Choice of GCC Construction Market Entry Mode

أختيار أنماط الدخول لقطاع الانشاءات في دول مجلس التعاون الخليجي

By

Omar Jawdat Al Sadi

ID# 120156

Dissertation submitted in partial fulfillment of the requirements for the degree of MSc Construction Management

Faculty of Engineering and Information Technology

Dissertation Supervisor

Prof. Muhammad Al Dulaimi

November, 2015

DISSERTATION RELEASE FORM

Student Name	**Student ID**	**Programme**	**Date**
Omar Jawdat Al Sadi	**120156**	**MSc CM**	**12-Nov-2015**

Title : Choice of GCC Construction Market Entry Mode.

I warrant that the content of this dissertation is the direct result of my own work and that any use made in it of published or unpublished copyright material falls within the limits permitted by international copyright conventions.

I understand that one copy of my dissertation will be deposited in the University Library for permanent retention.

I hereby agree that the material mentioned above for which I am author and copyright holder may be copied and distributed by The British University in Dubai for the purposes of research, private study or education and that The British University in Dubai may recover from purchasers the costs incurred in such copying and distribution, where appropriate.

I understand that The British University in Dubai may make that copy available in digital format if appropriate.

I understand that I may apply to the University to retain the right to withhold or to restrict access to my dissertation for a period which shall not normally exceed four calendar years from the congregation at which the degree is conferred, the length of the period to be specified in the application, together with the precise reasons for making that application.

Signature

Abstract

The international construction sector is one essential organ of the global economic body. While more construction companies target international construction markets, two related queries to both academicians and investors will be asked frequently: “What is the most appropriate mode to consider during entry?” and “On which basis entrant can choose this entry mode?”.

This purpose of the study is to propose a framework to guide entrants for successful entry to GCC construction markets, therefore, the study investigated the decision making process of international contractors and examined the Gulf Cooperation Council (GCC) construction markets to identify the key factors that would influence a firm’s entry strategy. Those aims were achieved by extensive literatures studies which developed a preliminary framework to select entry modes based on their strategic effects, and a final framework indicating the most appropriate entry mode for each GCC market by implementing the decision making process model in context of GCC states.

In order to collect the data, the study considered a combination of quantitative and qualitative approaches. Initially the entry mode data was collected from 86 international contractors’ web home pages, these contractors are listed as the most successful international contractors in each GCC state separately by MEED Projects (2015). And then further qualitative approach was considered to examine the proposed selection framework based on strategic effects in UAE construction market, interviews with carefully selected top management executives through face to face semi structured interviews have enabled the successful examining of proposed model.

The study found that firms’ initial choice of a specific entry mode is a key strategic decision to ensure successful investment, as the option of entry mode adjustment is hard without incurring significant losses of time and money, moreover, it was found that construction unique characteristics imply different priorities than those in other industries to enter foreign markets. Furthermore, The study concluded that most of GCC markets require the entry using permanent modes, eventually a set of recommendations were introduced to facilitate the entry process and ensure successful entry to GCC construction markets.
KEY WORDS: International Construction, Entry Modes, GCC, Construction Markets

ملخص البحث

قطاع البناء والتشييد الدولي عضو أساسي من اعضاء الجسم الاقتصادي العالمي. في حين أن أكثر شركات المقاولات تستهدف أسواق البناء الدولية، يتبادر الى الاذهان استفسارين اساسيين لدى كل من الأكاديميين والمستثمرين في كثير من الأحيان: "ما هو نمط الدخول الأنسب الى هذه الاسواق؟" و "ما هي الاسس التي يتبعها المستثمر لاختيار نمط الدخول الانسب؟".

إن الهدف من هذه الدراسة هو اقتراح إطار عمل لتوجيه شركات المقاولات الدولية للدخول الناجح لأسواق البناء في دول مجلس التعاون الخليجي ،ولذلك تضمن هذا البحث دراسة معمقة لعملية اتخاذ القرارات من المقاولين الدوليين واختبار متكامل لسوق الانشاءات الخليجي لتحديد العوامل الرئيسية التي من شأنها أن تؤثر على استراتيجية الدخول للشركة. وقد تحققت تلك الأهداف من خلال المراجعات المستفيضة للابحاث السابقة لنفس الموضوع التي اسست لوضع الاطار الاولي لتحديد طرق الدخول استنادا إلى التأثيرات الاستراتيجية لانماط الدخول، وكان ايضا من نتائج هذه المراجعات وضع إطار عمل نهائي يشير إلى نمط الدخول الأنسب لكل سوق من أسواق دول مجلس التعاون الخليجي على حدة، من خلال تطبيق مبادئ عملية صنع القرار في اطار أسواق مجلس التعاون الخليجي.

لجمع البيانات اللازمة لهذه الدراسة اعتمدت الدراسة على مجموعة من المناهج البحثية الكمية والإستقصائية . في البداية تم حمع البيانات الكمية من صفحات الانترنت الخاصة ب ٨٦ مقاول دولي في دول مجلس التعاون المختلفة, تم اخيار هولاء المقاولين اعتماداً على كشوفات لانجح المقاولين الدوليين في كل دولة على حدة صدرت من قبل تقارير مشاريع ميد (٢٠١٥). تلى ذلك المنهج الإستقصائي لاختبار إطار العمل الخاص باختيار انماط الدخول المقترحة استنادا إلى التأثيرات الاستراتيجية في سوق الإنشاءات في دولة الإمارات، وطبق هذا المنهج من خلال المقابلات وطرح الاسئلة شبه الممنهجة وجها لوجه مع اعضاء مختارين يشغلون مناصب عليا في مجالس الإدارة لثلاث شركات دولية في دولة الامارات، التي بدورها مكنت البحث من التحقق من النموذج المقترح.

وبعد تحليل نتائج البحث بالطرق العلمية خلصت الدراسة الى أن الاختيار الأولي لنمط الدخول هو قرار استراتيجي أساسي لضمان الاستثمار الناجح، إذ أن المحاولة لتعديل النمط المختار بعد الدخول من الصعب أن يتم دون تكبد خسائر كبيرة في الوقت والمال، علاوة على ذلك، وجد البحث أن الخصائص الفريدة لعملية الانشاءات تفرض أولويات مختلفة عن تلك الموجودة في غيرها من الصناعات الاخرى لدخول الأسواق الخارجية. بالاضافة الى ذلك، خلصت الدراسة إلى أن معظم أسواق دول مجلس التعاون الخليجي تتطلب من المستثمر الدخول باستخدام الانماط دائمة، في نهاية المطاف تم اقتراح مجموعة من التوصيات لتسهيل عملية الدخول وضمان دخول ناجح لأسواق البناء دول مجلس التعاون الخليجي.

الكلمات الرئيسية: الأنشاءات العالمية, انماط الدخول, أسواق الأنشاءات, دول مجلس التعاون الخليجي.

Dedication

I dedicate this dissertation to my father Dr. Jawdat Al Sadi who's always inspired me to work hard and achieve more despite all hard conditions. My dedication also goes to my beloved mother for her continuous encouragement and support.

Acknowledgment

I would like to express my gratitude to my dissertation supervisor Prof. Mohammed Al Dulaimi for his continuous support, valuable guidance and the encouragement offered to finish this study in a well structured manner.

I also would like to express my thanks to my beloved wife for her patience, understanding and encouragement during the entire period of my study.

My sincere gratitude also goes to my manager, Mr. Jamil Fayad of M/s. Zamil Steel who was always considering my studying circumstances, and offering his kind encouragement for the timely completion of this study.

Last but not least, I would like to express my deepest thanks to all my colleagues, who gave me valuable support for the successful completion of this study, especially Eng. Hany Omar who was offering his valuable critical feedback all the way until the end of this research.

Table of content

List of Figures

List of Tables

Glossary of Terms

GCC	Gulf Cooperation Council
UAE	United Arab Emirates
KSA	Kingdom of Saudi Arabia
US	United States Of America
EJV	Equity Joint Venture
LA	Local Agent
JVP	Joint Venture Project
BOT	Build- Operate-Transfer
RO	Representative Office
BRO	Branch Office
SA	Stratigic Alliance
JV	Joint Venture
JVC	Joint Venture Company
SVC	Sole Venture Company
SVP	Sole Venture Project
BRC	Branch Company
LI	Licensing
R&D	Research and development
M&A	Mergers and Acquisitions
TCT	Transaction Cost Theory
OLI	Dunning Eclectic Paradigm
FDI	Foreign Direct Investment
ICT	Institutional/ Cultural Theory
BPT	Bargaining Power Theory
OCT	Organizational Capability Theory
LLC	Limited Liability Company

Chapter 1: Introduction

1.1 Research Background

The international construction sector is one of the main supporting blocks of the global economy, which is defined as the construction projects where a foreign construction firm resides in one country, while it has other construction activities in another remote country (Mawhinney 2001), Those activities constitute the scope of international construction, where international business is challenging and unusual, the main challenges are associated with client communications, avoiding local politics, understanding a new culture, and managing a diverse group of senior professionals (Kangari and Lucas 1997).

Due to the dominant globalization trends, current high technology and communication means, ambitions and visions of construction firms' decision makers grew further to increase their business growth within the promising new construction markets (Han and Diekmann 2001), international contractors turned their compass towards other markets and entered foreign countries, where they found numerous benefits while their business was running out there.

According to the US. Department of commerce (1984), overseas construction business has a numerous benefits to contractors' home countries such as;
1) Transfer of profits from projects' host countries to the contractor home country;
2) Growing exports of equipment and materials in home countries due to the foreign construction activities;
3) Growing exports of services, such as financing, insurance, and transportation in home countries due to the foreign construction activities;
4) The Returns of personal earnings in the foreign construction projects;
5) The continuous procurement process of home country services and goods due to the continued maintenance and operation within foreign construction projects;
6) Growing employment of international contractors' nationals both in host and home countries.

On the other hand, host country can have its projects accomplished without having the needed resources and expertise, acquire new technologies transfer, has advantages from growing competition in its local market which improves quality and efficiency, and occasionally, obtain financing for its required construction projects (Chen 2005).

Never the less, the decision of foreign market entry is not an easy task, it includes high risk factors, since entrants are going to perform in new environment. That requires a higher degree of knowledge in foreign investment, host country market and current competitiveness in that market, hence it’s a vital need to fully appreciate the basis of entry decisions, prior entering foreign markets.

One of the major developing construction markets, is the GCC market where the significant increase of oil export income during the period of 2002 to 2007 stimulated massive economic action in this area, many gulf governments have embarked on a mission to change from being mainly oil-based exporters to a more balanced position. They started some remarkable mega projects, which by return made the construction sector one of their most important concerns. In addition to this, new trend ended with a model change in this sector within gulf with clear changes in the size, complexity, and type of construction projects. However, the worldwide financial crunch of the year 2008 has its own negative impacts on the oil prices significantly stalled the rate of construction growth in the GCC markets. Nevertheless, GCC economies recently started to recover from that recession effects, and construction markets returned relatively to its earlier well-known strong state (Alpen Capital 2012).

1.2 Problem Statement

To avoid recession negative impacts, contractors have to learn the lessons from last construction markets drop. The extensive observation of international construction markets proves that whenever the business drops in one region, a chance of promising business boom will appear in other markets, especially those markets that firmly withstood with their precious oil reserves against the fall of other economies in the world. Hence, it’s getting increasingly important to understand the international construction concepts, which might save a lot of major contractors around the world from bankruptcy.

Chen (2008) raised an interesting point with regard to entry modes stating that the available knowledge of entry modes have been always targeting the manufacturing sector only, similarly

Kim et al. (2013) explained that although researchers have widely proposed that "monetary and investment risk as one of the main factors contributing to the success and failure of international construction market entry decisions". Nevertheless current risk-based decision-making methods are not solely enough for the financial analysis of investments in international construction markets (Hastak and Shaked 2000). As a result it can be concluded that construction process includes a different variables that doesn't allow the direct application of manufacturing concepts to construction process, and hence a serious need is required to develop and adapt this current frameworks and understanding to match the special properties of construction field.

1.3 Aim and Objectives

The dissertation aims to investigate the basis which international contractors consider when they make an entry choice to the GCC construction markets, to advise the right entry mode strategy for each market of those states.

The objectives of this study are:

1) Investigate the decision making process adopted by international construction firms seeking an effective strategy to enter a new international market.
2) Examine the construction markets of GCC countries to identify the key factors that would influence a firm's entry strategy.
3) Integrate the decision making process framework in context of GCC countries to develop the final entry mode model suitable for GCC construction markets.

1.4 Dissertation structure

The research structure will be carried out through the following six chapters:

Chapter 1: Introduction

This chapter includes the preface of the research which will go through the topic background, problem statement, aim, objectives and dissertation structure, to assist the reader understand smoothly the research rational and provide a clear idea about the following chapters.

Chapter 2: Literature Review

This chapter will go through the existing knowledge of entry mode and international construction and it will be divided in to three main sections, which are: 1) the Entry modes understanding, which will explain in-depth the different type of entry modes and clarifies the factors influencing the choice of entry mode , 2) the GCC construction markets perspectives and driving forces to allow for a better understanding of gulf markets and their functional and historical properties, 3) Framework development, which will use the data in literature to construct a detailed framework to assist the choice of entry modes strategies.

Chapter3: Methodology

This chapter will cover the means of collecting data, research approach and analysis strategy, it also explains in-depth the importance of the used analysis method and it's compatibility to the addressed research topic.

Chapter 4: Data Analysis

This chapter will include the full analysis of collected data about GCC construction market sector using qualitative analysis approach to highlight the main weaknesses, strengths, opportunities and threats of these markets which will draw the main lines for GCC markets entry modes selection model.

Chapter 5: Findings and Selection Model

This chapter will go through the different findings of data analysis and it will show the proposed model for construction entry modes for each county in GCC.

Chapter 6: Conclusions and Recommendations

The last chapter will summarize the findings of the research and provide some recommendations to international contractors intends to invest in GCC construction markets

Chapter 2: Literature Review

2.1 International Construction Entry Modes

2.1.1 Entry Modes Definition

Andersen (1997) has defined the entry mode as an institutional arrangement to organize and perform overseas business transactions, Root (1987) has provide more detailed definition stating that entry mode process is "the organizational behavior that facilitates the entry of a company's products, technology, human skills, management or other resources into a foreign country".

Some researchers such as; Sharma and Erramilli (2004) have introduced the concept of marketing to the entry mode concept, by defining entry modes as a structural agreement allows institutions to apply its product market strategy in the targeted market by performing the marketing activities only, or by performing both marketing and production activities there by itself or in partnership with others.

Construction entry modes have been recognized for a long time as a project-based operation, Ashley and Boner (1987) believed that international contracting operations overseas are project-specific; where the offices and staff are mobilized and established before construction commencement and are usually shut down and recalled upon project completion. They added that when international contractor is involved in many projects in one place within a protracted period of time, Contractor's office may gain a higher level of permanence which might end in a shape of a branch office or rarely as a sole venture company.

2.1.2 Significance of Entry Modes study

"To say that a company cannot afford to plan an entry strategy is to say that it cannot afford to think systematically about its future in world markets" (Root 1994)

Several researchers have recognized the entry mode topic during their research in the international business domain, such as (Brouthers and Hennart, 2007, Sarkar and Cavusgil, 1996;

Canabal and White, 2008). In addition, Werner (2002) manifested that “Modes of entry into international markets are the third most researched field in international management”.

Brouthers (2002) illustrated that entry mode study is critical, since the selected mode may has a severe impacts on the investment performance, moreover “the mode specifies if the investing firm has a full control over the foreign unit or has to share control with a partner” (Arregle et al. 2006). From another perspective, Root (1987) indicated that the firm’s initial choice of a specific entry mode is hard to adjust without incurring significant losses of time and money, therefore, it’s obvious that selection process of entry mode is a one key strategic decision to ensure successful investment.

2.1.3 Factors driving the tendency toward foreign market entries

Chen (2005) noted that the changes took place within the 1990s initiated a new trend of market entries emphasizing on more permanent and firm presence in the new emerging construction markets, the summarized list of factors includes; (1) the continuous prosperousness in some developed continuous such as the United Sates where the presence in such a construction market can bring significant profits; (2) Increasing size of international construction players. Frequent cross border Mergers and Acquisitions (M&A) make very large international construction firms, who emphasize more on the entry issues on a corporate level.; (3) the rise of innovative investment methods such as, M&A; (4) the shrinking size of some construction markets in export-oriented economies, such as; Japan and Europe, where entrepreneurs have no choice but to target foreign markets for their business growth and survival. Vietor (2007) added another factor by stating that the steady demand increase in construction markets in developing economies, like the Chinese and the Czech markets, where the early entry and foundation of permanent presence to utilize the growth are very crucial.

2.1.4 Basic entry modes for international construction markets

2.1.4.1 Strategic Alliance (SA)

(Chen and Messner 2009) identified SA as a long-term inter-corporate consortium without an affiliated firm founded on mutual respect and trust for each member’s business needs, aims to promote the mutual interests of the partners which may include; governments, customers, suppliers, financial institutions, engineers, and contractors. They also added that, depending on the level of the members in the supply chain, the SA can be either vertical when members are on different levels, such as the SA of a contractor and owner or, horizontal when members are on the same level, such as the SA of many contractors. It was noted also that entrant can build a SA with local (host) partners, partners from its home country, or partners from another country.

Chen (2005) explained the process of SA forming by stating that the SA partners at the beginning shall agree to share their resources, profits, technology and jobs, and provide each others' requirements for a distant duration. He also remarked that far from a joint venture company (JVC), a SA doesn't require an incorporated subsidiary, as member's staff stay attached to the original firms. Alternatively, SA is dedicated for a long-term collaboration or a set of projects, which varies from a joint venture project (JVP) mode which is generally adopted for a single project. According to Pietroforte (1996), the SA formulation process can be summarized in the following four steps: (1) initiation; (2) competence study and validation; (3) discussing alliance terms and occasionally documenting it in agreement, contract or memorandum of understanding; and (4) the operation and development of this alliance. Pietroforte (1996) also remarked that first and second steps in the formulation process can be switched as proved by some actual successful alliances that were remarked during the study.

Mainly, SA mode contributes in reducing entrant investment risks, technology sharing, enhancing global mobility, efficiency improving, and strengthening of international competitiveness (Tse et al. 1997). In addition, the SA with local partners can facilitate the process of acquiring construction permit and gaining knowledge in local building codes and market particulars like competitors' capabilities and labor availability (Badger and Mulligan 1995). One the other hand, foreign entrant tends to build SA with another foreign firm to share risks, protecting assets, resource pooling, and to provide the ability to quickly react against market fluctuations (Tse et al. 1997).

Folta (2005) summarized the advantages and disadvantages of SA mode in his study for the Chinese business environment, study outcomes are presented in the following Table 1.

Advantages	Disadvantages
• Parties may discover already during the foundation process that they cannot work together • Profit, control and risks shared according to the agreement • More flexibility in every aspect of the venture • Reduces risk if all terms are laid down in the contract • Contract easier to modify and cease compared to EJV • Allows to give more control for the management of either of the parent firms rather than complying with the amount of shares	• Foundation of the agreement can be time consuming and thus costly • Not always the most suitable business model even for projects • Consensus about changes in the contract may be difficult to achieve after the initial agreement

Table 1: Advantages and disadvantage of non-equity Alliances, (Adapted from Folta 2005)

2.1.4.2 Joint Venture Project (JVP)

A JVP or a consortium is a contractual joint venture (JV), is one of the popular entry modes in international construction business (Chen and Messner 2009). This mode is the mean in which responsibilities and profits are fixed to each JV member according to a rigorous agreement, where these responsibilities and profits don't essentially corresponds with each member's ownership of the entire investment. This mode allows JV members of the project to have the choice of establishing a Limited Liability Company (LLC) or a partnership with legal person status, however, this entity remains valid for this specific project only (Chen and Messner 2009).

According to Sridharan (1994), JVP can be classified in two main types: the integrated JVP and non-integrated JVP. In first type, the staff members from the both partners team together to form the JV team, accordingly a one mixed project team is formed. Similarly, the partners of this type assume shared liability for the loss/ profit resulted at the project's end. Contrary to integrated JV, the second JVP type states that partners are only responsible for planning and executing of their own specified part of the work and the profit/ loss resulted from their own part.

Chen (2005) summarized the pros and cons of JVP mode stating that, JVP forming process is very simple, that it provides the company with mobility and flexibility in the foreign market, and it contributes in cost saving by utilizing overseas partners' liability limitation and infrastructure. Nevertheless, the task of finding the right partner is very difficult, since partner must be technologically progressive and in same line with an entrant's business scope, and politically intelligence.

(Chen and Messner 2009) added that entrant could establish JVP with local contractors, contractors from the same region, or other international contractors, or a combination of some or all of them to execute his project. Occasionally an entrant can establish a JVP with its subsidiary in the same market.

2.1.4.3 Representative Office (RO)

RO mode is identified as an unincorporated formal presence in a foreign market to act noncommercial tasks in place of the entrant's main office. While officially not considered as a type of Foreign Direct Investment (FDI), a RO is a fast and easy approach to form an official presence in the targeted market to be familiar with the host country market (Chen and Messner 2011). Despite that fact that a RO is generally banned from taking part in straight, profit-making business transactions, it can carry out product marketing, business communications, market studies, contract management and negotiations for its main office (Chen and Messner 2011).

According to Low and Jiang (2003), the main advantages of the RO mode over other entry modes are the flexibility and simplicity. Shutting down a RO is quite easy compared to terminating a JV with its sophisticated contractual implications, other merits of RO mode can be noticed when compared to other modes, that in foreign invested subsidiaries there may be a governmental requirements for the minimum invested capital and local participation, while these requirements are mainly not required for a RO mode. nevertheless, legal and establishing costs may be expensive (Low and Jiang 2003).

Chen (2005) remarked that founding of a RO does not imply immediate business, as some actual cases took several years to secure their first overseas contract. Still, this mode cannot only ease the business pursuit on a project basis, as it also can be developed to a subsidiary or branch company. Occasionally a foreign investor establishes a RO along with a subsidiary or a branch company in a single host market. By adopting this pattern, the RO is usually separated from the local subsidiaries or branches and is structured to assist the firm main office spot potential projects in the targeted foreign market (Chen 2005).

2.1.4.4 Licensing (LI)

LI within the context of international construction refers to the entry mode that may enclose licensing, technology transfer, or franchising, this mode includes an agreement between two or more firms in different countries on a licensee's use of limited rights or resources, such as trademarks, patents, trade names, managerial skills, technology, etc. This contract allows the foreign licensee to propose construction services in the foreign market identical to the one the licensor has already been offering in its home market (Chen and Messner 2009).

Schirmer (1996) summarized the specifications of this mode stating that LI offers an approach for profiting from an international markets without dedicating significant funds and taking the various risks of international construction. However, revenues from LI mode can be lower than revenues from other entry modes of FDI; in addition, the quality control issues may be another main negative issue, since low quality/ performance may devastate the licensor's reputation and trademark. Sometimes LI agreement can result in adverse outcomes, as foreign licensee can also turn into a competitor of the licensor in future

2.1.4.5 Local Agent (LA)

According to Chen (2005), Local agent (LA) is a contractual arrangement between the entrant contractor and a local agent in which the agent offers certain services to the contractor. A major part of international business is executed by local agents (LAs). In the context of this study, scholars remarked that the use of LA mode is also very common within international construction domain.

Chen (2005) added also that LAs can provide precious data on host country market conditions such as; legal, social, political, economic, and financial; contact details of projects stakeholders such as: local governments, owners, suppliers and subcontractors; and assistance in indirect business running activities such as: visa application, driver's license application, permission application, export/import, logistics, taxes, equipment and property purchasing/ lease, bidding information and communication infrastructure.

The choice of LA mode is not always optional, since in some markets, it is mandatory to have this entry mode, as many countries in the Middle East require entrants to have LAs in order to practice (Schirmer 1996). For instance, in the Kingdom of Saudi Arabia (KSA), international contractors (entrants) are required to have a LA prior to bid for any construction projects other than works for defense. As a conclusion, with the obligation to use LAs, the government can exercise more effective control over the competence of international construction firms (Chen and Messner 2009).

As for the disadvantages, the project-specific character of construction sector implies more difficulties on the use of LAs more than adopting the same entry mode in manufacturing sector, and hence LAs require strong support from the international contractor, the selection process of good agent also is considered one of the main challenges, where honesty and integrity are vital for the mode success (Schirmer 1996).

2.1.4.6 Build- Operate- Transfer (BOT)

Morledge et al. (2006) stated that BOT is often used as a generic term for concession-based agreements where the project is designed, financed, operated and maintained by the concession company for the period of concession, typically between 10 to 30 years, under the standard BOT route the concessionaire’s involvement with the project is terminated at the end of the concession period, and at this point all operating rights and maintenance responsibilities revert to the host government/client. In many projects legal ownership of the constructed facility is required to pass free of charge to the host government immediately upon completion of construction, but the concessionaire retains the rights to operate the utility for the full concession period effectively as a license.

