, the Sultanate of Oman has recently attracted foreign investments that can contribute to globalization. The German company Siemens has succeeded in applying its tires in the business environment, and this comes from its good diligence in studying the country. In addition, the economic outlook, which is going well, gives Siemens the strength to work. Also, the Sultanate of Oman contributes to improving its economy in a great way, allowing foreign investments to operate with ease without pressure on them. Siemens also indicated that the Sultanate of Oman is a country that maintains the development of its economy by exploiting the natural resources it possesses without relying on oil resources. The Omani government helped Siemens achieve this by moving away from acquisition. Moreover, the social and cultural environment that the Sultanate of Oman possesses alone is based on good treatment and morals away from bias, as the indigenous population contributes to the development of the country in all its sectors.



## Recommendations

- Continue in developing remote areas in the Sultanate of Oman to convey the company's logo around the world.

The company works to target all Omanis and even remote global regions. Since the remote Omani region of Duqm, which was only famous for its wealth of resources, has now become one of the most important industrial and economic regions on an international and regional level. Siemens has an energy saving contribution of 200 million euros. In addition, it won the prize for saving energy, water and long-term maintenance services. Siemens' continued contribution to the development of the Omani economic zones and proves its position in the Omani economic market, as it expands its scope in various fields to achieve greater profits.

- Exploiting the stability of the Sultanate of Oman in terms of political, regional and economic aspects in the development of infrastructure.

Targeting the Sultanate of Oman as it is a country known for its permanent security and stability, far from international and regional disputes. In this way, Siemens will provide jobs, which will make the Omani government appreciate Siemens' work in developing infrastructure and providing job opportunities.

- Maintaining the framework structure of the international trade and business of the company.

The framework of the structure of each company is the reason for achieving its achievements, as it follows a specific strategy in order to maintain employees by presenting their requirements. Where the competitive strength between the global markets for companies is caused by the special framework factor that each company follows and how to deal with crises and disasters.

## References

- Alkathiri, N. A., & Soliman, M. (2022). Examining foreign direct investment determinants of tourism industry in Oman and Egypt: The moderating role of investment environment. *International Journal of Finance & Economics*, 27(4), 4722-4740.
- Akbar, F., Khan, A. L., Gilani, S. A., Al-Harrasi, A., Al-Sadi, A. M., & Shinwari, Z. K. (2019). Genetic differentiation in different endemic *Boswellia sacra* (Burseraceae) populations from Oman. *Pak. J. Bot*, 51(1), 109-116.
- Apriliyanti, I. D., & Kristiansen, S. O. (2019). The logics of political business in state-owned enterprises: the case of Indonesia. *International Journal of Emerging Markets*.
- Cozmiuc, D. C., & Petrisor, I. I. (2021). The Siemens Digitalization Strategy in a Value-Based Management Framework. In *Managerial Issues in Digital Transformation of Global Modern Corporations* (pp. 183-209). IGI Global.
- Chaika, O. I. (2020). Communicative strategies in cross-cultural business environment. *Науковий журнал «Міжнародний філологічний часопис»*. Київ: «МІЛЕНІУМ», 114-121.

- Comunian, R., & England, L. (2020). Creative and cultural work without filters: Covid-19 and exposed precarity in the creative economy. *Cultural Trends*, 29(2), 112-128.
- Donzé, P. Y., & Nishimura, S. (2021). Patent management and the globalization of firms: the case of Siemens (1890–1945). *Journal of Management History*.
- Hamid, I., Alam, M. S., Murshed, M., Jena, P. K., Sha, N., & Alam, M. N. (2022). The roles of foreign direct investments, economic growth, and capital investments in decarbonizing the economy of Oman. *Environmental Science and Pollution Research*, 29(15), 22122-22138.
- Majid, M. A. (2020). Renewable energy for sustainable development in India: current status, future prospects, challenges, employment, and investment opportunities. *Energy, Sustainability and Society*, 10(1), 1-36.
- Thorn, E., Kimmel, S. C., Chaka, M., & Hamilton, B. A. (2018). *A framework for automated driving system testable cases and scenarios* (No. DOT HS 812 623). United States. Department of Transportation. National Highway Traffic Safety Administration.