Chen and Messner (2009) remarked that the BOT perspective accents integration of complementary resources and skills of private parties and public entities to attain a win-win result. Despite its increasing importance in getting more work, BOT mode contains huge development expenses and occasionally requires a very long-term commitment.

2.1.4.7 Joint Venture Company (JVC)

A joint venture is a combination of two or more entities to execute a particular business enterprise or a set of business enterprises for profit, during which the entities combine such items as money, property, knowledge and skill to achieve such purpose (Miller 1993).

A JVC can be established between contracting companies, between a contracting company and an owner; and between companies with different size to create synergy to chase overseas project opportunities (Chen and Messner 2009). The amount of equipment, property and money is normally either contributed equally or in specific percentages, but there is no way to measure accurately the knowledge and skill which each party brings to the joint venture (Miller 1993).

A JVC is called international JVC when at least one of the JV partners is based outside the country where the agreement occurs (Geringer and Hebert 1989). A JVC may be also categorized as a majority, minority, or equal Joint Venture based on the investment percentage of the member. Nevertheless, member control degree is not necessarily matching with its investment percent (Chen and Messner 2009).

Chen (2005) indicated an important fact stating that "to avoid potential competition among the Joint venture members and the recently established JVC, market share provisions shall be specified, by retaining some international construction markets that were out of the geographic targeted market scope of the recent JVC".

As for the legal form, Mohamed (2003) highlighted that A JVC can be introduced in one of the two main legal forms, which are the corporation form or the partnership form. Construction firms have extensively adopted international Joint ventures as a mean to penetrate growing construction markets around the globe.

2.1.4.8 Sole Venture Company (SVC)

A SVC provides international construction firms with increased control and flexibility to establish and secure their own procedures and processes and grow as quickly as they need, without the exposure to risk of partnering with other firms which don't share the same vision Chen (2005).

While SVC can be founded faster than a JVC, which includes time consuming negotiation, the foundation of sole venture subsidiary can also involve a costly, complex, and lengthy procedures. To set up a SVC, entrant can either consider Mergers and Acquisitions (M&As) or green field investment. M&As are the fastest approach to widen firm's investment in the host market and it additionally provides instant access to resources (Chen and Messner 2009)

Many multinational entrants adopts SVC mode only after entering into construction markets using other entry modes which have assisted in accumulating targeted country experience. Even so, in the international construction market, it is normal for an international entrant to set up a SVC in a foreign country without any previous local assistance (Chen 2005)

2.1.4.9 Branch Office/ Company (BRO/BRC)

BRO/BRC is a simple approach for international contractors to start or expand its presence in a host market. In some countries, such as China, Applying to branch registration is restricted for foreign entrants engaged in limited particulars fields. Major foreign entrants in China usually enter the market with a RO mode rather than a BRO/BRC (Chen and Messner 2009)

The difference between BRO/BRC and RO mode relies in the fact that BRO/BRC can carry out business deals in a host country, this mode also varies from a SVC mode in the fact that it usually doesn't has a "legal person status", which means that the overseas head office is only liable if any legal charges are brought against the branch. The implied tax is also different in this mode from a SVC. To guard the company in home country from unlimited damage claims, entrants concerned about setting up BRO/BRC can designate the branch subsidiary as the parent (Chen and Messner 2009).

In order to set up a BRO/BRC, the parent company generally requires registration with the host government. This entry mode also varies in the degree of localization. For instance; when a BRO is a self contained unit, managed locally, and under the supervision of the parent company, when necessary, this office may ask for the main office staff assistance to support the sales operations or offer technical advice. Finally a BRO/BRC is usually founded from scratch; nevertheless, it can be developed from other entry modes (Chen 2005).

2.2 Relationships between different entry modes

2.2.1 Entry Modes Classification

Entry modes can be classified in different themes based on their similar and deferent properties in institutional settings; the following section will discuss the various classification methods and classify each mode, this process will identify main characteristics of each mode which is necessary to build the entry mode selection model.

Chen (2005) remarked that entry mode can be classified based on their involvement of cooperative or competitive relationship between entrant and other parties, LA, JVC, SA, LI, JVP and BOT are a cooperative entry modes since they represent a partnership between the entrant and local firms, public and private sectors, where the success of these cooperative modes relies on the real cooperation between the entrant and the partners.

According to Chen and Messner (2011), the second classification type arranges the entry modes based on their different Hierarchical levels:

- Level 1, consists of the SA, LA, LI which are based on collaborative contracts between companies can be defined on the inter-corporate level,
- Level 2, consists of the SVC, JVC, RO, and BRC/BRO which are different shapes of a firm or subsidiaries of firms. Hence, they can be classified on the corporate level.
- Level 3, consists of the remaining modes do not require establishing new firms, which are related to the execution of a single project are classified under project level.

Next classification approach separates entry modes based on the presence of long term investment, where Chen (2005) explained that JVP, LI, SA and SVP modes are all associated to the execution of a particular project. Thus, they can be classified on a project level. Although no legal entity or corporate registration is required, however, according to some legal conditions, a project-based legal body has to be registered, and the formally established firm may turn into an empty shell upon project delivery (Abdul-Aziz, 1995). Opposite to the contractual level, other entry modes include long-term presence in foreign markets; these modes can be categorized under investment level. BOT mode represents a special case of investment modes, since BOT includes high levels of equity contribution and long term commitment, and in the same time it is categorized as a contractual mode, since it is executed on the basis of concession agreement (Chen and Messner 2011).

Chen and Messner (2011) added that entry modes may also be categorized according to the ownership level, as entry modes are either classified as a wholly or partially owned. For example;

- The SA costs are generally divided between the SA members, and hence, it's rational to arrange it under a partially owned category.
- In LI, firm name ownership and/or its technology are entirely belonging to the foreign entrant, and therefore it can be categorized as a wholly owned entry mode.
- BOT can be carried out by either a JVC or SVC modes, it was categorized under both classifications (wholly owned or partially owned).

However, this classifying dimension cannot be applied to a LA mode.

Other grouping dimension can be adopted is based on:

1. The ability to support other entry modes, which is called supportive modes
2. The ability to be implemented separately, which is called independent/main modes.

In this sense, the SA and LA modes are categorized in the supportive entry modes group, due to the fact that they don't provide a real access of the foreign construction markets by themselves only. In fact, those modes shall work in parallel with the other entry modes to track and secure projects. As for the remaining modes, they can be implemented independently (Chen 2005).

Williamson (1985) suggested a theoretical model which contrasts the classical transaction classification, which categorizes entry modes to "hierarchical firm" and "the market" ones, based on the position in the continuum with hierarchy and market as two extremes, Williamson (1985) performed a fine tuning to the old theory to re-categorize the different entry modes into new three dimensions which are; hierarchy, quasi-hierarchy, and quasi-market entry modes. However, his new classification disregarded the presence of the market modes. Chen (2005) explained the absence of this grouping dimension by the fact that, "this dimension (the market) demonstrates the internalization/market failure level of the different entry modes".

Last type of grouping is based on permanence and mobility of entry modes, this classification depends on mode's level of localization, duration, and presence of an existing establishment to perform business activities (Chen 2005). It is worth noting that the BOT mode generally involves a high degree of localization and long execution duration. Nevertheless, from an entrant point of view, participating in such a big project doesn't require a permanent presence to assist business growth, as generally entrant aim within BOT mode is to secure the targeted project only. Moreover, this type of entrants can have the decision to leave upon facility hand over. As a result the BOT mode is categorized as a mobile entry mode (Chen and Messner 2011).

The aforementioned literature examination manifests that there are several dimensions of institutional settings which can be adopted to categorize entry modes. Classification outline appears in below Table no. 2:

Entry mode	Cooperative vs competitive	Hierarchical levels	Contractual vs investment	Characteristics Ownership: whole or partial	Supportive vs main	Permanent vs mobile	Hierarchy vs market
BOT/equity project	Cooperative	Project	Both	Either	Main	Mobile	N/A
Branch office/ company	Competitive	Corporate	Investment	Whole	Main	Permanent	Hierarchy
Project based local agent	Cooperative	Inter-corporate	Contractual	N/A	Supportive	Mobile	Quasi-market
JV company	Cooperative	Corporate	Investment	Partial	Main	Permanent	Quasi-hierarchy
Nonintegrated JV project	Cooperative	Project	Contractual	Partial	Main	Mobile	Hierarchy
Representative office	Competitive	Corporate	Investment	Whole	Main	Permanent	N/A
Strategic alliance	Cooperative	Inter-corporate	Contractual	Partial	Supportive	Either	N/A
Long-term local agent	Cooperative	Inter-corporate	Contractual	N/A	Supportive	Permanent	Quasi-market
SV company	Competitive	Corporate	Investment	Whole	Main	Permanent	Hierarchy
SV project	Competitive	Project	Contractual	Whole	Main	Mobile	Hierarchy
Project-based licensing	Cooperative	Inter-corporate	Contractual	Whole	Main	Mobile	Quasi-market
Integrated JV project	Cooperative	Project	Contractual	Partial	Main	Mobile	Quasi-Hierarchy
Long-term licensing	Cooperative	Inter-corporate	Contractual	Whole	Main	Permanent	Quasi-market

Table 2: Differentiating basic entry modes by organizational setting characteristics (Source: Chen and Messner 2011, Page 552)

2.2.2 Basis of entry modes selection: The strategic effects

According to Chen (2005), when an entrant decides to proceed with a specific entry mode, the firm doesn't consider the earlier mentioned entry modes characteristics. A number of scholars argued that entry mode decision has to be built on trade-offs amid returns and risk, in a process that assures the selection of the mode which offers the maximum risk-adjusted return (Luo 1999).

Further to risk and return, behavioral evidences manifest that the process of selection is linked to the control needs and resource availability (Cespedes 1988). Additionally, flexibility of entry mode sometimes affects the entrant behavior during selection process. As a result, entrant should take into account the aforementioned strategic effects (return, risk exposure, resource commitment, flexibility, and control) in an integrated framework upon selection of entry mode (Chen and Messner 2011).

2.2.2.1 Risk exposure

Risk management is one of the main targets of international companies (Ghoshal 1987). Since organizational strategic decisions control the level of exposure to uncertain organizational and environmental components which affects firms performance. Consequently, the assessment of risk exposure level for every entry mode is vital element to ensure the required entry outcomes (Chen 2005).

In the context of market entry mode selection and differentiation there are two major kinds of risks:

1. The investment risk: the investment risk in foreign markets represents the uncertainty over the subsistence of current political and economic states and governmental regulations that are vital to the profitability and survival of an entrant's activities in a specific region (Agarwal and Ramaswami 1992).
2. The contractual risk: This type represents the uncertainties in cost of making contracts and enforcing them in the host country (Agarwal and Ramaswami 1992). A one major kind of contractual risk, is called the "dissemination risk" which represents the uncertainty which entrant may suffer when its unique advantages of know-how will be expropriated due to joint venture partnership or licensing (Hill and Kim 1988), on the

contrary, adopting a wholly owned subsidiary mode eliminates the risk level of dissemination of know-how (Hill et al. 1990).

2.2.2.2 Control

Control dimension represents the firm needs to influence methods, systems, operational decisions and strategic decisions in the host country (Andersen and Gatignon 1986). Geringer and Hebert (1989) provided an alternative definition by stating that control is the tool through which one partner affects the output and behavior of another partner through authority, capacity, and a different cultural, bureaucratic, and unofficial means.

Control plays a significant role in the company's capacity to fulfill its targets. This strategic effect is also required to develop entrant's occupied position in the market and to exploit the firm's revenues on its skills and assets (Chen 2005). Practically the control level is highest in the wholly owned subsidiary modes (such as SVC and BRC) and lowest in licensing mode (Hill et al. 1990), as for the joint venture modes, Geringer and Hebert (1989) applied control along three dimensions:

1. Control mechanisms, such as; effective representation in top management boards, right of veto, and special management or technology agreements.
2. Control level (Degree).
3. Control focus, such as; partners can decide to have the control over a narrower or wider scope of the joint venture's activities).

Conventionally, control dimension has been recognized by analysts as the coin other side of ownership (Erramilli 1991). Since greater operational power originates from having a greater possession in the established corporation. Nevertheless, control can be applied in many forms instead of being a direct result of ownership (Behrman 1970), as uncertainties are also expected to be higher as a result of the higher resource commitment and taking the responsibility for venture's decision-making process (Agarwal and Ramaswami 1992).

Davidson (1983) remarked that having a higher level of control allows entrant to perform/revise strategies, coordinate actions, and sort out the conflicts arise as contract stakeholders follow their own interests. Moreover, control is used to gain a bigger chunk of the foreign enterprise's revenues.

In contrast, once entrants decide to get control, they have to assume liability for decision-making outcomes, which is a responsibility that any entrant will avoid to go through in the risky foreign markets (Chen and Messner 2011). Additionally, Control involves resources dedication that implies high equity involvement and running costs, which by return constricts the ability of firm to modify its institutional arrangement in future. Hence, “to assume control is also to assume some levels of risk” (Chen and Messner 2011).

2.2.2.3 Resource commitment

Agarwal and Ramaswami (1992) indicated that the resource term represents the managerial and financial capabilities of a firm to serve a specific foreign market. while the resource commitment is the process where the firm’s assets are dedicated to a specific enterprise and can’t be shifted to other uses without incurring extra costs, and these assets might be intangible and/or tangible (Chen 2005).

Harrigan (1981) remarked that this strategic effect represents a major exit barrier and help restrain the entrant’s strategic flexibility. Once entrants consider an entry mode with high resource commitments, they cannot exit the host country without exposing to significant sunk costs (Hill et al. 1990), Davidson (1983) summarized that firms with high resource commitment are firms with high risk exposure.

2.2.2.4 Flexibility

“Factor of flexibility is one of the most important constructs to evaluate any strategy” (Chen 2005). Harrigan (1981) identified strategic flexibility by the organizational capability to relocate itself in a specific market, modify or dismantle its present plans the moment that a market is no more attractive. Harrigan (1981) confirmed also that “the core of strategy is all about the balance between the focused, concerted commitments and resource flexibility”. Due to the fluctuating strategic environment, it’s impossible for any organization to obtain the full knowledge to address all issues prior entry (Chen 2005). From a geographic market entry perspective, flexibility factor is interpreted as the entry mode adaptability to the unsteady local market environment. Using the entry modes with high flexibility ensures firms easy penetration of attractive markets or withdrawal from risky ones depending on new developments in host markets (Chen and Messner 2011).

Entry mode selection process is always vital due to the fact that when entrant chooses his initial mode it is very complicated to modify it without incurring substantial loss of money and time (Root 1987). Hence, higher flexibility modes may reduce losses and it supports entrant's ability in risk mitigation. Consequently, the flexibility levels differ across the different entry modes, and it is considered as an essential dimension to optimize the mode selection process (Chen 2005).

2.2.2.5 The strategic effects interaction

Chen (2005) suggested relationship model to interpret the interaction of these effects as per Figure 1, he also explained that when entrants select an emerging market to achieve high profits whilst avoiding excessive risks, they have to maintain essential control over their offshore operations and resources. Since risk reduction and return achievement are also determined by the foreign partners' liability, a mode that ensures acquiring host country specific knowledge through local partners is usually chosen (Chen 2005). On the whole, entrants must pick an entry mode which offers the "optimum risk-adjusted net return" with a suitable degree of flexibility through attaining further resources from other companies and controlling their income-generating assets (Chen 2005).

The interactive character of the relationships among the different strategic effects entails that generally there is no one dominant effect to control the prioritization process of the basic entry modes. Accordingly, every mode has its own structure regarding this effect model, therefore the process of identifying dominant strategic effect(s) relies on the proposed available entry modes (Chen 2005). For instance, when the entrant has to select either JVC or SVC, the effects of the control dimension is the dominant effect (Andersen and Gatignon 1986). In contrast, entrants with different preferences to each strategic effect due to their particular external and internal environments, in addition to their strategic outlook during market entry planning. For instance, an entrant will concentrate on control effect once the probability of opportunism is high and it has high asset specificity (Chen 2005).

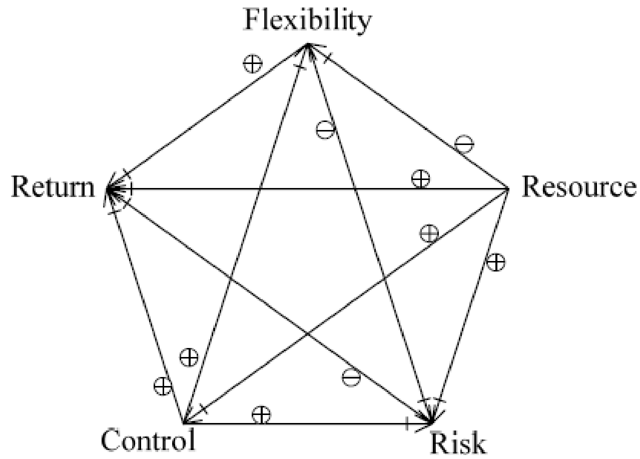


Figure 1: The relationships between different strategic effects (Source: Chen 2005, Page 126)

2.2.3 An Investigation of Different Effects of Entry Modes

Chen and Messner (2011) ranked basic entry modes based on their contractual risks exposure and control effects as shown in the following Table 3.

	Cooperative	Competitive
Hierarchy entry modes		Branch office/company Representative office SV company SV project Nonintegrated JV project
Quasi-hierarchy entry modes	JV company Integrated JV project	
Quasi-market entry modes	Local agent Licensing	

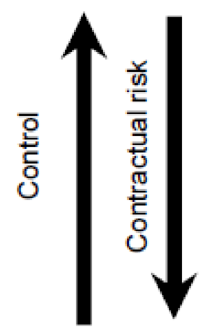


Table 3: Entry Modes differences in context of contractual risk and control (Source: Chen and Messner 2011, Page 561)

As an extension of the home country based head quarter, the BRO/BRC forms, and RO form, are directly controlled by the parent company in the operational and strategic levels. Similarly SVC, SVP, and Nonintegrated JVP are all entirely foreign owned modes. With no interference of local partners, entrants enjoy full power and avoid partners' opportunism. As for the quasi-hierarchy entry modes, on the other hand, the JVC and the integrated JVP modes involve partners, thus contractual risk exposure increases accompanied with control descent. The LA and LI modes involve an investment found on the basis of a contract, where entrants can't control their partners' operations and hence control in those two modes is extremely low. Chen and Messner (2011) remarked also that it is impossible to set SA mode anywhere in this table, since it is a very loose cooperative relationship and least contractually binding. In general SA mode involves an odd relation with very little contractual risk exposure and control.

Another form of entry modes ranking can be presented in terms of mobile/permanent characteristics and another strategic effects, which are; resource commitment, investment risk exposure, and flexibility. Chen and Messner (2011) provided such a ranking form as shown in the following Table 4.

	Cooperative	Competitive
Permanent entry modes	JV company	Branch office/company Representative office SV company
Mobile entry modes	JV project BOT/Equity project	SV project

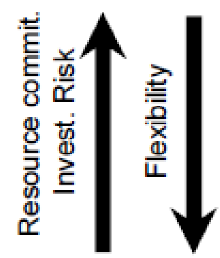
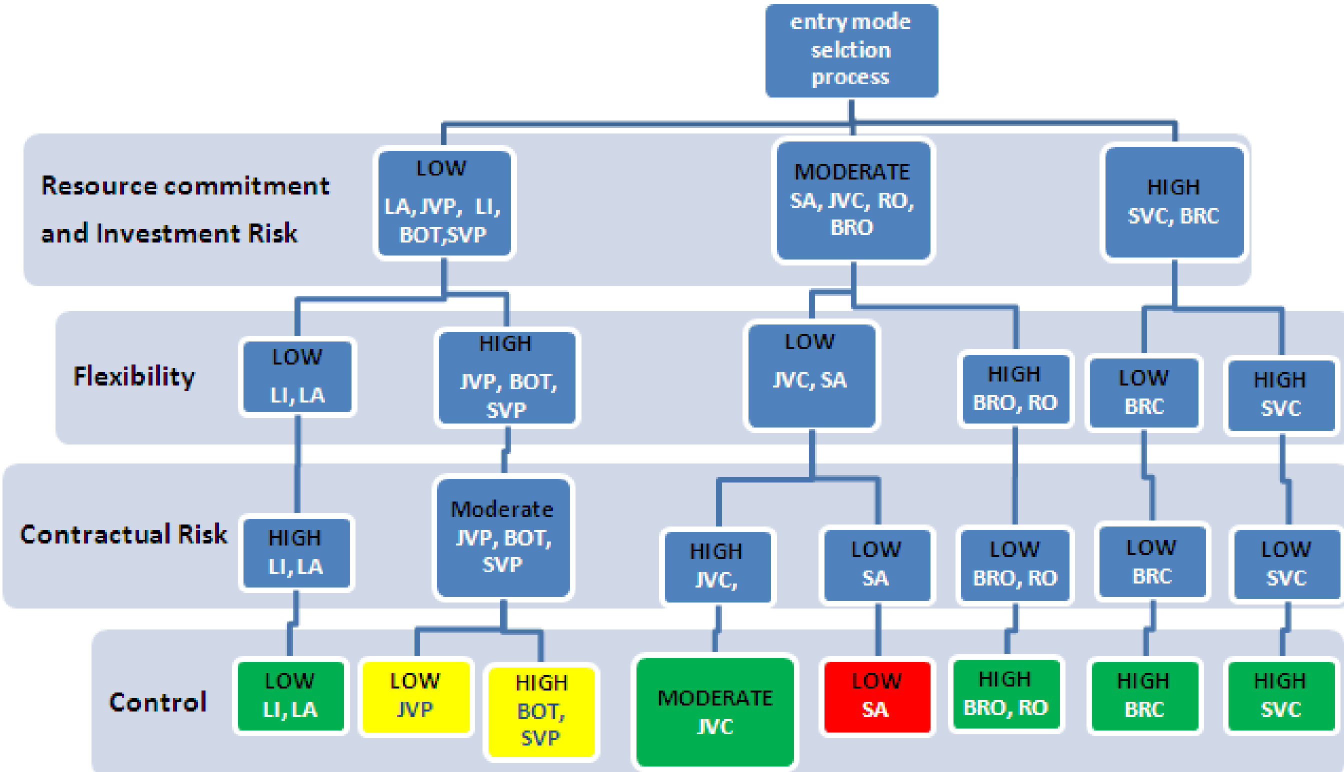


Table 4: Entry Modes differences in context of Resource Commitment, Investment Risk Exposure, and Flexibility (Source: Chen and Messner 2011, Page 562)

Ranking of modes according to this approach is relatively simple, since permanent modes include a complete or partial corporate infrastructure in the foreign market, which implies highest levels of resource commitment and adversely least flexibility. Permanent modes also involve long-term existence on an ongoing basis, which by return expose entrants to the investment environment of the foreign market, which is directly implies less flexibility than the mobile modes (Chen and Messner 2011).

Analyzing the earlier presented entry modes literature review, a preliminary paradigm can be proposed to facilitate the process of entry mode selection in international construction business according to the Resource, Risk, Control, and flexibility effects of each entry mode:



**Entry modes highlighted with green color represent permanent modes*

***Entry modes highlighted with yellow color represent Mobile modes*

****SA is highlighted with red color to indicate that it either can be used as a permanent or mobile mode.*

Figure 2: Preliminary Conceptual Framework: Model to select entry mode based on the strategic effects.

2.2.4 Transferability and Compatibility of Entry Modes

Chen (2005) examined the transferability and compatibility of entry modes, as contractors generally need to understand not only which entry mode to adopt in a specific market, but also how to sequence and/or combine different entry modes to penetrate and gain success within host country. Chen study considered a set of 37 cases of entry transferability and entry combinations (please refer to Appendix D), the presented cases involved a seven entry modes, which are; JVP, SVP, BOT, RO, JVC, BRO, and SVC. Chen remarked that the two processes may involve complex constraints that need to be addressed in future studies.

Chen (2005) highlighted the importance of these two processes when he stated that combining different entry modes helps avoiding the weaknesses of a single entry mode and incorporates qualities of multiple entry modes to optimize entry performance. On the other hand, sequencing of different entry modes provides more adaptability to entrant to face the changing internal and external environments which results in achieving better performance compared to the single entry mode tactics. First introduced model summarized the process of transferability as shown in figure 3:

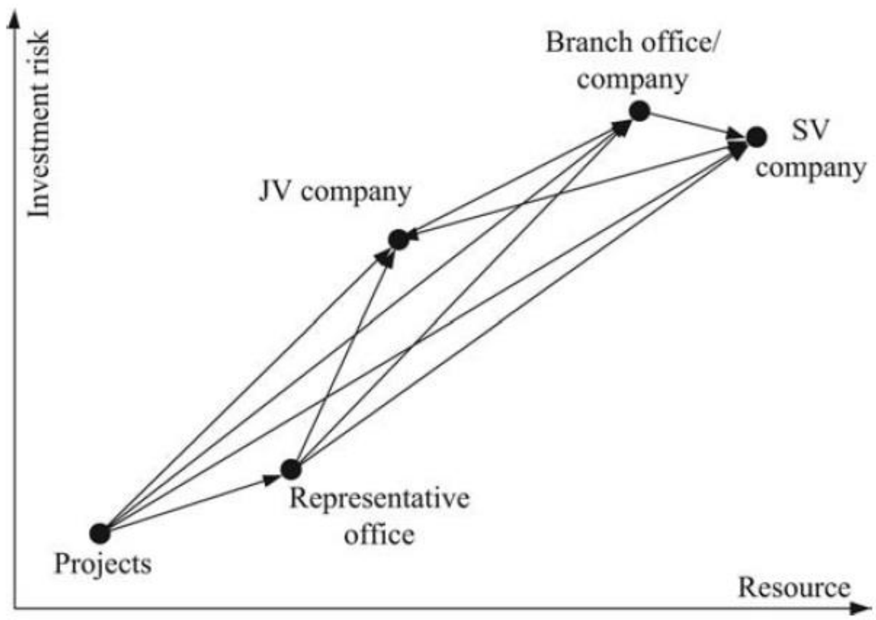


Figure 3: Transferability of Entry Modes in International Construction (Source: Chen 2005, Page 131)

Figure 3 indicates that entrant can shift from a less recourse committed and risky mode to a more resource committed and risky one, except the case of transfer from JVC to BRC/BRO. it was noted also that there is a unique transfer case from more risky entry mode to less risky one. As one entrant had transferred from a SVC to JVC with local firm, this odd case emphasized the entrant's interests by achieving a much stronger client base at the cost of losing some degrees of control.

Chen (2005) elaborated the transferability model to integrate the combination ability as shown in the following Figure 4, this figure shows the compatibility (ability to coexist with other entry modes) and transferability (ability to be shift to other entry modes) of the entry modes based on Chen (2005) analyses of single basic entry modes.

entry modes \ entry modes	Strategic alliance	Joint venture project	BOT/PPP/PFI	Licensing	Local agent	Representative office	Joint venture company	Branch office	Sole venture company
Strategic alliance									
Joint venture project	⇦●								
BOT/PPP/PFI	⇦●	●							
Licensing	⇦●								
Local agent									
Representative office		⇧●							
Joint venture company	●	●	●		⇦○				
Branch company	⇦●		●	●		⇦●			
Sole venture subsidiary		●		●		⇦●	⇧○	●	

Legends: ⇦○ Can be changed to ● Can coexist with

Figure 4: Transferability and compatibility Matrix of each entry mode, (Source: Chen 2005, page 109)

It can be noted that there are various combinations of entry modes within the same group. The following examples demonstrate the content of this matrix:

1. SA can be combined and transferred to LI, JVP, BOT, and BRC. Although it can coexist with JVC, it can’t be transferred to JVC.
2. BOT mode is usually executed with a JVP mode as BOT projects are usually involve huge and complicated requirements, which implies the need of capable and versatile partners.
3. A RO is generally considered with other permanent entry modes. The ROs pursue large project opportunities for head offices, and when the project is awarded, the head office can establish a joint venture with its local SVC, or BRO/BRC, to execute the project.

This matrix unveils two main results in context of transferability and compatibility:

1) SA is the entry mode with most compatibility features, since it can coexist with most of the other entry modes. It can be also noted that Contractual entry modes can coexist with most of

other entry modes (high compatibility), while they cannot be changed to other entry modes (low transferability).

2) RO mode reflects high transferability and compatibility levels. Other Investment entry modes are less flexible, with high compatibility with most of the other entry modes.

2.3 Theories of Internationalisation of Construction

Several theories have been proposed by scholars to identify the external and internal variables which affect the selection process between mobile and permanent entry modes. This section will review those theories in depth to identify the impact of those variables on the selection process.

2.3.1 Transaction Cost Theory (TCT)

Transaction cost theory has been largely considered to explain the market entry mode selection; Coase (1988) highlighted the importance of TCT theory when he stated that;

> [W]ithout the theory of transaction costs, which is widely absent from current economic theory, it is my contention that it is impossible to perceive the working of the economic system, to investigate many of its issues in a constructive approach, or to have a basis for determining policy.

The logic of this theory states that the company can arrange its interdependence based on the hierarchy and market, while TCT defines entry mode process as the arrangement that foreign market entrant considers to minimize his business transaction costs (Chen 2005), Wang (2003) proposed a simple definition for this theory as he stated that it's "the difference between the prices paid by the buyer and received by the seller". And since each entry type differs in the way it uses to arrange activities, each type can be more efficient in organizing a specific type of transactions (Hennart 1989).

Within the context of entry modes domain, transaction costs are commonly recognized by the three dimensions extensively discussed by Williamson (1985) which are; asset specificity, frequency and uncertainty. The basic unit of research in the TCT, as mentioned earlier, is the transaction itself. As such, it is distinguished by three unique properties: conflict, order and mutuality (Mroczek 2014; Baudry and Chassagnon 2010).

The TCT method starts with the hypothesis that markets are competitive; therefore, market failure is the main antecedent to the company's decision to consider greater control (Erramilli and Rao 1993). Applying the sense of TCT, the key determinant of market failure is the existence of asset specificity. Assets specificity is defined as the non-deployable human and physical investments which are dedicated to a specific task. Contracting hazards can occur due to asset specificity when opportunism (uncertainty) is existed (Brouthers 2002). Opportunism occurs once a partner firm uses the other firm's dependency through free-riding, shirking, or technology dissemination. In order to protect firm's specific assets from latent opportunism threats, firms tend to adopt a higher control governance structures, like sole venture forms. Conversely, Firms with low asset specificity tends to be less interested with opportunism and more concerned with entry mode efficiency (Williamson 1985). As a result TCT suggests that "less integrated entry modes assure more efficient organizational structures when there is a reduced threat from opportunism" (Williamson 1985).

Moreover, Williamson (1985) added that the frequency dimension can be expressed by the sales volume of the services contracted. Mroczek (2014) argued that although other scholars can question the applicability of this definition, nevertheless, combining this definition with asset specificity results in a broader interpretation of the topic, this can be explained by the fact that the higher repeatability of the transaction increases the probability of investing in unrecoverable assets abroad.

Mroczek (2014) summarized the Williamson's transaction dimensions and simply linked to the entry modes selection process in the following Figure no.5, this figure is based on articles that addressing all three TCT dimensions only. The results are summarized through a general distinction between equity and non-equity modes.

		Asset Specificity	
		Low	**High**
Frequency	**Low**	+ **Non-equity modes**	+++ **Joint -venture Modes**
	High	**0** **Non-Equity modes**	++ **Wholly-owned Modes**

0 - minimal level of uncertainty , +++ - maximal level of uncertainty

Figure 5: Transaction dimensions and expected entry mode, (Source: Mroczek 2014, page 54)

Referring to figure 5, researcher proposed that when asset specificity is high and there is a significant uncertainty level, investors tend more to select the equity modes. The uncertainty dimension looks so decisive in this process since investors that frequently counter unstable conditions tend to share the ownership and consequently share the liabilities with local or other foreign partners. One the other hand, when the asset specificity is low, investors tends to have less interest in keeping high levels of control and accordingly they prefer to proceed with the non-equity modes.

2.3.2 Dunning Eclectic Paradigm, the Ownership, Location and Internalization (OLI) Theory

For more than two decades, the eclectic paradigm has remained the main analytical approach for accommodating a variety of operationally testable economic theories of the determinants of foreign direct investment and the foreign activities of multinational enterprises (Caves 1982).

Dunning (2000) explained that the theory is simple, deep and well-construct; this paradigm suggests that the extent, geography and industrial composition of a firm's foreign production (i.e. Entry mode) is based on three sets of interdependent determinants: International contractors shall have greater assets and skills which can earn economic rents high enough to counter the higher cost of servicing international construction markets (the ownership advantages); International contractors are anticipated to be selective and support entry into more attractive construction markets (the location advantages of the market); and eventually, low control entry modes are generally considered superior for certain transactions since they allow a firm to benefit from the scale economics of the market place while avoiding the bureaucratic disadvantages that accompany integration (the internalization advantages of integrating transactions within the firm).

Tse et al. (1997) remarked that although OLI paradigm shares two factors of the earlier mentioned Transaction Costs theory, which are the internalization and ownership, nevertheless, the Location factor of the OLI emphasizes the value of country-specific factors. Chen (2005) explained that the Location-specific factors are becoming more significant in affecting contractor's international operations, and having the main impact on the transaction costs, where this concept is highly important in today's international competition, since transaction costs are increasing faster operational costs.

To clarify the OLI theory against entry modes perspective, Dunning (1981) provided a simplified selection table to connect the OLI advantages with the basic three entry modes, which are the Licensing , export and foreign direct investment (FDI).

		Categories of Advantages		
		Ownership Advantages	**Internalization Advantages**	**Location Advantages**
Form Of Market Entry	**Licensing**	**Yes**	**No**	**No**
	Export	**Yes**	**Yes**	**No**
	FDI	**Yes**	**Yes**	**Yes**

Table 5: Market entry mode against OLI advantages, Courtesy of (Dunning 1981)

According to Table 5 which is adapted from Dunning (1981), the researcher proposed that the selection of entry mode depends of the acquired OLI advantages. In this sense if international contractor has the Ownership advantage only, it's recommended to consider licensing mode for his overseas operations. Furthermore, if this contractor enjoyed further advantage of Internalization, the report recommends considering export as most favorable entry mode. And finally if the firm owns the whole three advantages, this allows adopting the foreign direct investment equity modes (i.e. Sole venture forms, joint ventures, company's branches…etc.)

2.3.3 Stage Models of Entry Theory

According to Root (1987), the Stage Models of entry theory suggests that the entry of foreign markets shall be based on a sequential pattern of entry with a progressive increment of commitment. Scholars who supports this theory defends their approach with the excuse that when foreign international contractors decides to go overseas, they apply their business to a higher risk factors due to the different cultural, political and market systems and therefore it's a must to adapt first with the new market environment and sequentially start developing their entry form to increase profits and commitments (Pan and Tse 2000).

Chu and Andersen (1992) added that when the contractors first enters a foreign market, a low resource commitment is favorable such as; Export. As contractor gains more experience within that new market, it will start considering higher levels resource commitment, control, risk and profit return. Figure 6 confirms above statements by revealing the evolution of a contractor's decision on entry mode, which starts with low risk and control modes such as indirect export and licensing, and start to develop into agents, branches forms and finally ends with Joint and Sole ventures.

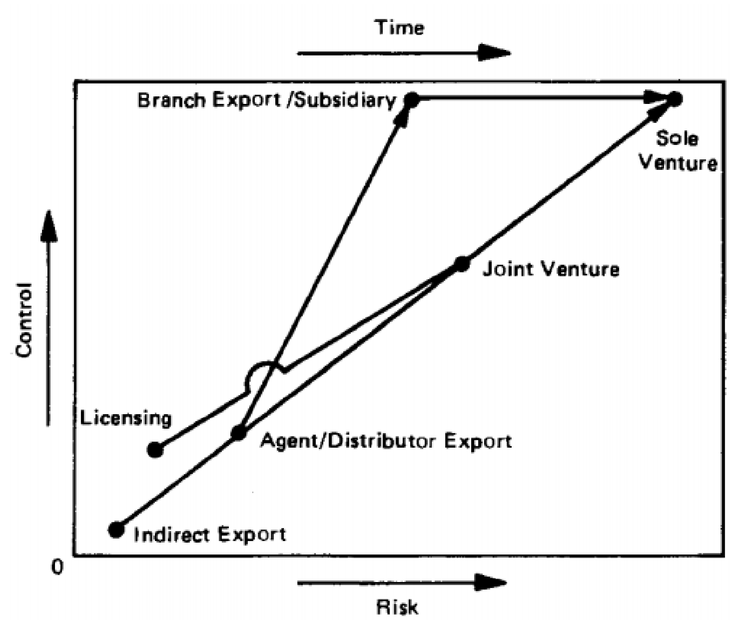


Figure 6: Evolution of a contractor's decision on entry mode (Source: Root 1987)

2.3.4 Institutional/ Cultural Theory (ICT)

Institutions can be defined as relatively stable group of acts and rules defining the right behaviour for certain groups of actors in certain situations and they consists of formal and informal rules (March and Olsen 1998). North (1991) believes that the main aim of institutions in a certain society is to set up a stable foundation for economic, political and social interaction. According to Chen (2005) the contrast between institutions and culture is ambiguous, since theoretical constructs, culture and institutions embody separate scientific traditions which complement each other.

North (1990) noted that ICT has to be integrated with transaction cost theory (TCT), since institutions provide the structure in which transactions take place, and therefore institutions define the market rules and contain regulations and laws of the host country. Chen (2005) demonstrated this theory against TCT proposed entry modes, as he stated that in some countries, the institutional structure may create a situation where the TCT proposed entry mode choice may not be the best choice. In the same sense, Roberts and Greenwood (1997) agreed that firms will possibly counter pressures to consider designs within the subset of socio-politically legitimated designs instead of considering TCT based designs. For instance, the institutional configuration in some countries may provide obstacles to entry (e.g. legal restrictions on ownership). Hence, ICT ends with a conclusion that a firm’s ability to invest and develop its capacities may differ within institutional contexts in contrasting international environments.

Eventually, effective institutions shrink transaction costs by reducing uncertainty and setting up a stable ground to ease business interactions. However, a lack of knowledge of international markets and the operation of a market economy may amplify transaction costs in the transition context (Meyer 2001).

2.3.5 Bargaining Power Theory (BPT)

The bargaining power Theory has been called “the accepted paradigm of host country – Multinational Corporations relations in international political economy” (Kobrin 1987). Nebus and Rufin (2008) explained that the basic concept of the BPT is that an Multinational enterprises with less bargaining power with a host country is more likely to attain fewer of its targets that clash with those of its host country, than an Multinational enterprises (MNE) with greater bargaining power. Consequently, BPT asserts that the entry mode selected by a MNE relies on the relative bargaining power of the international entrant and that of the host Country (Luo 2001).

Chen (2005) remarked the Bargaining Power Term refers to an entrant ability to define the parameters of the negotiation, earn facilities from the other party, and deviate the results of the discussion to the desired ownership alternative. He also added that the main source of the host country's power in the discussion is its ability to manage market entry, and its control over the incentives for the investment project. On the contrary, Dunning (1980) stated that a lot of the entrant's bargaining power originates from its ownership advantages , like entrant's ability to hire people and contribute to the "host country" local economy.

Gomes-Casseres (1990) Studied the correlation between BPT and TCT and discovered that the two theories are not providing illustration for the same issue, those theories address a two separate questions, in this sense he stated that the TCT addresses the query of "what ownership structure does the entrant seek?" while the BPT addresses the query of "what ownership structure can the entrant obtain?". Moreover, he conceptualizes the entry mode process consists of a two step consecutive operation by integrating the two theories, in a sequence where the entrant initially decides the form entry structure, and then seeking the host country's acceptance. Accordingly the entrant will make concessions on ownership according to their preference ranking.

2.3.6 Organizational Capability Theory (OCT)

The Organizational capability theory (OCT) concentrates on the capability transfer effectiveness, unlike the TCT which emphasizes on the control issue only (Erramilli et al. 2002), the comparative advantages and disadvantages of the TCT and OCT approaches were studied and classified by Madhok (1997), the main outcome by Madhok study is that the two theories complement each other. Similarly, Lin (2000) stressed that entry mode studies need to integrate the TCT explanations with the OCT approach.

Below Table 6 is introduced in order to explain the detailed difference between the two theories, this comparison tables classifieds the TCT and OCT theories based on; unit of analysis, primary area of focus, key assumptions, source of competitiveness, primary orientation in the management of know-how, consideration to choice of ownership form and temporal orientation

	The TC/internalization perspective	The organizational capability perspective
Unit of analysis	Transaction	Firm
Primary area of focus	Transaction characteristics	Firm capabilities
Key assumption	Opportunism	Bounded rationality
Source of competitiveness	Efficient management of transactions	Development and exploitation of capabilities
Primary orientation in the management of know-how	Cost minimization	Management of value
Key consideration to choice of ownership form	TC minimization; fit between transaction characteristics and form of governance	Contributions towards and demands placed on firm's capabilities
Temporal orientation	Essentially static and equilibrium-oriented	Essentially dynamic; learning and capability building as developmental processes

Table 6: Comparison between TCT and OCT perspectives (Source: Madhok 1997, page 41)

.

The OCT begins with the fact that any firm consists of a package of resources and capabilities (Buckley and Casson 1976). Resources enclose all knowledge, information, firm attributes, organizational processes, and assets controlled by a firm which allows it to implement and conceive strategies effectively and efficiently (Barney 1991). On the other hand, Capabilities are identified as the combination of resources that provides higher-order competencies (Madhok 1997).

Madhok (1997) also demonstrated the process of entry mode according to this theory, as he stated that when a firm enters a foreign market, its resources and capabilities have to be transferred to its foreign operations. Therefore, entrant must select an appropriate entry mode which ensures the best transfer to its capabilities and resources from the home country to the host country without losing their original value, this study raised a critical issue with regard to the transfer process, as it stated that the transfer process shall not be internalized except that the transferred capability and resources are imperfectly imitable , whereas imperfect imitability arises from embeddedness, i.e. once a specific capability is deeply embedded through organizational standards and becomes specific to a firm.

As a result, the OCT claims that internal entry modes are more effective than market entry modes to transfer imperfectly imitable capabilities (Madhok 1997). The OCT debates that except embeddedness, organizations can have their capabilities and resources protected by legal means as well, which is applied through licensing, patents, trademarks, and copyrights (Chen 2005).

2.4 An overview of the GCC Construction Market

2.4.1 The GCC Historical perspective

The remarkable ascend in construction activities over the past fifteen years has been one of the most prominent developments in the GCC. Generally, the growing interest in governmental investment in infrastructure has ended with a total physical evolution of the urban environment in these countries. Taking Dubai city as an example, the city was radically transformed from its traditional state to a modern one in fifteen years due to the injection of more than $1,000bn in project spending (MEED 2012). Figure 7 indicates the rise and fall of the awarded contracts in GCC construction market in the last fifteen years.

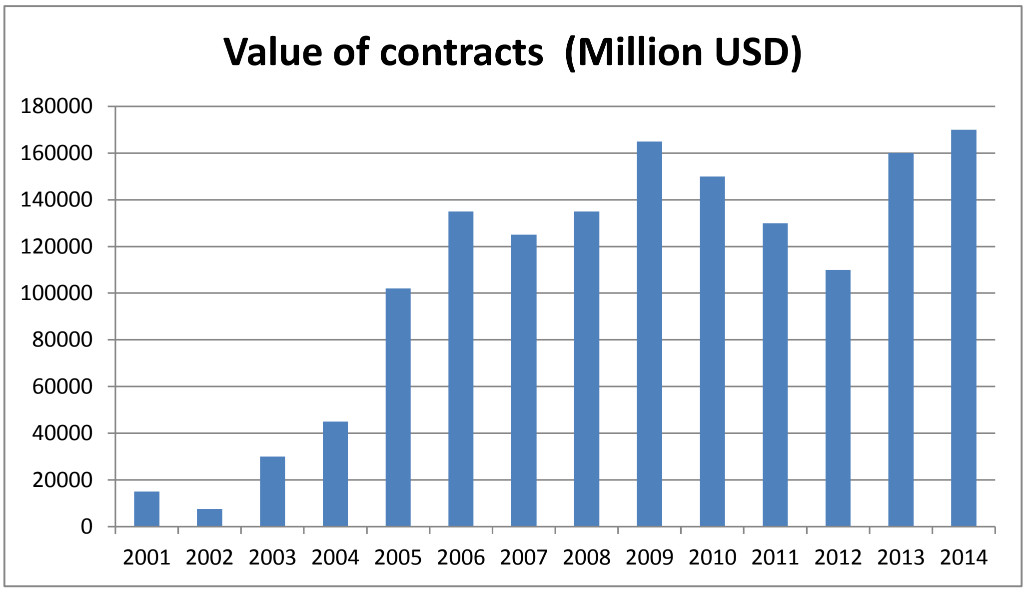


Figure 7: Value of contracts awarded in the GCC, 2001-14 (Source: MEED projects 2015)

The charts shown in Figure 7 describes the significant growth in the construction market from 2002 onward and it reveals the fact that since 2005 the sector has been reasonably stable, arriving its peak in 2009, descending then for three years due to the global economic crises and gaining back its momentum the last two years. The sudden growth in the sector between 2002 and 2009 can be explained by the equally sudden increase in oil costs during the same period, which allowed GCC governments to utilize the extra revenues from oil sales to raise expenditures on construction projects.

According to MEED (2012), the development of the GCC construction sector can mainly be split in three individual phases. First phase extends within the period 2005-2009, where the construction market was basically dominated and driven by investments in real estate sector, mainly in Dubai. Conversely, since the early 2009 to late 2012 real estate sector has crashed by a 65 per cent decrease in its values, while hundreds of development projects were also dropped, the market has witnessed a much larger amount of "non-civil" construction projects which are congenitally less risky and more possibly to start. Luckily, the market revealed a positive growth in 2013 and 2014 even with the global recession and real estate crash, which proves its strong resilience against the current economic trends.

Comparing the historical GCC contract awards during the years of 2011 and 2010 indicates how the construction market has declined retrospectively since projects that were already awarded had continued to be abandoned or frozen. Figure 8 provides better understanding for the construction projects amount for each country in the period between 2006 and 2013.

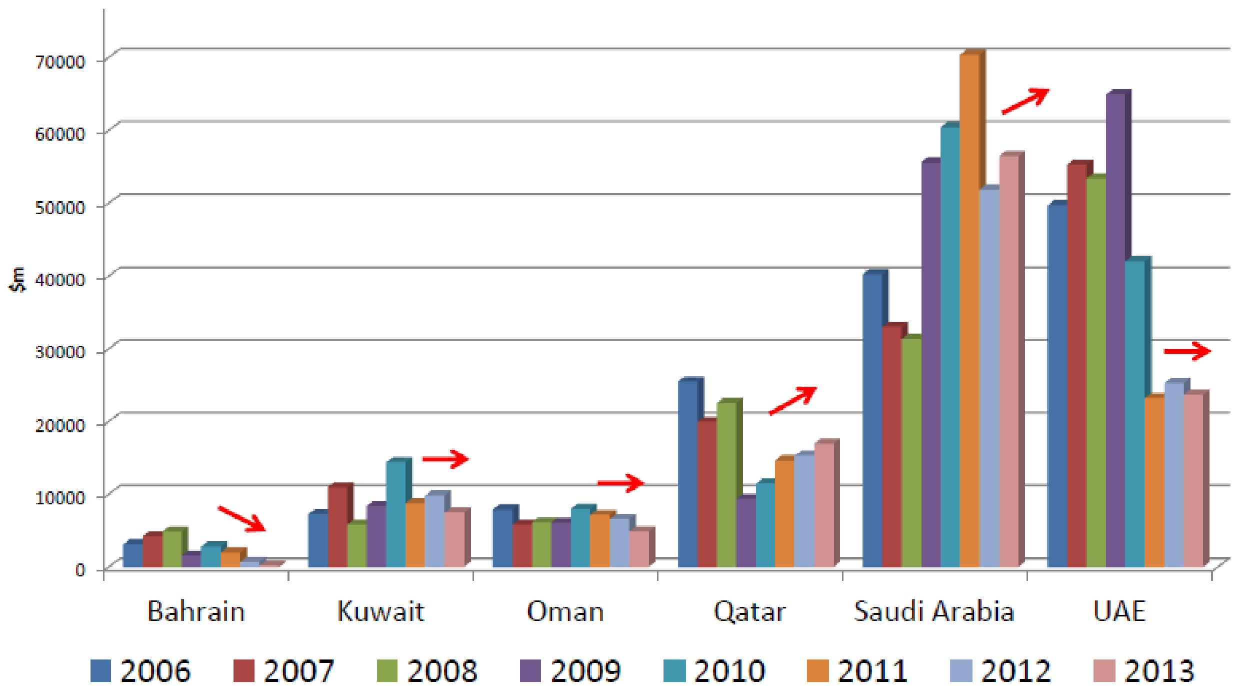


Figure 8: Projects completed or under construction in the GCC market from 2006-2013 (Source: MEED 2014, Page 22)

An insight of contracts award by country as shown in the above figure, clarifies the story over the last eight years which represents the rise and fall of the UAE construction market and the continuous development of the Saudi one. At present Saudi Arabia is obviously the biggest construction market in the GCC area. It is worth remarking in Figure 8 that in 2011 KSA awarded contracts more than the other GCC countries combined, and it is expected to maintain this place for the near future. These facts cannot be surprising knowing that KSA has the largest population and economy in the whole region.

2.4.2 Forces driving the sustainable growth in GCC Construction Market

Kumar et al. (2010) studied the GGC construction market growth drivers, and they remarked that the strong oil returns have been the main player in driving the GCC economic growth, up to now, oil remains the major booster to the GCC economies. Nevertheless, their report also revealed that a gradual move in reducing the dependence on the crude oil reserves and a change towards diversification of economy. Their study considered UAE as a study case and therefore it can't be generalized to the whole states of GCC, due to the different levels of independence on oil exports from state to another, however, some factors can be extracted to answer the growth drivers query. Those factors include;

1. The increased role of free zones.
2. The vigorous development of public joint stock companies.
3. The strong oil market.
4. The pleasant local stock markets.
5. The continuous announcement of mega new construction projects.

Alpen Capital (2012) provided other interesting factors to justify the growth within GCC construction markets, those factors include:

1. Inflation Trends
2. Large expatriate population
3. Favorable Demographic Factors
4. Strong Economic Outlook
5. The possibility of gaining a status of "Emerging Market" for Qatar and UAE by Morgan Stanley Capital International Inc.
6. Major regulatory changes
7. Emphasis on improving the Non-Oil domains across the Gulf States.

MEED Projects (2015) explained the drivers and barrier to growth of the GCC projects market, their report indicated that the growth is controlled by a number of factors. The oil price is key as it allows GCC governments to make strong revenues, and this is in turn are oriented toward higher project spending. At the same time, governmental commitment to attract foreign investments open up the economy and invest in domestic infrastructure projects. This has resulted in greater spending on transport projects, like airports and roads, and an increasing stress on more labor-intensive downstream industries.

The report also highlighted that the high oil prices are the overriding driver behind projects market growth in the region. As they rise, they also increase the governments' ability to spend on their capital projects spending program. Further to oil prices, the demographic growth is equally significant. As the population grows, demand for power and water, and social infrastructure such as housing, healthcare and education increase. And therefore governments have little choice but to execute new projects to meet this high demand.

On the other hand, MEED Project (2015) also remarked that there are some barriers to growth. As bureaucracy and budget issues often cause projects to be delayed, an issue compounded in recent years by political and social unrest in countries like Bahrain and Kuwait respectively. The region is sensitive to rising material costs as the projects market heats up, which in turn leads to budget overruns and stalled projects. At the same time, many public clients do not have the processes, experience or capacity to process their project pipeline.

The following figure 9 summarizes the growth factors and barriers to growth according to MEED (2015) point of view:

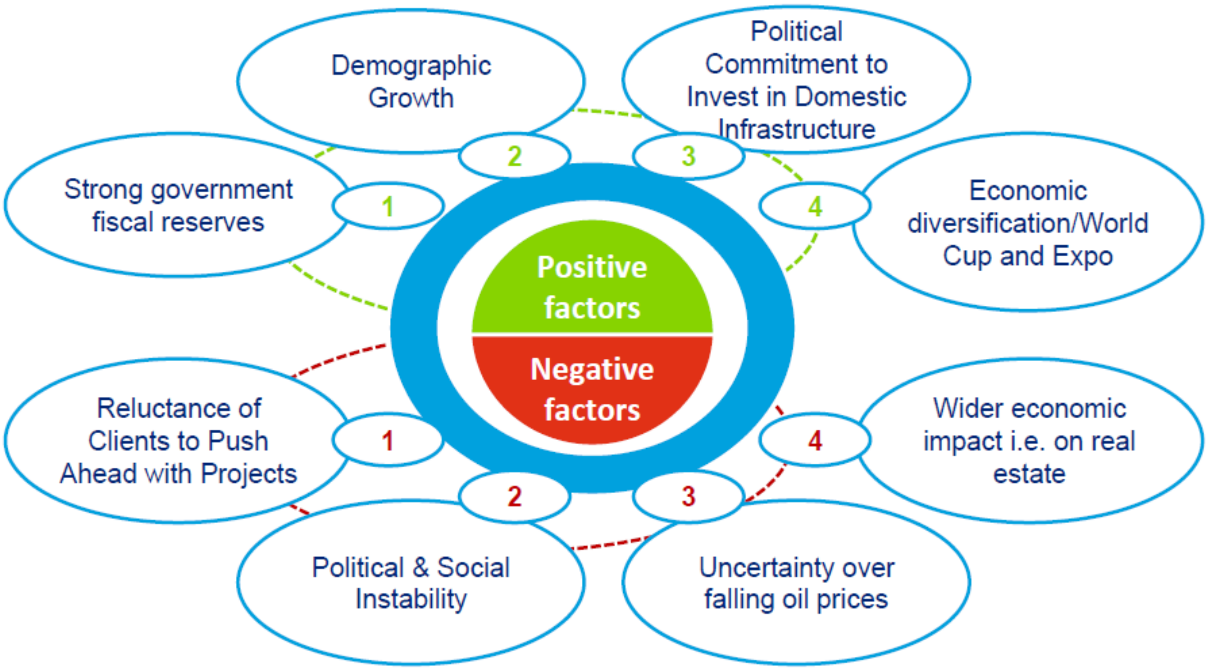


Figure 9: GCC growth drivers and barriers to growth, (Source: MEED Projects 2015, Page 13)

2.4.3 Oil Prices and Construction Market development in GCC

According to Ventures Middle East (2014), as global oil markets settled down into a weak rhythm, GCC countries are busy building alternative paths using their existing surpluses or the lack thereof for some to forge a more sustainable growth path for the future. Primary drivers to this growth model are government spending on utilities, infrastructure, and social infrastructure such as education, healthcare and housing with tourism as the cornerstone, in general its innovative forms apart from the traditional, Meetings, incentives, conferences, and exhibitions (MICE), adventure, retail, religious and Islamic tourism alongside hosting world famous events to attract the global investors and tourists in hordes.

While this has accomplished the task of getting the construction ball rolling, it is likely to be plague with its share of challenges ahead in terms of cost and time overruns, availability of materials and an urgent requirement to improve the existing legal and regulatory framework to usher in greater transparency and ease for investors to do business with the region. Overcoming these challenges can bring these economies into the spotlight with a model worth replicating worldwide if they continue along the prudent cautious pace with lessons learnt from the previous obstacles and challenges tackled successfully along the way (Ventures Middle East 2014).

MEED Projects (2015) studied the correlation between the value of awarded contracts in GCC and average oil prices during the last ten years, and the result was as shown in figure 10.

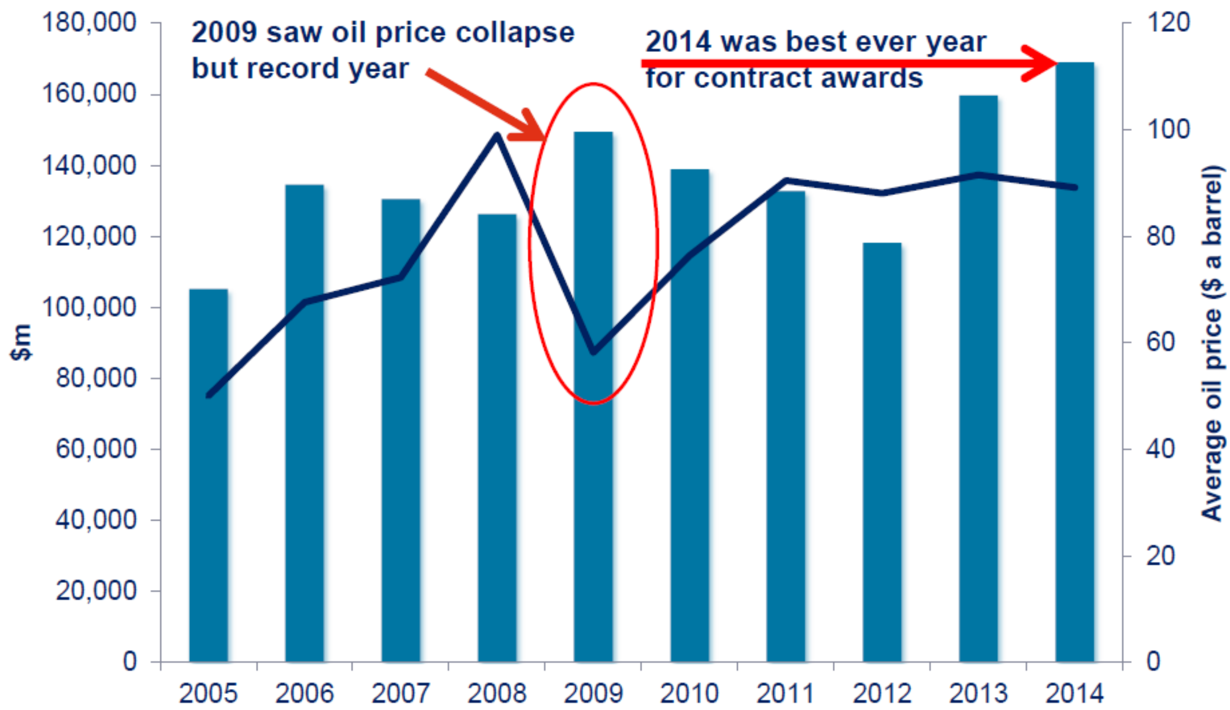


Figure 10: Value of GCC contracts awarded correlated against the average oil price, (Source: MEED Projects 2015, Page 12)

The numbers shown in MEED Project (2015) figure 10, indicate a very unique trend of construction activities against oil prices, it's obviously noticed that rhythm of construction investments is not fully attached to the oil prices, as the 2009 year witnessed a dramatic oil prices collapse with a new record in contract award value. Similarly the year 2014 witnessed another new record in contract award values despite the well-known oil prices drop.

2.5 Framework Development

2.5.1 Theoretical Framework within International Construction context

Since no particular factor is likely to have a critical influence on the entry mode selection process in general (although it may have for a specific firm), it can be suggested that such factors discourage or encourage a specific entry mode (Root 1987), i.e. selection of entry modes is a multivariate decision problem.

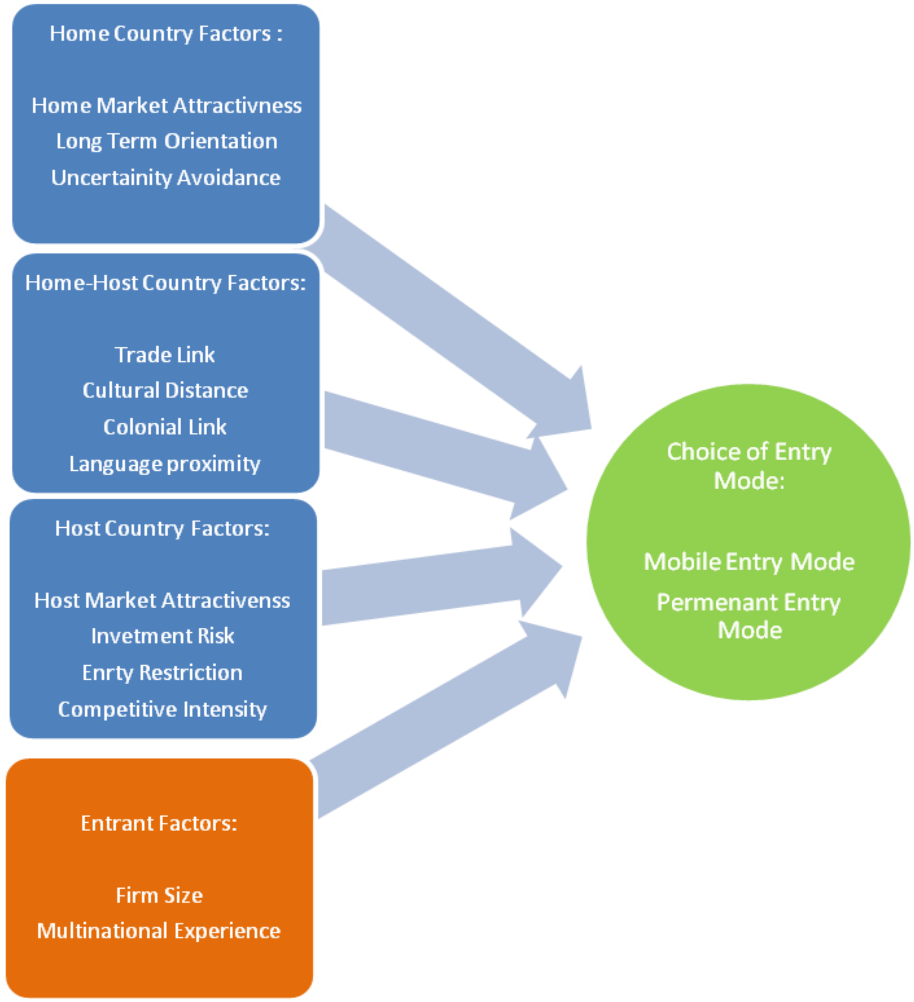
Chen (2008) reviewed current literature on foreign markets entries and international business trends of some international contractors and his review unveiled thirteen factors which seem to have an influence on the selection among mobile and permanent entry modes. The proposed factors and their influences are derived from the six internationalization theories presented earlier. The factors are summarized as shown in the below table 7:

	Influencing factors	Origin	Description
1	Home market attractiveness	extracted from BPT	This factor represents the entrant home country market growth and size.
2	Uncertainty avoidance	extracted from ICT	This factor represents the intention to avoid risky host countries, where structures and rules are often less clear, unwritten, and imposed by traditions.
3	Long term orientation	extracted from ICT	This factor represents entrant orientation toward long term investment in host market
4	Cultural distance	extracted from ICT and OLI	This factor represents the culture similarity level between home and host country.
5	Colonial link	extracted from ICT and OLI	This factor represents the similarity in political and legal institutions between home and host country.
6	Trade link	extracted from OLI	This factor represents the trade history between home and host country.

7	Language proximity	extracted from OLI	This factor represents the language similarity between home and host country.
8	Investment risk	extracted from OLI	This factor represents the uncertainty over the continuation of current political and economic conditions and overall policies in host country
9	Host market attractiveness	extracted from OLI	This factor represents the host country market growth.
10	Entry restriction	extracted from ICT and BPT	This factor represents host government ownership restrictions on FDI choices.
11	Competitive intensity	extracted from OLI	This factor represents the level of competitiveness in the host country.
12	Multinational experience	extracted from OLI and BPT	This factor represent the previous experience of entrant in foreign markets
13	Firm size	extracted from OLI and BPT	This factor represents the size of entrant firm, financial capabilities, and available assets and technology.

Table 7: Factors influencing entry modes selection within international markets, Courtesy of (Chen 2008)

These factors can be categorized into host country factors, home-host country factors, home country factors (which represent External Factors), and Entrant factors (Internal Factors) as shown in the below Figure 11.



**Blue Factors represent External Factors, **Orange Factors represent Internal Factors*

Figure 11: Contingency relationship between Factors and entry mode Selection (adapted from: Chen 2005, page 149)

Although these thirteen factors were abstracted from the main entry modes theories in international business science, it is worth remembering that international construction unique environment differs from other business domains, and hence those theories can't nessecarlily be applicable to predict the international contractors behaviors. Chen (2008) performed an empirical data analysis through a regression model describes international contractors' practices in entry mode selection, and he proved that the applicability of theories and paradigms from the general international business domain wasn't enough to predict international contractors decisions, his analysis unveiled that contractors do not tend to decide entry mode according to investment risk, trade link, and host market attractiveness, however they tend more to adopt permanent modes than mobile ones once competitive intensity or cultural distance factors are significant, or when language proximity, colonial link or entry restriction factors are insignificant.

Moreover, Chen’s statistical analysis indicated that international contractors tend to be aggressive competitors and adventurous risk-takers. Traditionally, contractors favor the mobile entry modes, nevertheless, they consider permanent entry modes to command new capabilities, expand their local knowledge, and set up local networks to overcome the difficulties in foreign construction markets which are relatively different from their home countries.

Accordingly, investment risk, trade link and host market attractiveness will be disregarded from this study hypothesis.

2.5.2 Factors Interaction Effects

From entrant point of view, the majority of the above mentioned factors can form a basis for selecting the optimal entry mode with the exception of entry restriction factor since it enforces constraints upon entrant’s preliminary selection. Due to entry barriers factor, the preliminary selection outcome based on other factors may vary. For instance, assuming other factors held constant, International contractor may favor permanent to mobile modes within an attractive market, but this preference degree can change under different sizes of entry restriction (Chen 2008)

In the same context, Gomes-Casseres (1990) contended that once the targeted market contains several institutional restrictions against permanent modes and fewer against the mobile ones, International contractor possibly will consider a mobile approach. In order to integrate the different effects of the influencing factors and the entry restriction to determine the suitability of mobile and permanent modes, a two-step decision process is suggested:

Firstly: the entrant has to prioritize between mobile and permanent modes based on the factors with exclusion to entry restriction factor.

Secondly: the entrant has to re-ranks the two options considering the option feasibility which is determined when applying the entry restriction factor.

In statistical terms, this process denotes that “the slope of the relationship between any factor except entry restriction and the independent variable depends on the value of entry restriction. Therefore the interaction effects between entry restriction and any other factor need to be examined” (Chen 2008).

2.5.3 Synthesis of Influencing Factors in foreign markets

Chen (2008) paved the way for entrants to select the appropriate entry mode to foreign construction market, his studies resulted in forming the below entry hypothesis shown in table 8 which facilitates the selection criteria based on the previously mentioned factors, This hypotheses represents the integrated application of the OLI paradigm, ICT, and BPT theories.

According to the earlier mentioned two step decision procedure, where entrants first prioritize their modes based on the optimization factors (excluding entry restriction factor), and then filter inapplicable modes based on the constraint factor, The below interaction effects shown in table 8 are developed to integrate the influences of factors at different stages. Instructions of each hypothesis are also mentioned in the table, where the positive sign means; the greater the factors are, the more likely that an entrant will select the entry mode, while the negative sign means that the greater the factors are, the less likely that an entrant will select the entry mode.

Below hypotheses shown in table 8 were extracted by Chen (2005) through extensive literature review, and tested using regression test based on actual data, the below table includes the modified hypotheses where all insignificant preliminary hypothesis were disregarded.

Predictors		Entry Modes	
		Permanent	Mobile
	Influencing Factors		
1	Uncertainty avoidance	+	-
2	Colonial link	-	+
3	Language proximity	-	+
4	Competitive intensity	+	-
5	Home market size	-	+
6	Entry restriction	-	+
7	Long term orientation	+	-
8	Cultural distance	+	-
9	Multinational experience	+	-
10	Firm size	+	-
11	Home Market Growth	+	-

Table 8: Tested framework of Entry modes selection based on influencing factors, Courtesy of (Chen 2005)

2.6 Framework Application within GCC Construction Markets

This section will investigate the different GCC construction markets according to the aforementioned external influencing factors shown in table 7, to propose a modified framework which describes the recommend entry mode for each country. The description will be presented in terms of permanent and mobile entry modes classifications.

The considered methodology to initiate the modified framework is summarized in the following steps:

1. Selection of mobile or permanent entry mode based on the GCC construction markets analysis according to the host country influencing factors (ignoring entry restriction factor).
2. Examining the applicability of selected mode after implementing the entry restriction factor.
3. Generating secondary conceptual model for each country in terms of permanent and mobile entry mode classification.
4. Specifying the exact recommended entry mode by incorporating the results of the previous step with the preliminary conceptual framework.

It's important to remark that this study is emphasizing on the GCC construction markets only, and its limited to those specific markets, the application of the tested framework shown in table 8 requires a direct emphasis on host country influencing factors only, as this study is not tackling the internal factors (entrant factors) and the home country factors. Accordingly the following factors will be assumed constant during the study of other external factors:

1. Home Market Size
2. Home Market Growth.
3. Multinational Experience
4. Firm Size

2.6.1 Application of Hypothesis to UAE Construction Market

2.6.1.1 Language Proximity, cultural distance and colonial link

Language Proximity

The official language in UAE is the Arabic language, which is broadly spoken in the local community, moreover English is used as the second language, the high presence of expats among this community also provide diverse language skill set with the following languages spoken widely through UAE community; Hindi, Urdu, Persian, Pashto, Bengali, Russian, Malayalam, Tamil, Balochi, Mandarin Chinese, and Tagalog (Grant Thornton 2013).

Cultural Distance

According to latest UN statistics, the UAE census reached approximately 8 million, this rapid growth of population was a result of the high migration rate in UAE, which made it one of the world's biggest growing populations particularly due to the migration, further reports indicated that 80% of total population consists of expats (Grant Thornton 2013). This large expatriate community includes migrants from the India, US, Philippines, Pakistan and the United Kingdom among others. The diverse mixture of migrants from various origins has supported the country in ensuring the highest skilled workforce is available to support the local community to maintain strengthening the economy (Grant Thornton 2013).

Colonial link

The constitution of UAE offers legal framework for the federation and it forms the core of all legislations promulgated at emirate and federal level. According to the UAE constitution, the federal government has exclusive authority in different fundamental affairs, including security, foreign policy, and defense (Latham and Watkins 2011). The Legislations passed at a federal level have priority over the regional laws of each Emirate. However, the local government of each Emirate is allowed to control all local affairs as long as it's not conflicting with federal legislation or affairs which are not exclusively stated in the constitution to the federal union. Thus, the local governments preserve significant powers to control business activities, issue trade licenses and effect the incorporation of corporate entities to the degree that such activity is not already regulated under the federal law (Latham and Watkins 2011).

The judicial system in UAE defers remarkably across the different Emirates and the different free zones. Out of seven Emirates only five Emirates belong to the federal court system, where Ras Al Khaimah and Dubai posses their own independent court systems (Latham and Watkins 2011). On the other hand, all Emirates (excluding some free zones) follow uniformly similar rules of civil procedure and evidence, also the trials are determined by a single judge or a panel of three judges, and not by a jury. Moreover, some of the free zones (such as Dubai International Financial Centre) have their own judicial systems and their own regulations of civil evidence and procedure (Latham and Watkins 2011).

2.6.1.2 Competitive intensity, Long term orientation and Uncertainty Avoidance

"The UAE has continued to grow to become one of the largest economies in the Middle East" (Grant Thornton 2013). The state provides huge investment opportunities to the international and local investors and it attracts trading companies due to the high number of free zones located all over the different Emirates, which provides rewarding incentives that attract investors. At present UAE embraces more than 20 free zones that offer various facilities right through the region allowing foreign entrants to select the most appropriate option according to their needs (Grant Thornton 2013).

Deloitte (2013) executed a SWOT analysis to identify the main Strengths, Opportunities, Weaknesses and Threats within the UAE construction market, and the outcomes were summarized in the below table no. 9

Strengths
• Government-supported infrastructure spending in transport and utilities will intensify as a means of diversifying the economy away from oil, in addition to keeping the population quiescent at a time of wider unrest. • A clear regulatory environment and the governing of private investments in infrastructure create a favourable investment climate. • State-owned utilities (ADEWA, DEWA) are willing to take on majority equity stakes in projects and provide government guarantees in a bid to attract investors.
Opportunities
• The decline in cement and steel prices in the region reduces the cost of new projects. • The construction industry remains one of the largest sectors in the UAE, after oil and gas, as the country tries to transform its oil-dependent economy by spending billions of dollars on its infrastructure and tourism sectors. • Government willingness in Dubai and Abu Dhabi to allow private participation in infrastructure still appears high. • The UAE is becoming a hub for renewables and green tech, with Masdar spearheading new ventures.
Weaknesses
• Rising unemployment as a result of the sector's contraction, which occurred following 2008's recession. • Previously rapid growth in the residential and commercial construction sector has not been matched by an equally rapid growth in local utilities sectors. This has resulted in new buildings not having access to power and water, potentially for years, making them unusable.
Threats
• Political stability remains a key threat; with many countries still in a state of political flux and contagion not contained, the situation remains volatile, all of which adds to the ongoing global financial turbulence that continues to dry up capital and dampen investor sentiment.

Table 9 : SWOT of the UAE construction Market, (Source: Deloitte 2013, Page 8)

The Global Competitiveness Report 2014-2015 also indicated some of the most problematic factors for doing business in UAE, this report unveiled that restrictive labor regulations, inflation, inadequately educated workforce and access of financing stand on top of the major obstacles for investment in UAE, the remaining factors are shown in details across the following figure no. 12:

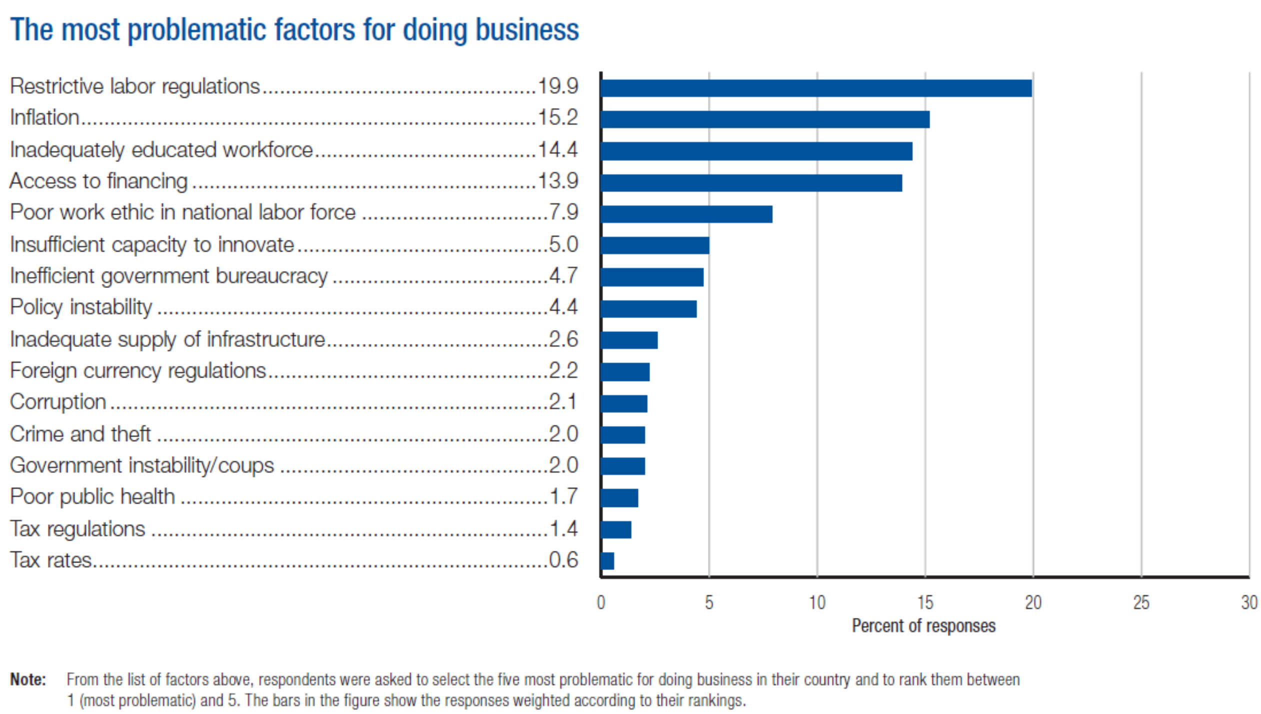


Figure 12: The most problematic factors for doing business in UAE, (Source: Schwab 2014, Page 374)

2.6.1.3 Influencing Factors Analysis

According to the earlier presented data, UAE construction market can be described as an international market due to the high presence of multinational firms, the language proximity is mainly similar to societies that speaks Arabic, English and Asian languages, and hence by applying the frame work shown in table 8, *entrants will tend to consider mobile entry modes due to the high language proximity levels.*

As for the cultural distance, presented data revealed that the presence of high expats has enriched the cultural components to embrace all different expats cultures, which emphasize a lower levels of the cultural distance factor. Applying the rules of frame work within the context of lower levels of cultural distance leads to mobile entry modes, and therefore *entrant will tend to consider mobile entry modes due the low cultural distance levels.*

The legal system within UAE as presented earlier can be described as a unique system which derive its principles from the Islamic regulations with a modern modifications to allow the compatibility with modern international legal systems, however, this legal system still has its unique characteristics which differs from other countries around the world, therefore *entrant will tend to consider permanent entry modes due to the low colonial link levels.*

According to the SWOT table, UAE construction market is governed by a clear regulatory environment and the governing of private investments in infrastructure create a favourable investment climate, *which indicates a high level of uncertainty avoidance and therefore entrants will tend to consider permanent entry modes.*

As for the competitive intensity, it's well-known that the UAE construction market holds the second position in terms of projects size among the other GCC construction markets behind KSA, which attracts local and international contractors. Alpen Capital (2012), analysed the competitive advantage in GCC using porter's five forces models, and they suggested a high threat of competition among construction players operating in the region, making the market competitively alive. Since, the presence of sub-contractors is very high, market results in a revenue sharing model. *Accordingly, entrants will tend to consider permanent entry modes due to the high level of competitive intensity.*

Long term orientation factor requires entrant's confidence in sustainability of local market. The earlier presented SWOT tables clearly indicates the intention of UAE government to sustain active construction market, by supporting infrastructure spending in transport and utilities which is clearly noticed by the continuous expansion of Dubai and Abu Dhabi international Airports, moreover, the continuous chase to host international events, fairs and sport championships, such as the EXPO 2020, AFC champion league, Abu Dhabi F1 Grand prix, will maintain the need of extra hospitality projects, which will contribute to the sustainable growth of construction market, and hence *entrants will tend to consider permanent entry modes due to the high level of long term orientation factor.*

2.6.1.4 Entry Restriction

Latham and Watkins (2011) report indicated five main entry modes to establish a commercial entity in the UAE market, these modes includes;

A) Local Entity (SVC, JVC), which is established outside free zone areas.
B) Branch Office (BRO, BRC)
C) Representative Office (RO)
D) Free Zone Entity (SVC, JVC), which is established inside free zone areas.
E) Commercial Agency Relationship (LA)

However, Latham and Watkins report tackled the permanent entry modes only, therefore, SA, LI, direct export, and BOT are still available options under the companies' law of UAE. In general all kind of entry modes are available under the law; nevertheless the ownership of company's capital in some modes may specify a certain percent of ownership for UAE nationals.

2.6.1.5 Results of factors application in context of UAE construction market

Based on the earlier executed factors analysis, it's concluded that among six tested factors, four factors were found considering the permanent entry modes and therefore this study suggests the adoption permanent modes to enter UAE construction market. While the entry restriction review unveiled that there are no major restrictions for establishing permanent modes, then the following permanent modes can be adopted:

SVC, BRC, BRO, JVC, RO, SA, LA, LI

2.6.1.6 Incorporating the results with the preliminary conceptual framework

Since UAE construction market characterized as a sustainable, strong, and well regulated market, these characteristics encourage entrants to consider a permanent entry mode with the following strategic effects: 1) high resource commitment, 2) Low contractual risk, and 3) High control. Applying these effects within the preliminary conceptual framework leads to the selection of **SVC** and **BRC** entry modes.

2.6.2 Application of Hypothesis to KSA Construction Market

2.6.2.1 Language Proximity, cultural distance and colonial link

Brief overview

"Saudi Arabia is the world's second largest oil producer and largest exporter, and controls the world's second largest hydrocarbon reserves" (EIA. n.d.). Supported by its huge reserves of fossil fuels, KSA is classified as a high income economy with a high Human Development Index (UN 2013), KSA also is the only Arab state to be part of the group of twenty major economies (Wynbrandt 2004). Nevertheless, Saudi Arabia has the least diversified economy in the GCC (Emirates 24/7 business 2014). Other than the GCC, KSA is an active associate of the Organization of the Petroleum Exporting Countries (OPEC) and the Organization of Islamic Cooperation (OIC).

Language Proximity

Similar to UAE and other GCC countries, The official language in the Kingdom of Saudi Arabia is Arabic. However, English is widely spoken and considered as the business language. Any correspondence with the Government bodies, however, should be in Arabic (HSBC 2011). Locals represents 80% of the total population, and therefore the region also benefits from a diverse language skill set with the following languages spoken across expats in KSA; Urdu, Hindi, Persian, Pashto, Malayalam, Bengali, Tamil, Balochi, and Tagalog.

Cultural Distance

The cultural setting of Saudi Arabia is Arab and Islam, and is deeply religious, conservative, traditional, and family oriented. Many attitudes and traditions are centuries-old, derived from Arab civilization. However its culture has also been affected by rapid change, as the country was transformed from an impoverished nomadic society into a rich commodity producer in just a few years in the 1970s (Tripp and North 2003). There are many limitations on behavior and dress are strictly enforced both legally and socially, often more so then in other Muslim countries. Alcoholic beverages are prohibited.

According to HSBC (2011), it is important for foreign business executives doing business in Saudi Arabia to understand Saudi etiquette and customs in the way they run their business. It is common for many Saudi business executives to have studied and/or worked abroad such that they have a good working knowledge of the English language and are familiar with international cultures.

Colonial link

The principal source of law in the KSA is *Shari'ah* (Islamic laws). Further to the Islamic laws, Saudi law is also derived from the enacted legislation which comes in different forms:

1. Royal Decrees
2. Royal Orders
3. Council of Ministers Resolutions
4. Ministerial Circulars.
5. Ministerial Resolutions

All such laws are eventually depending on, and cannot conflict with, the *Shari'ah* (Latham and Watkins 2010).

On the other hand, the judicial structure of the KSA consists of a number of courts and adjudicatory entities. These courts include:

1. The *Shari'ah* courts
2. The Board of Grievances
3. Various specialized committees.

Generally speaking, The *Shari'ah* courts, is responsible for all civil cases, excluding those claims related to one of the other two adjudicatory bodies ,which are the Board of Grievances or other specialized committee. Particularly, the *Shari'ah* courts deal and settle all real property matters, family laws, and the most of criminal cases.

Further to the *Shari'ah* courts and the Board of Grievances, the specialized committees have been developed through the various Ministries and government bodies. The jurisdictions of these committees are specified by their constitutive regulations. These committees includes for example; the Banking Disputes Committee, and the Labor Disputes Committees. Finally those committees are independent of the Board of Grievances and the *Shari'ah* courts (Latham and Watkins 2010).

2.6.2.2 Competitive intensity, Long term orientation and Uncertainty Avoidance

According to Hussein (2013), Saudi Arabia is the largest exporter of oil in the world. As a result, the Saudi economy is constantly on the rise and the construction sector specifically has seen significant increases in activity. Several reasons stands behind being the largest construction market within the GCC countries, these reasons can be summarized as follows:

1. The Saudi government has always been actively concerned with growing the Saudi infrastructure. Indications show that this concern will remain at the forefront of Saudi decision making.
2. The government’s focus has increasingly turned to the housing shortage in Saudi Arabia, which is occurring as a result of the increasing growth to the population.
3. The huge demand for construction services is evidenced by a large demand for cement and other building materials, as well as the number of ongoing and new projects in Saudi Arabia.

Deloitte (2013) executed a SWOT analysis to identify the main Strengths, Opportunities, Weaknesses and Threats within the KSA construction market, and the outcomes were summarized in the below table no. 10

Strengths
• Saudi Arabia has the largest construction sector in the Middle East. Alongside active government spending, efforts are also being made to increase private investment. Government-led activity boosted by oil windfalls is driving demand in the construction industry. • The Ninth Development Plan for the Kingdom of Saudi Arabia sets out plans to invest SAR 1,444bn (US$385bn) in social and economic infrastructure between 2010 and 2014. • The total value of contracts issued in the Kingdom's construction sector grew by 50% year-on-year in H212 (following a 140% y-o-y increase in awards during 2011).
Opportunities
• The number of ongoing mega-projects means that many multinational firms have a presence in the country. • Increasing private investment should provide opportunities for large foreign contractors to increase their involvement in the country. • As other construction industries in the Gulf stagnate, construction companies look to Saudi Arabia for opportunities. • Saudi Arabia remains a 'construction safe heaven' amid both wider political and financial turmoil.
Weaknesses
• The industry is heavily reliant on government contracts rather than a free market driven by the private sector. Moreover, due to delays in government payment (largely due to red-tape and inefficient bureaucracy), government contracts can remain unpaid for months. • The country has a persistent unemployment problem. According to the government, unemployment among Saudi nationals reached 11.0% at the end of 2011. • The country is facing a power crunch. However, significant investment is being made to meet future demand through the construction of numerous power plants.
Threats
• The Arab Spring, which created instability in numerous countries in the Middle East and North Africa region, catalyzed some discontent in Saudi Arabia. While this was short-lived and quickly contained, it remains a risk.

Table 10 : SWOT of the Saudi construction Market, (Source: Deloitte 2013, Page 13)

The Global Competitiveness Report 2014-2015 also highlighted some of the most problematic factors for doing business in KSA, this report revealed that restrictive labor regulations, inadequately educated workforce, inefficient government bureaucracy and access of financing stand on top of the major obstacles for investment in KSA, the remaining factors are shown in details within the following figure no. 13

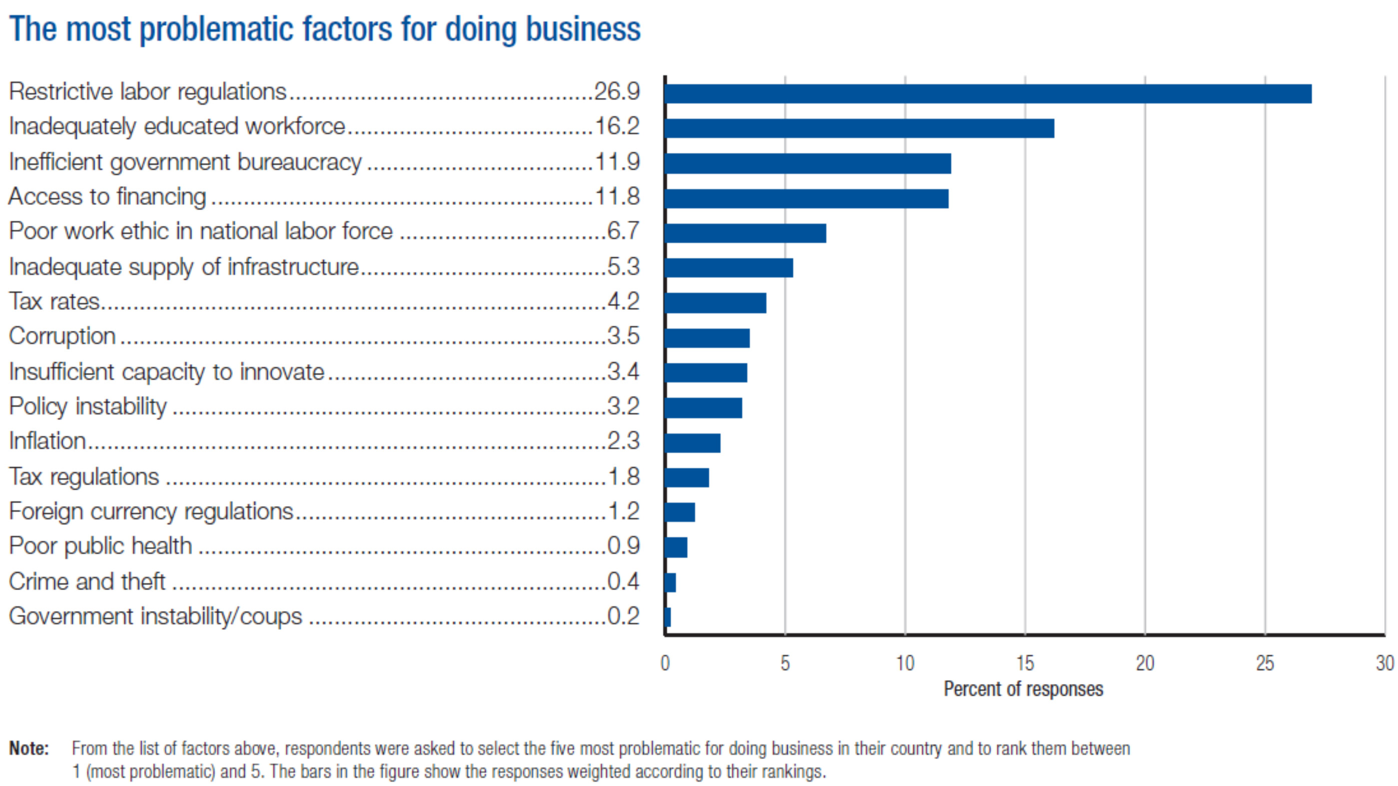


Figure 13: The most problematic factors for doing business in KSA, (Source: Schwab 2014, Page 324)

2.6.2.3 Influencing Factors Analysis

According to the earlier presented data in Language proximity section, it was noted that the local Saudi market and business deal are mostly presented using English language, nevertheless, the interaction with governmental entities and the daily living practices are still attached to the official Arabic language, also the fact that locals represent 80% of the total population indicates clearly the degree of localization of this market and therefore this analysis suggests that *entrants will tend to consider permanent entry modes due to the low level of language proximity factor*.

As for the cultural distance factor, the researched data reveals a conservative culture with high level of adherence to religion and tradition concepts, which by return reflects a pure old Arabian culture exceeds the levels noticed in any other Arabian country. *Applying this high cultural distance level within the context of earlier mentioned framework will result in the selection of a permenant entry mode.*

Saudi Arabia as per colonial link data has its own unique legal system, which derives its rules from Shari'a which is by return combines the laws of the Holy Quran, Sunnah and Royal orders, which is clearly differs from all other legal systems around the world, and hence *entrants will tend to consider permanent entry mode due the low colonial link level between KSA and other foreign countries.*

A clear regulatory environment is also found in Saudi construction market, covering all types of uncertainties. KSA regulations for example include; anti- dumping regulations, competition Law, employment law, Tax law. However, a deep study and review to the local regulatory system prior to entry will assure smooth business transactions. *Accordingly entrants will tend to consider permenant entry mode due to the high level of uncertainty avoidance factor.*

Saudi Arabia has the largest construction sector in the Middle East, in presence of mega investment in infrastructure, oil and gas, residential and religious facilities, these investments attracts foreign contractors to enter and penetrate, nevertheless, a noticed huge dependence on few main contractors to execute main construction projects, such as Bin Ladin, Saudi Oger, Al Saif and Al Mabani, and this dependence by return limits the opportunities to foreign entrants to work as main contractors, which leads foreign new entrants to work as a sub-contractors. As a result the competitive intensity KSA construction market is very high, and hence *entrants will tend to consider permanent entry modes due to the high level of competitive intensity.*

According to the SWOT table, the Saudi construction market will remain very active and the projects opportunities are very high, the rate of population growth requires new residential development projects, Oil and Gas projects are always growing, and the infrastructure in KSA requires a lot of work. All these factors indicate the huge construction opportunities for the present and near future. Where the long term orientation requires sustainable load of projects, the Saudi construction market continues to prove its dominance among adjacent peers. Accordingly *entrants will tend to consider permanent entry mode due the high long term orientation factor.*

2.6.2.4 Entry Restriction

HSBC (2011) report indicated five main entry modes to establish a commercial entity in the Saudi market, these modes include;

A) Limited Liability Companies (JVC, SVC)
B) Foreign Office Branch (BRO, BRC)
C) Technical and Scientific Office (RO)
D) Joint Stock Companies (JVC, SVC)
E) Local Agencies (LA)

Other mobile modes such as; SA, LI, direct export, and BOT/PPP are still available options under the companies' law of KSA, but rarely used (HSBC 2011). As a result, all kind of entry modes are available under the law.

2.6.2.5 Results of factors application in context of KSA construction market

Based on the executed factors analysis, a full agreement among the six tested factors was found to proceed with permanent entry modes, and therefore this study suggests the adoption permanent modes only to enter Saudi construction market. On the other hand, the entry restriction review indicated that there are no major restrictions for establishing permanent modes, accordingly, the following permanent modes can be adopted:

SVC, BRC, BRO, JVC, RO, SA, LA, LI

2.6.2.6 Incorporating the results with the preliminary conceptual framework

Similar to UAE construction Market, the Saudi market is characterized as sustainable, governmental supported, mega, and competitive, these characteristics support entrant's decision to consider a permanent entry mode with the following strategic effects: 1) high resource commitment, 2) Low contractual risk, and 3) High control, to gain the most of this attractive market. Applying these effects within the preliminary conceptual framework leads to the selection of **SVC** and **BRC** entry modes.

2.6.3 Application of Hypothesis to Qatar Construction Market

2.6.3.1 Language Proximity, cultural distance and colonial link

Brief overview

Qatar is an independent emirate declared its independence in 1 September 1971, its land extends on a largely barren peninsula in the Persian Gulf, bordering KSA and the UAE. The capital and the main city is Doha. The main pillar of the Qatari economy is oil and natural gas sector, which represents 70% of export returns. Qatari government has utilized the oil and gas returns to diversify the economy, through development of steel, chemicals, cement, and fertilizers industries and banking sector (Ecovis n.d.)

Language Proximity

Arabic is the official language, although English is widely spoken. Correspondence with government organizations is normally in Arabic. The population of Qatar according to 2014 survey is 2,346,000, A minority (12%) of the population is Qataris ; the rest are largely other Arabs, Pakistanis, Indians, and Iranians (QSA 2015), and hence, many other languages are also spoken, including Hindi, Malayalam,Urdu, Tamil, Nepali and Tagalog (HMC 2013).

Cultural Distance

Qatar is a friendly country that prides itself on its ability to make visitors feel welcome – and with its multicultural atmosphere, it is easier for visitors to settle down quickly. As an Islamic state where religion is still very important to everyday life, expats have to respect the country's culture and traditions (HMC 2013).

Colonial link

According to Latham and Watkins (n.d.), The Constitution in Qatar separates powers between the executive branch (the ruler and the Council of Ministers), the Advisory Council, and the judiciary. The Qatari Constitution secures the equality of all residents before the law, in spite of of their gender, religion, or origin. It also guarantees personal freedom and privacy, ensures liberty of association, expression and the media, and forbids any alteration to personal rights and public freedom.

The Qatari constitution also secures the independence of Qatar's judiciary, and a supreme council is found to observe the right performance of Qatari courts. The judiciary in Qatar is divided into three regimes; a commercial, civil, and Shari'ah (Islamic law) court systems. Qatari courts deal and settle commercial and civil disputes according to the Qatari legislation. If a specific case with no available legislation, the courts will consider legislations from Shari'ah law and established commercial practices (Latham and Watkins n.d.). The Qatari courts consist of four levels:

1. The preliminary courts
2. Appeal courts,
3. Court of Cassation
4. The Supreme Constitutional Court.

The head of the Court of Cassation is delegated by the Ruler of the state, whilst all other judges are delegated by the Ruler of the state after the recommendation of the Supreme Council (Latham and Watkins n.d.).

2.6.3.2 Competitive intensity, Long term orientation and Uncertainty Avoidance

According to Oryx (2013) report, hosting the 2020 FIFA world cup had the main reviving effect in the Qatari construction market, as the sector has witnessed unprecedented growth with various projects, which reflects consistency and extensive growth. It is worth noting that this boom includes all the sectors within construction, including ports, oil and gas infrastructure, roads, education, hospitality, and social infrastructure in addition to high class football stadiums.

The report also indicated that further future projects have been announced by the government and will be initiated by Qatar General Electricity, Qatar Rail Authority, Water Authority, Public Works Authority and the Qatar 2022 Supreme Committee. The government declared that the National Vision of 2030 aims to place Qatar as the region's premium economy, with a main emphasis on developing the modern infrastructure sectors such as tourism, education, and healthcare. Moreover, the Government has specified 40% of its budget to develop infrastructure projects only. The total value of ongoing construction projects in Qatar exceeds 266 billion US dollars, which represent 15% of the total value of construction projects in the GCC states, while KSA and UAE are still leading the way. It is worth noting that 102.4 billion US dollars out of the announced 266 billion will be dedicated for the construction sector alone, where buildings and infrastructure sector plans worth 82.0 billion and oil and gas sector plans worth 61.2 billion (Oryx 2013).

Deloitte (2013) executed a SWOT analysis to identify the main Strengths, Opportunities, Weaknesses and Threats within the Qatari construction market, and the outcomes were summarized in the below table no. 11

Strengths
• Construction of large-scale transport infrastructure projects is under way - a move that will ease the strain on existing infrastructure. • A number of international companies operate in the country, which is open to international private sector involvement.
Opportunities
• Qatar is developing its non-oil sector, thereby supporting infrastructure development. • Hosting the FIFA 2022 World Cup should yield considerable contracts across the construction and infrastructure sectors.
Weaknesses
• There is just a single mode of overland transport (roads). • Much of the transport infrastructure is nearing maximum capacity. • Power generation infrastructure is strained.
Threats
• Demand for Qatar's luxury commercial and residential sectors is still weak as a result of the global downturn, which may in turn threaten existing and planned projects. • The growing investors' perception that there are some regulatory uncertainties.

Table 11 : SWOT of the Qatari construction Market, (Source: Deloitte 2013, Page 18)

The Global Competitiveness Report 2014-2015 also highlighted a lot of problematic factors for doing business in Qatar, the report unveiled that inadequately educated workforce, restrictive labor regulations, access of financing, inadequate supply of infrastructure, inflation, insufficient capability to innovate and inefficient government bureaucracy stand on top of the major obstacles for investment in Qatar, the remaining factors are shown in details within the following figure no. 14

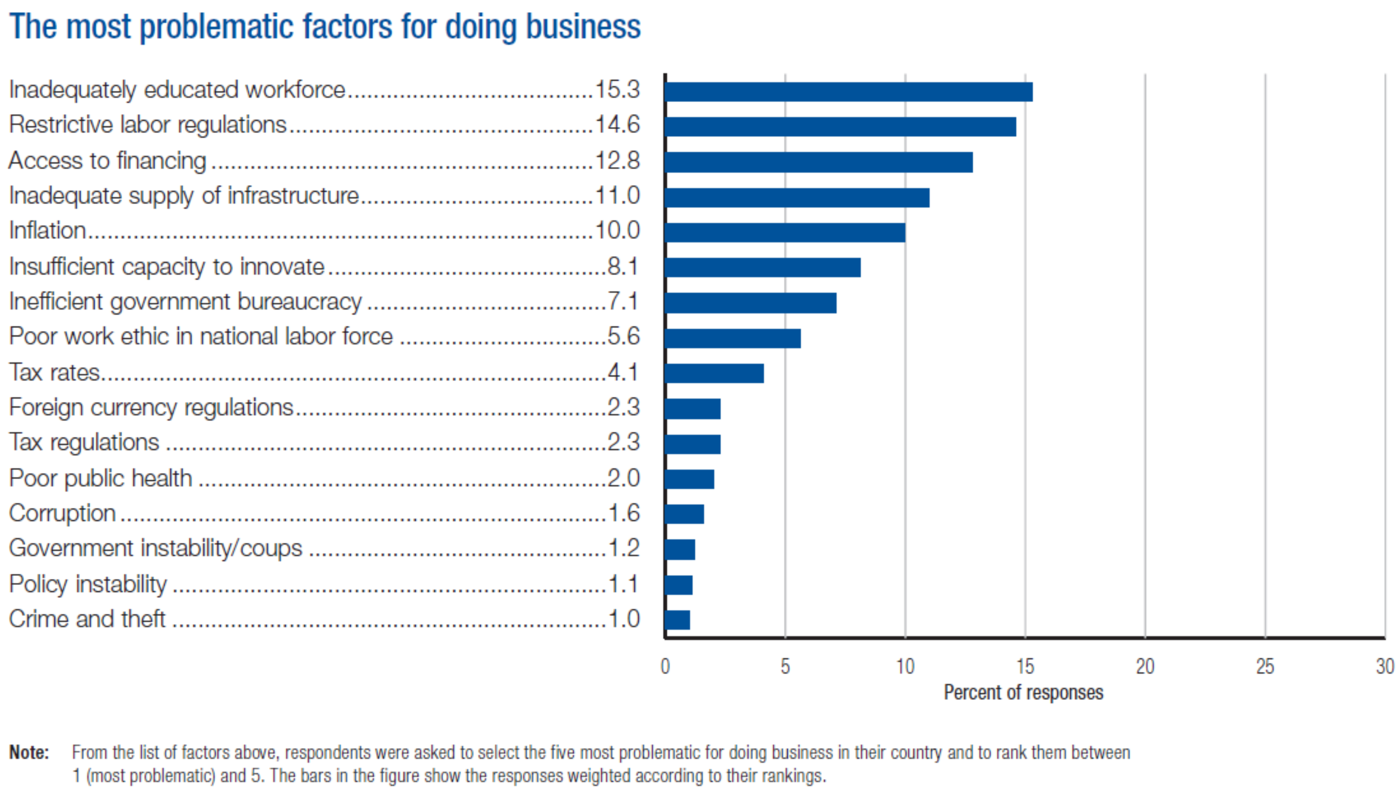


Figure 14: The most problematic factors for doing business in Qatar, (Source: Schwab 2014, Page 316)

2.6.3.3 Influencing Factors Analysis

According to the earlier presented language proximity data, Qatari construction market can be classified as an international market with high presence of multinational companies, the main language is Arabic, nevertheless, the fact that expats forms 88% of total population, that implies the use of English language as another main language for business transactions and normal daily dealings. Accordingly by applying the tested frame work rules, *entrants will tend to consider mobile entry modes due to the high language proximity levels.*

With regard to Cultural distance, it was noted that the Qatari culture was described as a friendly multicultural atmosphere, where foreigners are free to live and work within an open minded environment as long as it doesn't offense the main primary Islamic believes. Similar to UAE cultural distance, *entrants in this country will tend to consider mobile entry modes due the low cultural distance levels.*

The legal system in Qatar as explained earlier consists of a set regulations derived its principles from the Islamic believes with some amendments to comply with the international legal systems, a huge authorities is given to the ruler, and a special QFC regulations is there to govern firms practices within QFC territory, which is obviously differs from other legal systems, therefore *entrant will tend to consider permanent entry modes due to the low colonial link levels.*

The Qatari construction market according to the earlier presented data, such as the global competiveness table, reveals low levels of policy instability, further agreement on this result was noticed in Latham and Watkins report. Despite the threat of regulations uncertainty shown in Delloite SWOT table, Qatari construction market is still governed by a clear regulatory environment which is proved by the establishment of QFC which was based on clear international regulations and rules which indicates government tendency to offer favorable regulatory environment to all foreign investors, accordingly the Qatari market has *a high level of uncertainty avoidance and hence entrants will tend to consider permanent entry modes.*

In presence of excessive governmental investment within the infrastructure sector and the large scale transport infrastructure, such as Qatar rails and Doha metro, and the continuous emphasis on oil and gas projects, and the large preparations to host World Cup 2020, its obvious that the Qatari construction market is achieving its optimum boom during the current and next coming years. The SWOT table also indicated that a significant number of international companies operate in the country, with a presence of high competitiveness by the UAE giant firms, *the competitive intensity in Qatar appears on high levels, and therefore entrants will tend to consider permanent entry modes.*

The construction projects overview for the next few years generally indicates and excessive focus on the mega projects, such as stadiums, hospitality structures, and infrastructure which by return offers entrants several opportunities within this growing construction market. In view of these observations, and the remarkable development plan of Qatar, this study suggests a sustainable construction activity which fits with long terms orientation factor, and thus *entrants will tend to consider permanent entry modes due the high level of long term orientation factor*.

2.6.3.4 Entry Restriction

Latham and Watkins (n.d.) report indicated five main entry modes to establish a commercial entity in the Qatari construction market, these modes includes;

A) Local Entity (SVC, JVC)

B) Temporary Branch Office (SVP,JVP)

C) Representative Office (RO)

D) Commercial Agency Relationship (LA)

Unlike KSA and UAE, the Latham and Watkins report unveiled that there are major restrictions on the entry modes with regard to the ownership of company's capital, where the establishment of any company shall maintain a specific percent of ownership for Qatari nationals.

2.6.3.5 Results of factors application in context of Qatar construction market

The earlier presented factors analysis revealed that among six tested factors, four factors were found considering the permanent entry modes and hence, this study suggests the adoption permanent modes to enter Qatari construction market. And since the entry restriction review indicated that there are some restrictions for establishing permanent modes, the following permanent entry modes can be adopted:

SVC, JVC, SVP, JVP, RO, LA

2.6.3.6 Incorporating the results with the preliminary conceptual framework

Qatari construction market is an emerging market, which has a strong potentials in the coming next few years, and the demand for infrastructure and other construction projects are very attractive to foreign contractors, nevertheless, the fierce competition and restrictions on the entry modes requires an entry mode with a moderate resource commitment and investment risk, low flexibility due to the restrictions, and secures moderate levels of control, which by return fits with the **JVC** mode according to the preliminary conceptual framework.

2.6.4 Application of Hypothesis to Kuwait Construction Market

2.6.4.1 Language Proximity, cultural distance and colonial link

Brief overview

> [K]uwait has the fourth largest proven reserves of crude oil in the world and is among the world's largest oil producers. As such, Kuwait's economy is heavily dependent on the oil sector, which accounts for over half of gross domestic output. The heavy reliance on oil output has also meant that economic performance in Kuwait has depended on changes in oil prices which have often been quite volatile. However, government policy has ensured that this volatility does not result in large changes in activity in the non-oil sector and in household income. (HLB 2012).

Language Proximity

Similar to other GCC states, Arabic is the official language in Kuwait; nevertheless, English is widely spoken and used in business transactions. the correspondences with governmental entities must be in Arabic language. Due to the high expatriates level the following languages are also spoken: Hindi, Malayalam, Urdu, Tamil, Nepali and Tagalog (NBK 2010).

Cultural Distance

"The state religion in Kuwait is Islam and all Islamic holidays are observed: one of the most important of these being the holy month of Ramadan. During this period, Muslims fast from sunrise to sunset. Official working hours are reduced, and consequently, business activity tends to slacken somewhat" (HLB 2012). Kuwait has a population of 4.1 million people; 1.2 million are Kuwaitis and 2.8 million are expatriates (Government of Kuwait 2013), the fact of high number of expats in the country enriched the community culture and helped in shaping the openness of the Kuwaiti community to international cultures while maintaining the most important Islamic traditions alive.

Colonial link

According to Bryan Cave (2008) report, the nature of the Kuwaiti legal system can be summarized in the following facts:

- Combination of Islamic and Civil Law, Primarily influenced by French and Egyptian jurists.
- In general, similar to the law in other Gulf States.
- Certain agreements with the other members of the GCC (Saudi Arabia, Bahrain, Qatar, Oman and the UAE) regarding customs duties, immigration, land ownership, etc. Enforcement of these agreements is uneven.

• Slow shift from domination of a court system by Egyptian judges and experts to greater involvement by Kuwaiti nationals. Expulsion of Jordanian and Palestinian workers following the Gulf War has had an impact on the system.

• Reasonably reliable courts, but litigation generally is slow moving and related costs can be significant.

• While less so than in other Middle Eastern countries, the cultural tendency is to settle and avoid public confrontation.

2.6.4.2 Competitive intensity, Long term orientation and Uncertainty Avoidance

Kilani (2014) studied the Kuwaiti construction market, and he stated that the state of Kuwait has the necessary requirements to deliver sustainable growth and long term opportunities for all members involved in GCC construction activities. Kuwait has the region's fourth-largest construction market after KSA, Qatar, and UAE. Kilani (2014) also summarized the drivers of this market by the following factors:

1. The high oil prices, which lead to higher oil revenues,
2. Demographic growth,
3. Diversification of Kuwaiti economy,
4. The necessity to generate new jobs,
5. The political need of investing in social infrastructure after the regional unrest due to Arab uprisings.

Despite the presence of these significant growth drivers, the Kuwaiti construction market continues to be a source of frustration to investors in construction market. It is obvious that this market has been struggling since long time. Countries with such huge oil returns shall have an active construction market (Kilani 2014). The report justified this contradiction by:

1. The inclusive political structures in Kuwait.
2. The huge load of construction projects in KSA, Qatar, and UAE.

Nevertheless, contractors have to believe in Kuwaiti market. As its construction market can provide a huge opportunities and is underpinned by a strong pillars that guarantee continuous market activity; a constant demand to extend its infrastructure and the strong economical muscle to meet that demand. The writer ended with the conclusion that; "If Kuwait can deliver on its promises, it will become one of the region's biggest project markets and it will be those that have stayed with the country that will be best positioned to take advantage of the opportunities" (Kilani 2014).

Deloitte (2013) executed a SWOT analysis to identify the main Strengths, Opportunities, Weaknesses and Threats within the Kuwaiti construction market, and the outcomes were summarized in the below table no. 12

Strengths
• With large oil reserves, Kuwait has a significant cushion to weather economic difficulties. • The country has been generating surpluses for a number of years, meaning it has financing available for large projects. • USD 12.6bn infrastructure investment will further boost development and growth. • Tighter integration with neighboring states makes Kuwait a more enticing investment prospect. • Kuwait has a strong country structure and Kuwaiti firms have considerable infrastructure and construction expertise.
Opportunities
• The tight integration of infrastructure development between Gulf states throughout the GCC provides opportunities for Kuwaiti firms to win contracts in the region. • The Al-Zour refinery project appears to be back on track, offering opportunities for both energy infrastructure and wider construction projects. • The government's continuing support for infrastructure stimulus provides opportunities for developments. Improvements in power and transmission systems are particularly beneficial for sustained growth.
Weaknesses
• Corruption and political instability both threaten the investment environment. This has already resulted in projects being canceled or postponed. Poor growth rates and uncertainty about major projects dissuade private investment, further reducing potential infrastructure projects. • Kuwait has a weak business environment compared with other GCC countries. A lengthy and difficult tendering process, large bias towards Kuwaiti firms, majority state control and high levels of corruption are just some areas in which it is compromised.
Threats
• Kuwait has a weak business environment compared to other GCC members, and this will potentially make Kuwait the slowest member to recover economically. • Continuing political disagreement with Iraq and other neighbors may threaten regional stability. • Continued lack of private investment may result in a period of extended stagnation as investors look elsewhere for returns. • The threat of domestic political unrest is growing.

Table 12 : SWOT of the Kuwaiti construction Market, (Source: Deloitte 2013, Page 23)

The Global Competitiveness Report 2014-2015 also highlighted a lot of problematic factors for doing business in Kuwait, the report unveiled that inefficient government bureaucracy, restrictive labor regulations, Corruption, access of financing, Poor instability, inadequately educated workforce, and inadequate supply of infrastructure stand on top of the major obstacles for investment in Kuwait, the remaining factors are shown in details within the following figure no. 15

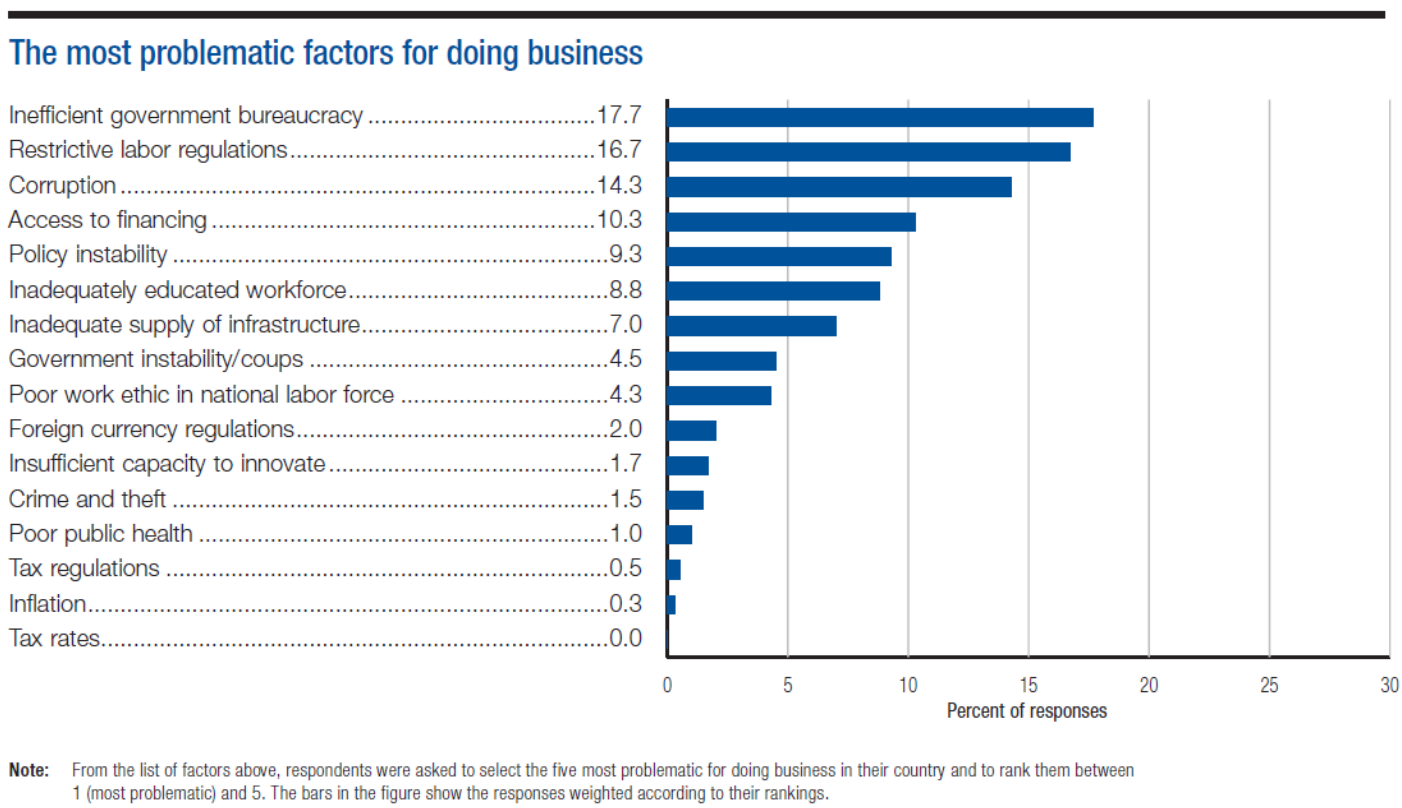


Figure 15: The most problematic factors for doing business in Kuwait, (Source: Schwab 2014, Page 236)

2.6.4.3 Influencing Factors Analysis

With reference to the earlier presented language proximity data, it was remarked that official language in Kuwait is the Arabic language, while the local Kuwaitis represent 30% of the total population, which implies the extensive use of English language in business and daily activities, in this sense this study assumes a high language proximity levels in Kuwait, by applying the tested frame work rules, *entrants will tend to consider mobile entry modes due to the high language proximity levels.*

As for the cultural distance, Kuwaiti community is relatively considered as an open-minded community due to the high levels of expats presence since long time in Kuwait. Similar to UAE and Qatar, the foreigners are free to live and work within the limits of Islamic believes which prevents nudity and drinking in public. According to these remarks, this study assumes a low cultural distance levels in Kuwait, and hence *entrants in this country will tend to consider mobile entry modes due the low cultural distance levels.*

Studying the colonial link factor data reveals similar legal system of the other Arabian Gulf states, which is combined from the Islamic and civil laws. The legal system as discussed is reliable, however, litigations takes a lot of time and includes significant costs. The fact that law is derived from Islamic law implies significant differences from other international legal systems, and hence this study considers low colonial levels in Kuwait. Therefore, *entrant will tend to consider permanent entry modes due to the low colonial link levels.*

As for the uncertainty avoidance factor, although Kuwait is one of the most developed GCC states since long time, and its well known clear regulatory environment, it was noted in the global competitiveness report a high levels of policy instability and corruption, *and this indicates a low level of uncertainty avoidance and therefore entrants will tend to consider Mobile entry modes.*

According to Kilani (2014), the Kuwaiti construction market has everything in place to deliver long-term, sustainable growth opportunities for anybody involved in Middle East construction. However, the conservative governmental investment in projects hinders the foreign investors' ambition to grow within the Kuwaiti market. Other reports reinforced this claim by revealing the fact that few huge contractors are dominating the whole Kuwaiti construction market, which limits the new entrants' chances to secure new profitable projects. SWOT table and global competitiveness report also revealed danger levels of corruption and bureaucratic public procedures, which doesn't help the sustainability and the long term investment in any market, and hence, this study assumes low levels of long term orientation within this market. In this sense, *entrants will tend to consider mobile entry modes due to the low long term orientation levels.*

Referring to the competitive intensity presented data, similar to other GCC states; Kuwait construction market involves high competitive intensity. The market includes several mega projects which may seem to be a good reason for new competitors to enter Kuwaiti construction market, with presence of huge local contracting firms there, and the large bias towards Kuwaiti firms, the task for new entrants to perform well seems impossible. And hence, *entrants according to tested framework will tend consider permanent entry modes.*

2.6.4.4 Entry Restriction

Bryan Cave (2008) indicated within their instructions to enter Kuwaiti Market four main entry modes to establish a commercial entity in the Kuwaiti market, these modes includes;

A) Joint Stock or Shareholding company (SVC, JVC)
B) Project or Ad Hoc Joint ventures (SVP , JVP)
C) Limited Liability Company (SVC, BRC)

Similar to Qatar, literature unveiled that foreign investors have no choice to establish a fully owned firm, where the entrant maximum share percent of ownership is 49%, and hence all kinds entry in Kuwait have to be in partnership with local Kuwaitis.

Below figure 16 shows in detail the available entry modes in Kuwait.

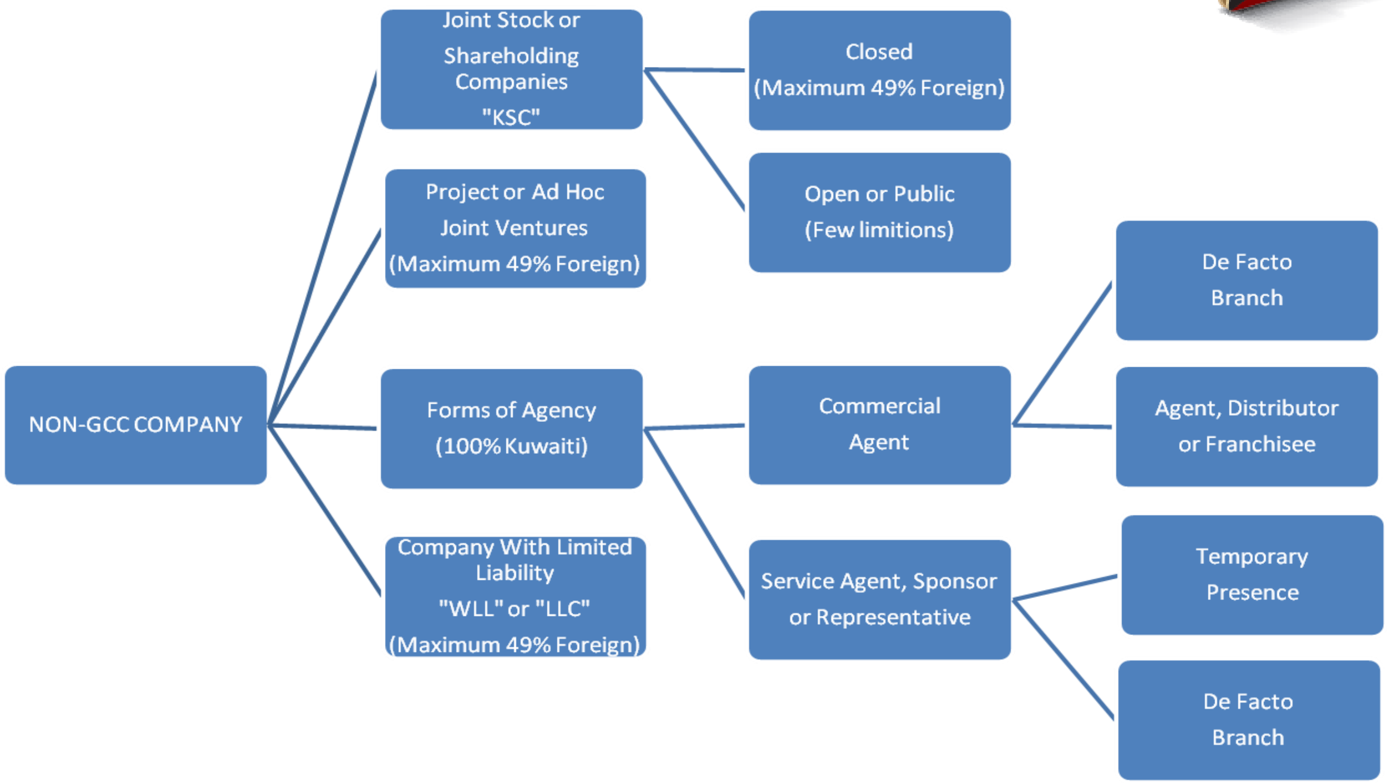


Figure 16: Structures for doing business in Kuwait, (Adapted from: Bryan Cave 2008, Page 4)

2.6.4.5 Results of factors application in context of Kuwait construction market

The earlier presented factors analysis revealed that among six tested factors, two factors were found supporting the permanent entry modes and remaining four supported the mobile modes, and hence, this study suggests the adoption Mobile entry modes to enter the Kuwaiti construction market. And since the entry restriction review indicated that there are several restrictions for establishing commercial entities, the following entry modes can be adopted: SVP and JVP.

2.6.4.6 Incorporating the results with the preliminary conceptual framework

The Kuwaiti Construction market involves several weaknesses and threats, and hence, entrants have to adopt an entry mode with low resource commitment, low investment risk, and high flexibility while keeping their existence in Kuwait, as infrastructure projects and mega projects are occasionally available. Applying the filters of the preliminary conceptual framework, these characteristics fit perfectly with both **SVP and JVP** modes.

2.6.5 Application of Hypothesis to Oman Construction Market

2.6.5.1 Language Proximity, cultural distance and colonial link

Brief overview

Historically Oman's economy was based on fisheries and agriculture. The discovery of oil and subsequent export, resulted in a paradigm shift to be a petroleum based economy. The oil revenue has helped build the Omani economy and infrastructure. However, Oman's oil resources are limited compared to its other gulf counterparts and production has been declining since 2001(Morison Muscat, n.d.). Therefore the government is pursuing a strategy of diversification to broad base the economy. The government is currently focusing on developing natural gas resources; the tourism and real estate sectors; whilst pursuing phased privatization of the utilities and telecommunication sectors (Morison Muscat, n.d.).

Language Proximity

Arabic is the official language of Oman. It belongs to the Semitic branch of the Afro-Asiatic family; Balochi is widely spoken in Oman (ONA 2013), Endangered indigenous languages in Oman include Kumzari, Bathari, Harsusi, Hobyot, Jibbali and Mehri (UNESCO, n.d.), Oman was also the first Gulf state to have German taught as a third language (Al Arabia 2012).

According to the CIA (n.d.), besides Arabic, English, Balochi, Urdu, and various Indian dialects are the main languages spoken in Oman. English is widely spoken in the business community and is taught at school from an early age. Almost all signs and writings appear in both Arabic and English (Kharusi and Salman 2011), Balochi is the mother tongue of the Baloch people from Balochistan in western-Pakistan, eastern Iran, and southern Afghanistan. It is also used by some descendants of Sindhi sailors. A significant number of residents also speak Urdu, due to the influx of Pakistani migrants during the late 1980s and the 1990s. Additionally, the Bantu Swahili is widely spoken in the country due to the historical relations between Oman and Zanzibar (Kharusi 2012).

Cultural Distance

Outwardly, Oman shares many of the cultural characteristics of its Arab neighbors, particularly those in the GCC. Despite these similarities, important factors make Oman unique in the Middle East. These result as much from geography and history as from culture and economics. The relatively recent and artificial nature of the state in Oman makes it difficult to describe a national culture; however, sufficient cultural heterogeneity exists within its national boundaries to make Oman distinct from other Arab States of the Arabian Gulf. Oman's cultural diversity is greater than that of its Arab neighbors, given its historical expansion to the Swahili Coast and the Indian Ocean (Common 2011).

Colonial link

According to PKF (2011), similar to other GCC states, the general law of the state is the Shari'a Law which is derived from the Holy Quran. In order to control and regulate the economic interactions, Oman has developed a complete structure of regulations and laws. The Basic Law in Oman provides the equality to all its residents and is based on the values of free economy and the sanctity of private properties.

According to PKF (2011), the Basic Law in Oman guarantees the autonomy of the judiciary and the role of judges in maintaining the law of the state. Different disputes and cases in Oman are handled based on the type of the dispute as per the following classification:

- Business disputes are dealt and settled by Commercial Courts.
- Criminal cases and disputes are dealt and settled by Magistrate Court.
- Disputes between employees and employers in the private sector are primarily dealt by the Labor department.
- Tax disputes are dealt and settled by the Commercial Courts

Furthermore, the Omani government has developed a Foreign Capital and Investment Law and guiding principles for FDI in Oman. In general, the Omani government recognizes foreign investments that make a considerable contribution to the development of Oman's industries, infrastructure and resources, and the current policy is to encourage and welcome long-term FDI that has positive economic effects (PKF 2011).

2.6.5.2 Competitive intensity, Long term orientation and Uncertainty Avoidance

According to Courtney-Hatcher et al. (2013), the construction and projects market in the Oman is in good health. Bearing in mind Oman's relatively small population of only 2.8 million people, the scale of the construction and infrastructure development projects that have already been committed or are under construction is impressive. The public sector is by far the largest procurer of construction services in Oman. In the 2011 budget, the government announced Oman's eighth five-year plan, to run from 2011 to 2015. It envisages a total capital outlay of US$79 billion, of which the bulk is set to be invested in large construction projects across the country.

Public works are generally awarded by competitive tender. With very limited exceptions, such as defense procurement, public sector procurement is governed by the Tender Law, which provides that procurement must comply with the principles of Transparency, Equal opportunities, Equality, Freedom of competition. The Tender Law does not distinguish between local and international contractors, or consultants (Courtney-Hatcher et al. 2013).

Deloitte (2013) executed a SWOT analysis to identify the main Strengths, Opportunities, Weaknesses and Threats within the Omani construction market, and the outcomes were summarized in the below table no. 13:

Strengths
• The government's strategy to diversify away from oil is well under way and is helping to drive infrastructure and tourism development. • The government is keen to attract the private sector, including foreign companies, and has a strong market orientation.
Opportunities
• Growing tourism and transport infrastructure offer opportunities for developers and new business in the country. • Diversification of the economy will lead to a number of construction contracts and investment into accompanying infrastructure.
Weaknesses
• The country does not yet have a rail network, and has therefore become over-reliant on roads. • The government has appeared indecisive when choosing which power plant projects to prioritize, indicating an inefficient bureaucracy. • Public protests have eased; however, continued uncertainty across the border (most notably Yemen) could potentially spill over into Oman.

Threats
• Royal succession is a potential threat to Oman's political future. • Demographic change and regional instability could pose challenges.

Table 13 : SWOT of the Omani construction Market, (Source: Deloitte 2013, Page 28)

The Global Competitiveness Report 2014-2015 also highlighted some of the most problematic factors for doing business in Oman, the report unveiled that, restrictive labor regulations, inadequately educated workforce, inefficient government bureaucracy and poor work ethic in national labor force stand on top of the major obstacles for investment in Oman, the remaining factors are shown in details in the following figure no. 17

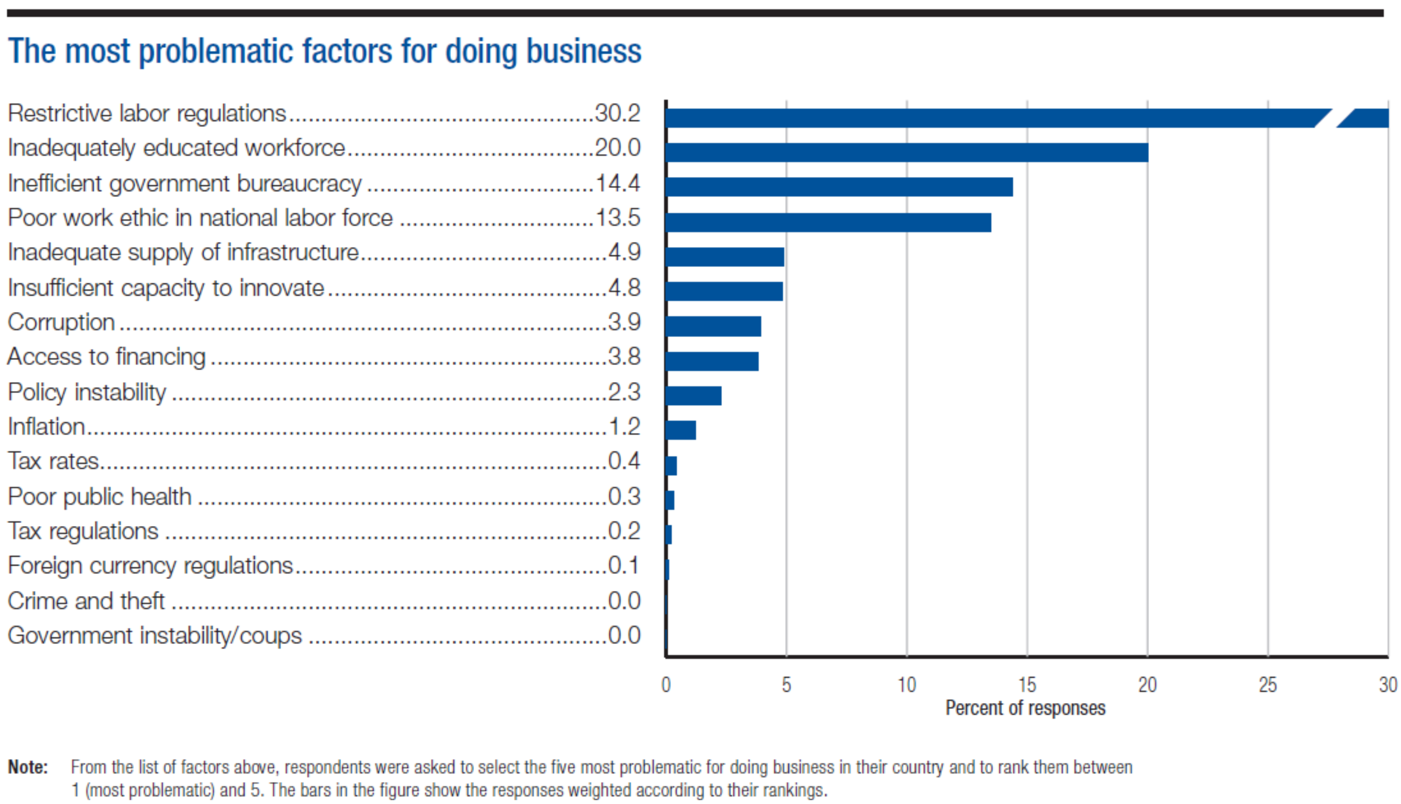


Figure 17: The most problematic factors for doing business in Oman, (Source: Schwab 2014, Page 298)

2.6.5.3 Influencing Factors Analysis

Similar to all Gulf States, Arabic is the official language in Oman, with an existence of some other local languages due to the rich history of Oman. Since the foreigners represents 40% of total population, it's obviously noticed that the English language is commonly used in business and all other daily activities, moreover, the literature revealed that German language is taught is some schools as a third language, and hence this study assumes a high level of language proximity in this state, accordingly *entrants will tend to use mobile entry modes due to this high level.*

Studying the Cultural distance unveiled that Oman's cultural diversity is greater than that of its Arab neighbors, given its historical expansion to the Swahili Coast and the Indian Ocean. The Omani people are one of the most humble and kind people in the whole gulf region, while Islam is most dominant culture, and the religion to most of the state population, the openness to international culture and the moderation of the Omani local culture makes it easier for expats to live and work in Oman normally without an extensive pressures of local traditions and cultural rules. As a result, *entrants of this state will tend to consider mobile entry modes due the low cultural distance levels.*

Similar to all Arab countries, the law in Oman is based on Shari'a and derived from Islam instructions, nevertheless, it was noticed that Oman has established a full set of regulations to meet the international legislation standards, and it can described that this state has a modern law system which was introduced to ensure the independence of the judiciary and the role of judges in up-holding the law of the country. All kind of disputes and cases were categorized under different kind of courts to regulate the legal work, however, the fact that the law is derived from Islam, makes it somehow different from other laws in the foreign countries, and in this sense, this study considers low colonial levels in Oman. And hence, *entrant will tend to consider permanent entry modes due to the low colonial link levels.*

As for the uncertainty avoidance factor, the global competitiveness report revealed a reliable legal system, with clear and stable policies. Very low levels of corruption are indicated, and no flaws in the policies are noticed. In light of these facts this report will consider high uncertainty avoidance level and accordingly, *entrants will tend to consider permanent entry modes.*

As reviewed earlier, Oman is trying to diversify its economy by avoiding the heavy dependence on its oil resources and the emphasis on tourism sector and infrastructure sectors. This trend implies further investment in the Airports, roads and other hospitality projects, while the fact that Omani population is still small compared to adjacent neighbors, the existence of new leads is very attractive bearing in mind the relatively small population, but it can't be compared to the other gulf states. All these facts implies a sustainable construction market with relatively small size, and this is in general doesn't allow for long term orientation. In this sense, this report suggests low level of long term orientation and hence, *entrants will tend to consider mobile entry modes.*

As for the competitive intensity, it was mentioned earlier that the Tender Law does not distinguish between local and international contractors and the public works are generally awarded by competitive tender, which provides an environment of Transparency, Equal opportunities, Equality, Freedom of competition. These claims paves the way for a high competitive environment, furthermore, and bearing in mind the limited construction projects sector and the additional competitiveness from UAE neighboring giant contractors, competitive intensity in Oman seems on very high levels and thus, *entrant will tend to consider permanent entry mode to challenge the high competitive intensity.*

2.6.5.4 Entry Restriction

According to Morrison Muscat (n.d.), there are five entry modes to establish a commercial entity in the Omani construction market, these modes includes;

A) Joint Stock Company (SVC, JVC) (100% max. foreign shareholding)
B) Limited Liability Company (SVC, JVC) (70% max. foreign shareholding)
C) Temporary Branch Office (SVP, JVP)
D) Representative Office (RO)
E) Local Agent (LA)

However, this report tackled the main entry modes only, therefore, SA, LI, direct export, and BOT are still available options under the companies' law of Oman. In general all kinds of entry modes are available under the law; nevertheless the ownership of company's capital in some modes may specify a certain percent of ownership for Oman nationals as listed above.

2.6.5.5 Results of factors application in context of Oman construction market

The earlier executed factors analysis indicated that among six tested factors, three factors were found supporting the permanent entry modes and remaining three supported the mobile modes, this equivalent result provides no specific answer, therefore, this report suggests the adoption of either permanent or mobile modes to enter Omani construction market. While the entry restriction review indicated that there are no several restrictions for establishing commercial entities, the following entry modes can be adopted: SVC, JVC, SVP, JVP, RO, LA.

2.6.5.6 Incorporating the results with the preliminary conceptual framework

Oman Construction market is well known as a stable slow moving market since long time (as shown in figure 8), and it's considered as a safe environment for investment for entrants who don't expect high returns, the presence of high competitiveness levels and equality of tenders attracts FDI, however, such kind of unique market requires a special entry mode to gain the most of its advantages. In this sense a combination of two low investment risk and resource commitment entry mode is recommended in this market.

First suggested entry mode is the **LA** mode. Using this mode, the LA provides precious data on host country market conditions, contact details of projects stakeholders and assist in indirect business running activities. Simultaneously entrant can adopt a second entry mode through **JVP or SVP** modes, which eventually maintain temporary presence of the entrant during project execution and permanent presence through LA once there are no ongoing jobs in hand.

2.6.6 Application of Hypothesis to Bahrain Construction Market

2.6.6.1 Language Proximity, cultural distance and colonial link

Language Proximity

Arabic is the official language of Bahrain though English is widely used and is a compulsory language at all schools. Other languages are spoken among expatriates in Bahrain, including Farsi, Urdu, Hindi, and Tagalog (RSMI 2011)

Cultural Distance

The Kingdom of Bahrain is considered more liberal in its application and understanding of Islamic religion rather than neighboring states. Supported by the economic and political rectifications considered by the Bahraini king, women's rights have also improved since he took the throne in 1999. The major source of legislation is the Islamic law, while Bahraini culture and Islamic religion heavily influence the rights, duties, and gender roles of women.

Original local citizens represent 50% of the resident population, which is estimated with one million residents, Bahrain is for the most part a peaceful nation, nevertheless, the continuous clashes between the Sunni government and the Shiite opposition persists (Ahmed 2010)

Colonial link

"The legal system of Bahrain was established in 1993 based on different sources, including Islamic shari'a law and customary tribal law, and civil law as embodied in codes, ordinances, and regulations" (US library of congress, n.d.). it was remarked that the civil law is mainly derived from the British common law, since it was developed by a British legal advisers in the 1920s and their support continued till the independence in 1971 (US library of congress, n.d.).

The judiciary in Bahrain is a separate and an independent branch of government. However, the prime minister appoints the highest judicial authority, which is represented by the minister of justice and Islamic affairs. Furthermore, The King stands on top of the judicial system by retaining the power of pardon (US library of congress, n.d.).

As for the court system, Bahrain has a dual one, consisting of Shari'a and civil courts. Shari'a courts are specialized with personal status issues (such as divorce, marriage, and inheritance).

Any appeals beyond the jurisdiction of the Shari'a court are handled by the Supreme Court of Appeal, which is related to the other civil court system (US library of congress, n.d.).

On the other hand the civil court system compromises Supreme Courts and Summary courts. Summary courts of first instance include separate civil, Urf, and criminal divisions. The Supreme courts hear appeals from the summary courts. The Supreme Court is considered as the highest appellate court in the state. In addition, the Supreme Court also decides on the constitutionality of regulations and laws (US library of congress, n.d.).

2.6.6.2 Competitive intensity, Long term orientation and Uncertainty Avoidance

With an area of 700 Km2 and a population of one million people, Bahrain is considered as the smallest construction sector among other the GCC markets. At the end of 2013, the entire value of main projects ongoing has reached 62 billion US dollars, and hence, Bahrain is considered as the smallest projects market in GCC, the amount of construction projects works in Bahrain represents less than 3% of the whole value of projects in the GCC (Bruce Shaw 2014). The 2014 forecast indicated positive signs, since a grant of 10 billion US dollars from Kuwait and KSA had stimulated the housing and infrastructures plans (Bruce Shaw 2014).

Furthermore, the Bahraini market has witnessed a resumption of a number of private housing schemes which has an accelerating effect in the social housing. The Housing domain represents the government's main priority, as the actual figure indicates the need of 50,000 applicants looking for accommodation. In order to sort out the issue, the Bahraini government promised to solve the issue with a giant public-private partnership housing program beside a short term housing plan which will require a 5.6 billion US dollars to be invested in affordable housing by the late 2016. (Bruce Shaw 2014)

Deloitte (2013) executed a SWOT analysis to identify the main Strengths, Opportunities, Weaknesses and Threats within the Bahraini construction market, and the outcomes were summarized in the below table no. 14:

Strengths
• Strong government initiative by way of investment in construction projects.
Opportunities
• Burgeoning population in the region, including a skilled expatriate workforce. • Labor market reforms and abolition of quotas spell fresh potential for local enterprise.
Weaknesses
• A complicated and sluggish project approval process discourages leading companies from investing in infrastructure projects in Bahrain. • Rising costs of credit and lower confidence in the banking sector have weakened project financing conditions • Persistent political uncertainty and lack of policy continuity is deterring new projects.
Threats
• Increasing competition from UAE and Qatari markets. Possible double-dip recession.

Table 14 : SWOT of the Bahraini construction Market, (Source: Deloitte 2013, Page 33)

On the other hand, the Global Competitiveness Report 2014-2015 highlighted plenty issues within its “most problematic factors for doing business in Bahrain” figure, the report unveiled that, inefficient government bureaucracy, restrictive labor regulations, insufficient capacity to innovate, inadequately educated workforce, inadequate supply of infrastructure, access to financing, poor work ethic in national labor force and policy instability stand on top of the major obstacles for investment in Bahrain, the remaining factors are shown in details in the following figure no. 18

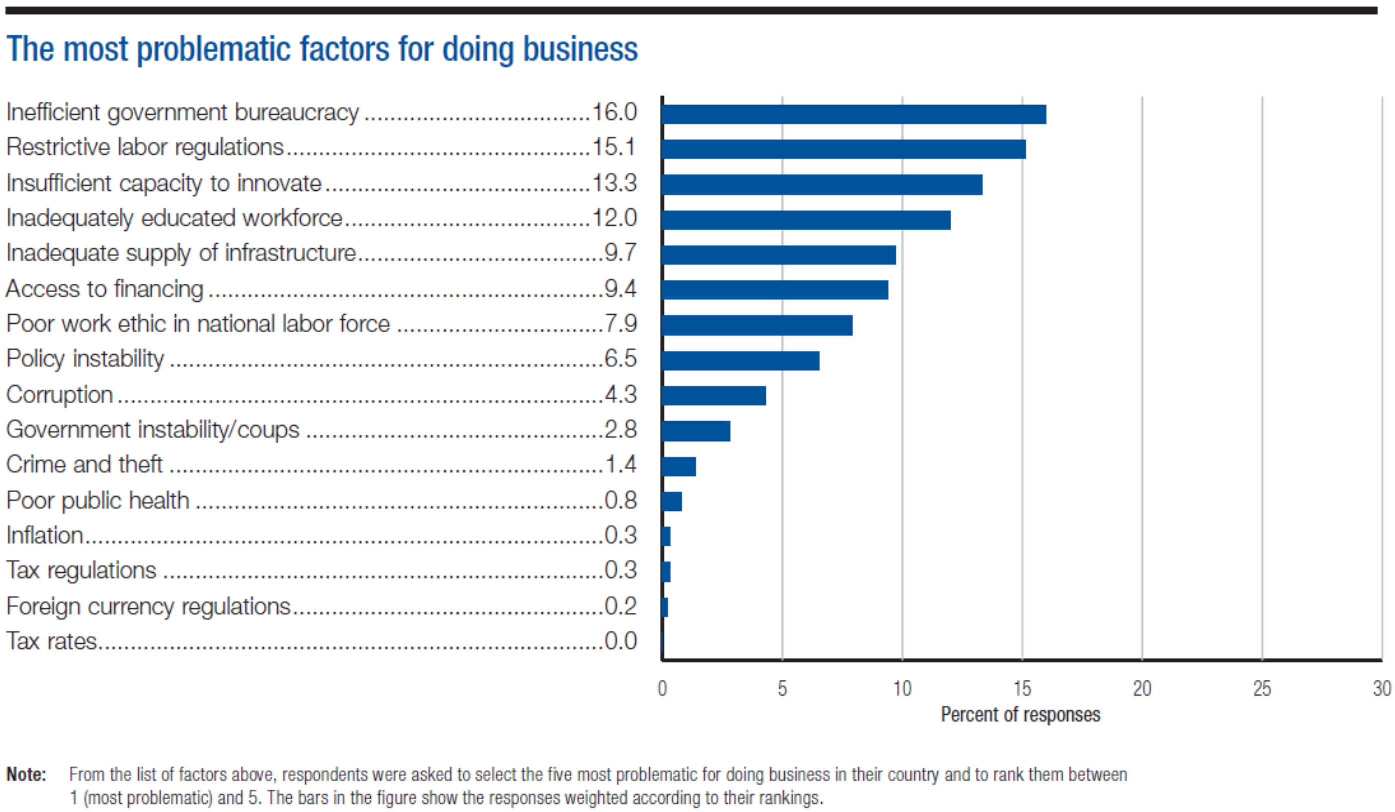


Figure 18: The most problematic factors for doing business in Bahrain, (Source: Schwab 2014, Page 120)

Despite the noted moderate levels of corruption shown in the global competitiveness table, Bahrain implemented in 2002 a new governmental procurement law that establishes the basic framework for a transparent, rules-based government procurement system (Ernst and Young 2011). It provides that certain procurements may be conducted as international public tenders open to foreign suppliers. To implement this law, a tender board, chaired by a Minister of State, was established in 2003 to oversee all government tenders and purchases. As of 2007, the Tenders Board is responsible for processing all tender decisions valued at BD 10,000 or higher (Ernst and Young 2011)

2.6.6.3 Influencing Factors Analysis

As stated earlier in the language proximity review and similar to all other gulf states, the official language is Arabic and the second used language is the English with a strong presence of expats which form half of the total population. And hence, *the language proximity is considered high, and entrant will tend to consider mobile entry modes.*

As for the cultural distance, Bahrain is mainly considered more liberal in its interpretation and application of Islam than adjacent countries, the Bahraini people are friendly and the expats are living in a relatively open environment, where women can drive cars and walk in markets without any pressures or restrictions. Therefore, *this study assumes low levels of cultural distance in Bahrain; accordingly, entrant will tend to consider mobile entry modes.*

The legal system in Bahrain as reviewed earlier, consists of a combination of Islamic instructions and some of the British common law, with full jurisdictions to the head of state. Bahrain makes no exception in terms of law from other gulf states and therefore the outcomes of colonial link analysis within all Gulf States are considered applicable to this country. In this sense, *entrant will tend to consider permanent entry modes due to the low colonial link levels.*

The global competitiveness table indicated moderate levels of policy instability and corruption, nevertheless, Ernst and Young (2011) remarked a new governmental intention to improve the situation, by introducing a new procurement law that establishes the basic framework for a transparent, rules-based government procurement system. This is by return reflects the governmental support for correction and reducing corruption levels. Based on that, this study tend to consider high uncertainty avoidance levels in Bahrain, *and hence the adoption permanent entry modes for new entrants.*

Reviewing the history of construction projects contracts awarded in the last few years, concludes that kingdom of Bahrain has the smallest construction market within all GCC states, and this is can be explained by the limited area for development in Bahrain and continuous political instability inside the country, which don’t encourage private sector to invest within this field.
In other words, the Bahraini construction market doesn’t ensure sustainable environment for construction contractors to grow and develop within such a slow tiny market, which by return

doesn't help any plans for entrants' long term orientation. Accordingly, this report suggests low level of long term orientation which leads *entrants to consider mobile entry modes.*

As for the competitive intensity, and due to the small construction market size, any new projects will be targeted and attacked fiercely by the Bahraini local contractors and the existing foreign contacting companies, and this doesn't provide any chances for new entrants. The market is already saturated by construction contractors and there will be no significant benefits to tackle the Bahraini construction market, unless entrant posses a new technological advantage, which is not available for existing competitors. In general, the competitive intensity is very high and therefore, *entrant will tend to consider permanent entry mode to challenge the high competitive intensity.*

2.6.6.4 Entry Restriction

According to RSMI (2011), a foreign investor may operate in Bahrain using the following business entity types:

A) limited liability company (SVC, JVC)
B) single-person company (SVC)
C) closed joint stock company (SVC, JVC)
D) Association in participation "Joint Ventures" (JVC, JVP)
E) branch office (BRO)
F) regional office (BRC)
G) holding company (SVC)

The selection of legal form depends on the investors' requirements and the size of the required firm. 100% foreign ownership is allowed in specific circumstances and for specific activities. In other cases, foreign ownership is limited to 49%. The sectors that guarantee full ownership for foreign investment include; technology, hospitality, healthcare, manufacturing, education, and business services (RSMI 2011). Construction sector is one of the restricted sectors, where all foreign entrants' maximum shares are limited to 49%.

2.6.6.5 Results of factors application in context of Bahrain construction market

The previous factors analysis revealed that among the six tested factors, three factors were found supporting the permanent entry modes and remaining three supported the mobile modes, this equivalent result open the door for both options, and for that reason, this report suggests the implementation of either permanent or mobile modes to enter Bahraini construction market. While the entry restriction review indicated that there are no several restrictions for establishing commercial entities, the following entry modes can be adopted: SVC, JVC, JVP, BRO, BRC.

2.6.6.6 Incorporating the results with the preliminary conceptual framework

The SWOT table clearly describes the weak sector opportunities and sluggish construction sector, it also reveals that the only available new development in this state is limited the residential and military projects, which occasionally revives the sector. The governmental continuous support for the construction sector and the presence of skilled workforces and are the main strength points, whereas the political instability imposes high risk levels on foreign entrants, and the growing competition threat from the UAE and Qatari markets rises the recession risks , in this sense, a lower risk entry mode type with a high flexibility characteristics is required in this country to allow for quick retreat in case of weak performance, nevertheless, entry restrictions shown earlier, doesn’t include any of the known low risk modes, and therefore, this study supports the least risk-investment available entry mode which is obviously represented in the **BRO** mode.

2.6.7 Summary of Hypothesis application

The following table summarizes the results of the earlier performed application process. This table indicates briefly the main characteristics of each market and mentions the proposed entry mode type.

Country	Entry decision influencing factors	Entry Mode Type	Country Characteristics	Entry Mode
UAE	High language proximity levels Low cultural distance levels Low colonial link levels High uncertainty avoidance levels High competitive intensity levels High long-term orientation levels	Permanent	Strong Market. Competitive and well regulated. Sustainable.	SVC or BRC
KSA	Low language proximity levels High cultural distance levels Low colonial link levels High uncertainty avoidance levels High competitive intensity levels High long-term orientation levels	Permanent	Strong and Sustainable Market. Competitive. Supported by government.	SVC or BRC
Qatar	High language proximity levels Low cultural distance levels Low colonial link levels High uncertainty avoidance levels High competitive intensity levels High long-term orientation levels	Permanent	Promising Market. Competitive. Entry Restriction is main concern.	JVC
Kuwait	High language proximity levels Low cultural distance levels Low colonial link levels Low uncertainty avoidance levels High competitive intensity levels Low long-term orientation levels	Mobile	Weak Market. No fair competition. Risky.	SVP or JVP
Oman	High language proximity levels Low cultural distance levels Low colonial link levels High uncertainty avoidance levels High competitive intensity levels Low long-term orientation levels	Permanent or Mobile	Slow and Stable Market. Competitive. Low Returns.	LA and (SVP or JVP)
Bahrain	High language proximity levels Low cultural distance levels Low colonial link levels High uncertainty avoidance levels High competitive intensity levels Low long-term orientation levels	Permanent or Mobile	Slow and Weak Market. Competitive. Low Returns. Risky.	BRO

Table 15: GCC construction markets characteristics and proposed entry mode for each market.

Chapter 3: Conceptual Framework

Based on the earlier presented extensive literature review, the following conceptual framework is introduced to explain the approach to select the entry modes based on the entry modes characteristics and the internationalization theories.

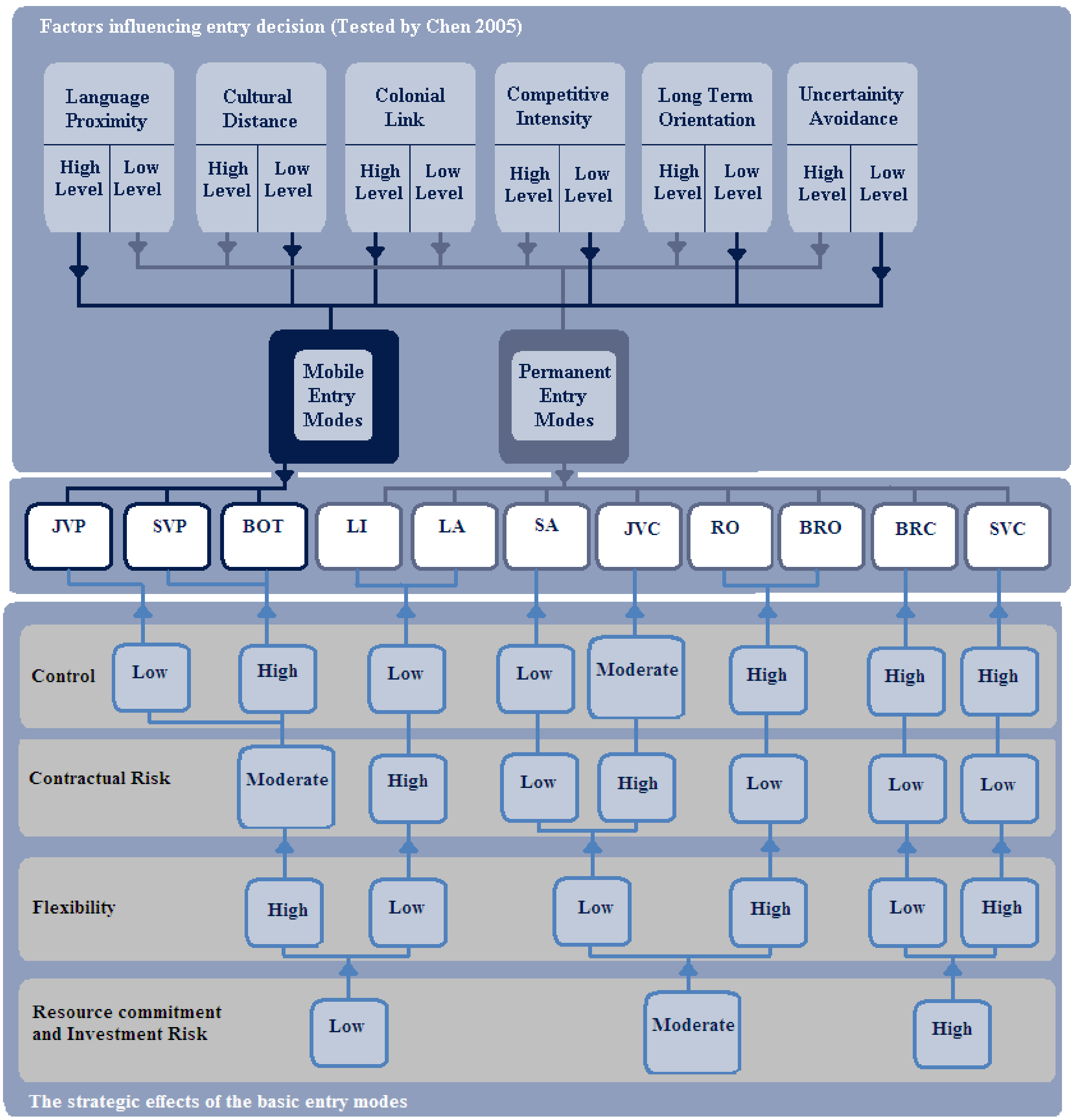


Figure 19: Integrated Conceptual Framework

The study will identify the most appropriate entry mode for foreign contactors targeting the six construction markets of the different GCC states in different steps;

First step includes study of the main characteristics of each entry mode, and upon the full understanding of each mode, a preliminary framework was proposed to select entry modes based on the strategic effects of each mode, this framework was called “the preliminary framework”.

The second step of the process required an extensive review of internationalization theories, extraction of influencing factors that affect the entrant’s decision, and then the introduction of the Chen (2005) tested selection framework based on these influencing factors, this framework was called “the tested frame work for entry mode selection”

Third step is to analyze the GCC construction market of each state individually, and perform further analysis to the levels of influencing factors for each state; the results of this influencing factors analysis are applied in the tested selection framework introduced in the second step.

Upon the application process, entry modes for each state will be defined in terms of Mobile and/or Permanent entry modes. In order to refine these results, this study considered another application of results using the preliminary frame work imitated at first step, which ended with a specific entry mode proposal for each state.

The process eventually produced the following six hypotheses:

H1: Most appropriate entry modes to penetrate UAE construction market are the permanent BRC and SVC.

H2: Most appropriate entry modes to penetrate the Saudi construction market are the permanent BRC and SVC.

H3: The Most appropriate entry mode to penetrate the Qatari construction market is the permanent JVC.

H4: Most appropriate entry modes to penetrate the Kuwaiti construction market are the mobile JVP & SVP.

H5: Most appropriate entry modes to penetrate the Omani construction market are the permanent LA, and mobile JVP, and SVP.

H6: The Most appropriate entry mode to penetrate the Bahraini construction market is the permanent BRO.

Chapter 4: Methodology

4.1 Research Method

The literature review provided a clear understanding of the entry modes, and their main characteristics, which enabled the research to develop a "preliminary framework" to facilitate the entry modes selection based on the strategic effects of each mode. The literature also reviewed the different internationalization theories, including the main influencing factors that affect the entrant decision. The literature review also found that Chen (2005) suggested earlier a general selection framework based on these influencing factors. In order to provide more reliability to this study, a modification to Chen's framework was made to accommodate the aim of this study and the uniqueness of the GCC construction markets.

The study also analyzed the GCC construction market of each state individually, and performed further analysis to the levels of influencing factors for each state to end with a classification of entry mode for each state in terms of Mobile and/or Permanent entry modes, and eventually the results was refined using the preliminary frame work imitated at the beginning. Below figure 20 summarizes the research plan:

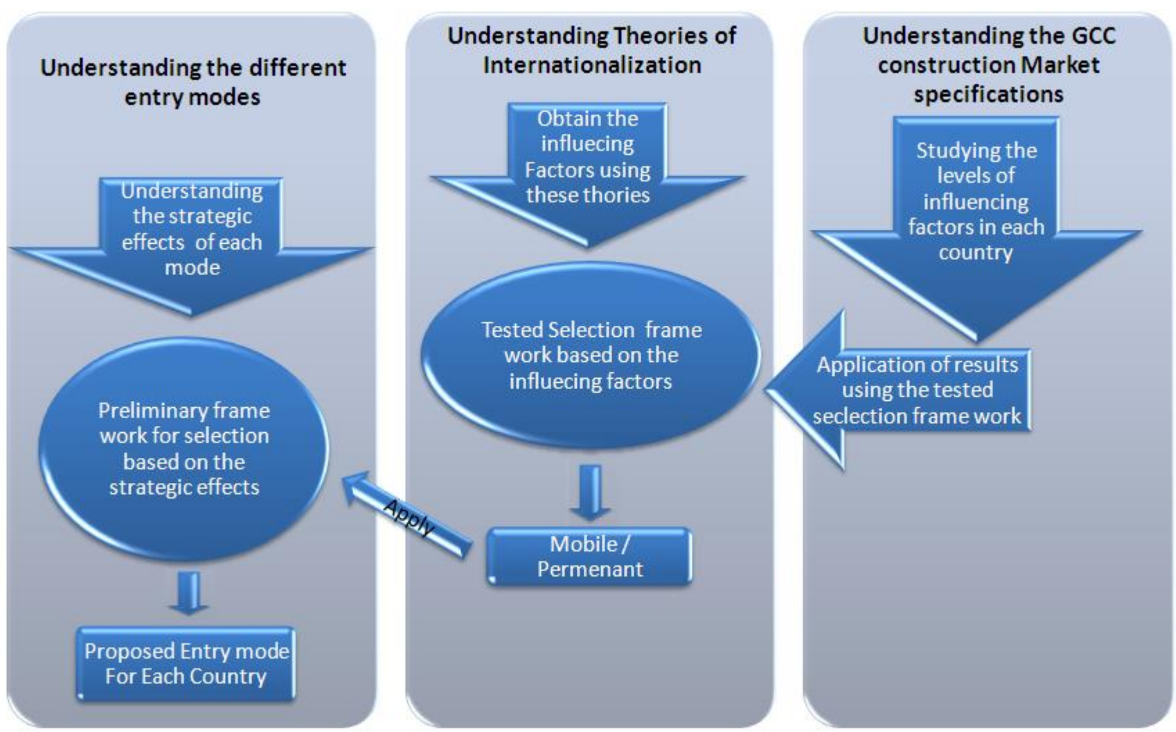


Figure 20: Research plan

The main conclusion noted during the literature review, was that the entry mode decision process is very complicated and depends on several factors and effects, and it is greatly influenced by the senior management attitude. Thus considering surveys and questionnaires is not believed to be able to capture such complexity, this study have decided to use a combination of quantitative and qualitative analysis approaches.

To examine the integrated conceptual frame work, the data analysis chapter will verify:

1. The results of the decision making influencing factors (the six hypotheses),
2. The integrity of the preliminary conceptual framework (Figure 2).

Using quantitative technique, this study will obtain all necessary data from web home pages of the most successful international contractors in GCC and analyze in depth the observations within the profile of each firm to examine the proposed six hypotheses and come up with additional conclusions. The process will compare the proposed entry mode for each country in literature review with the actual used entry modes in real markets. The compatibility in result will support the integrity of the methodology used in literature review.

On the other hand, a qualitative technique will include three case studies in UAE construction market engaging their executive managers to examine the preliminary framework, through verifying the effect of control, risk, flexibility, and resource commitment on entrants' decision. This qualitative approach will examine the main two dimensions of the preliminary framework (which are already investigated in literature review):

1. The level of importance of each strategic effect in UAE construction market,
2. The used entry mode in each case.

The compatibility of observation between the literature review and the qualitative approach will support the integrity of the proposed preliminary framework and accordingly the integrated conceptual framework.

4.2 Data Collection

4.2.1 Quantitative data collection

The global construction market is dominated by a few large-sized contractors and many medium-sized contractors in terms of international revenue (Chen 2005). Most of the active international contractors are captured in the annual ENR Top 250 International Construction Firms. Using MEED projects data a list for the most successful international contractors in each GCC state is presented in the below two tables:

UAE	KSA	QATAR
1. Al Futtaim Carillion	1. Worley Parsons	1. J Ray McDermott
2. Wade Adams	2. JGC Corporation	2. Chiyoda Corporation
3. Al Habtoor Leighton	3. Snamprogetti S.p.A.	3. Technip
4. Van Oord	4. Guizhou Hongfu Industryelopment	4. Halliburton KBR
5. Arabtec Construction	5. Fluor Corporation	5. JGC Corporation
6. Dubai Rapid Link (DURL)	6. Saudi Oger	6. CB&I
7. SNC Lavalin	7. Tecnicas Reunidas SA	7. VINCI
8. Worley Parsons	8. J Ray McDermott	8. Bilfinger Berger
9. Aldar Laing O'Rourke	9. Samsung Saudi Arabia	9. Iberinco
10. Saudi Oger	10. Mitsubishi Heavy Industries	10. Keppel Seghers
11. Bechtel	11. KCA Deutag Drilling	11. Arabtec Construction
12. ACC	12. Alstom Power	12. Snamprogetti
13. Dodsal	13. Shaw Sofcon	13. Hyundai Engineering and Construction
14. Six Construct	14. Siemens	14. Sky Oryx JV
15. China State Construction Engineering		15. Dodsal
16. J & P Overseas		16. PORR
		17. Carillion

Table 16 : List of most successful international contactors in UAE, KSA and Qatar, Courtesy of (MEED Projects 2015)

KUWAIT	OMAN	BAHRAIN
1. SK Engineering and Construction	1. Aktor and Enka	1. Al Hamad Contracting
2. Mitsui Co.	2. Dodsal	2. Qatari Diar
3. Hyundai Heavy Industries	3. Bechtel	3. VINCI Construction (Consortium)
4. Fluor Corporation	4. J & P Overseas	4. Chapo
5. Petrofac International	5. GS Engineering and Construction	5. Sidem
6. China Harbour Engineering Company	6. Petrofac	6. Great Lakes Dredge and Dock
7. Technimont	7. Doosan Heavy Industries	7. Murray and Roberts
8. Hyundai Engineering	8. Proman	8. Kobe Steel
9. Technip	9. CCC	9. G.P. Zachariades
10. Siemens	10. Kobe Steel	10. Contrack International
11. Saipem	11. LGI	
12. GS Engineering and Construction	12. Mitsubishi Heavy Industries	
	13. Carillion Alawi	
	14. Larsen and Toubro	
	15. Jan De Nul	
	16. STFA	
	17. Tecnicas Reunidas	

Table 17 : List of most successful international contactors in Kuwait, Oman and Bahrain, Courtesy of (MEED Projects 2015)

The quantitative data analysis will go through the available content online in each firm home page to investigate the used entry mode by firm's owner to decide whether it complies with the earlier proposed Hypotheses.

4.2.1.1 UAE data collection summary

Reviewing the history of all firms listed earlier in UAE, the following table 18 summarizes the used entry mode for each firm:

UAE			
	Company Name	**Entry Mode**	**Construction Sector**
1.	Al Futtaim Carillion	Joint venture Company	Buildings
2.	Wade Adams	Sole Venture Company	Infrastructures and Buildings
3.	Al Habtoor Leighton	Joint venture Company	Infrastructures and Buildings
4.	Van Oord	Branch Company	Oil and Gas
5.	Arabtec Construction	Sole venture Company	Buildings
6.	Dubai Rapid Link (DURL)	Joint Venture Project	Infrastructures
7.	SNC Lavalin	Branch Company	Oil and Gas
8.	Worley Parsons	Branch Company	Oil and Gas
9.	Aldar Laing O'Rourke	Joint Venture Company	Infrastructures and Buildings
10.	Saudi Oger	Branch Company	Buildings
11.	Bechtel	Branch Company	Infrastructures, Buildings, and Oil and gas.
12.	ACC	Branch Company	Buildings
13.	Dodsal	Sole Venture Company	Oil and Gas
14.	Six Construct	Branch Company	Infrastructures and Buildings
15.	China State Construction	Sole Venture Company	Buildings
16.	J & P Overseas	Branch Company	Infrastructures and Buildings

Table 18 : Entry modes used in UAE for the most successful foreign contracting firms, Source: (Home web pages of each firm).

4.2.1.2 KSA data collection summary

Reviewing the history of all firms listed earlier in KSA, the following table 19 summarizes the used entry mode for each firm:

KSA			
	Company Name	**Entry Mode**	**Construction Sector**
1.	Worley Parsons	Branch Company	Oil and Gas
2.	JGC Corporation	Sole venture company	Oil and Gas
3.	Snamprogetti S.p.A.	Branch company	Oil and Gas
4.	Guizhou Hongfu Industry devlopment	Branch Company	Industrial
5.	Fluor Corporation	Sole venture company	Infrastructures, Buildings, and Oil and gas.
6.	Saudi Oger	Sole venture company	Buildings
7.	Tecnicas Reunidas SA	Branch company	Oil and Gas
8.	J Ray McDermott	Representative Office	Oil and Gas
9.	Samsung Saudi Arabia	Sole Venture Company	Oil and Gas
10.	Mitsubishi Heavy Industries	Representative Office	Energy, and Oil and Gas
11.	KCA Deutag Drilling	Branch Company	Oil and Gas
12.	Alstom Power	Sole Venture Company	Oil and Gas
13.	Shaw Sofcon	Joint Venture Company	Oil and Gas
14.	Siemens	Sole Venture Company	Energy, and Buildings

Table 19 : Entry modes used in KSA for the most successful foreign contracting firms, Source: (Home web pages of each firm).

4.2.1.3 Qatar data collection summary

Reviewing the history of all firms listed earlier in Qatar, the following table 20 summarizes the used entry mode for each firm:

QATAR			
	Company Name	**Entry Mode**	**Construction Sector**
1.	J Ray McDermott	Sole Venture Project	Oil and Gas
2.	Chiyoda AlMana Engineering	Joint Venture Company	Oil and Gas
3.	Technip Qatar	Representative office	Oil and Gas
4.	Halliburton KBR	Joint Venture Company	Oil and Gas
5.	JGC Corporation	Sole Venture Company (free Zone entity)	Oil and Gas
6.	CB&I	Sole Venture Company	Oil and Gas
7.	VINCI	joint venture Company	Infrastructures and Buildings
8.	Bilfinger Berger	Representative Office	Infrastructures and Buildings
9.	Iberinco	Representative Office	Energy
10.	Keppel Seghers	Sole Venture Company	Infrastructures
11.	Arabtec Construction	Sole Venture Company	Buildings
12.	Snamprogetti	Sole Venture Company and Joint Venture project	Oil and Gas
13.	Hyundai Engineering and Construction	Sole Venture Company	Infrastructures, Buildings, and Oil and gas.
14.	Sky Oryx JV	Joint Venture Company	Infrastructures and Buildings
15.	Dodsal	Sole Venture Company	Oil and Gas
16.	PORR Austria	Joint Venture Company	Infrastructures
17.	Carillion	Joint Venture Company	Buildings

Table 20 : Entry modes used in Qatar for the most successful foreign contracting firms, Source: (Home web pages of each firm).

4.2.1.4 Kuwait data collection summary

Reviewing the history of all firms listed earlier in Kuwait, the following table 21 summarizes the used entry mode for each firm:

KUWAIT			
	Company Name	**Entry Mode**	**Construction Sector**
1.	SK Eng. and Construction	Sole Venture Company and Joint venture project	Oil and Gas
2.	Mitsui Co.	Sole Venture Company	Oil and Gas
3.	Hyundai Heavy Industries	Sole Venture Company	Energy, and Oil and Gas
4.	Fluor Corporation	Sole Venture Company (Shareholding Company)	Infrastructures, Buildings, and Oil and gas.
5.	Petrofac International	Sole Venture Company and Joint Venture Project	Oil and Gas
6.	China Harbour Eng. Co.	Branch Company	Infrastructures
7.	Technimont	Sole Venture Project	Oil and Gas
8.	Hyundai Engineering	Sole Venture Project and joint venture project	Infrastructures, Buildings, and Oil and gas.
9.	Technip	Sole Venture Project	Oil and Gas
10.	Siemens	Sole Venture Company (Shareholding Company)	Energy, and Buildings
11.	Saipem	Sole Venture Project and joint venture project	Oil and Gas
12.	GS Eng. and Construction	Branch Company, Sole venture project and joint venture project.	Oil and Gas

Table 21 : Entry modes used in Kuwait for the most successful foreign contracting firms, Source: (Home web pages of each firm).

4.2.1.5 Oman data collection summary

Reviewing the history of all firms listed earlier in Oman, the following table 22 summarizes the used entry mode for each firm:

OMAN			
	Company Name	**Entry Mode**	**Construction Sector**
1.	Aktor and Enka	Joint Venture Company	Buildings
2.	Dodsal	Branch office (Legal entity is SVC)	Oil and Gas
3.	Bechtel	Sole Venture Project and Joint Venture project	Infrastructures, Buildings, and Oil and gas.
4.	J & P Overseas	Branch office (Legal entity is SVC)	Infrastructures and Buildings
5.	GS Eng. and Construction	Sole Venture Project	Oil and Gas
6.	Petrofac	Sole Venture Company	Oil and Gas
7.	Doosan Heavy Industries	Sole Venture Project	Energy
8.	Proman	Joint Venture Project	Oil and Gas
9.	CCC	Sole Venture Company	Infrastructures and Buildings
10.	Kobe Steel	Sole Venture Project	Industrial
11.	LGI	Branch office (Legal entity is SVC)	Oil and Gas
12.	Mitsubishi Heavy Ind.	Sole Venture Project	Energy, and Oil and Gas
13.	Carillion Alawi	Joint Venture Company	Buildings
14.	Larsen and Toubro	Joint Venture Company	Infrastructures and Buildings
15.	Jan De Nul	Representative Office and Joint venture project	Infrastructures
16.	STFA	Representative Office	Infrastructures
17.	Tecnicas Reunidas	Representative Office	Oil and Gas

Table 22 : Entry modes used in Oman for the most successful foreign contracting firms, Source: (Home web pages of each firm).

4.2.1.6 Bahrain Data Collection Summary

Reviewing the history of all firms listed earlier in Bahrain, the following table 23 summarizes the used entry mode for each firm:

BAHRAIN			
	Company Name	**Entry Mode**	**Construction Sector**
1.	Al Hamad Contracting	Branch Office	Buildings
2.	Qatari Diar	Joint Venture Project	Infrastructures, and buildings
3.	VINCI Construction	Branch Office	Infrastructures, and buildings
4.	Chapo	Joint Venture Company	Infrastructures, and buildings
5.	Sidem	Joint Venture Project	Energy
6.	Great Lakes Dredge and Dock	Branch Company	Infrastructures
7.	Murray and Roberts	Joint Venture Project	Buildings
8.	Kobe Steel	Branch Office	Industrial
9.	G.P. Zachariades	Branch Office	Infrastructures, and buildings
10.	Contrack International	Branch Office	Buildings

Table 23 : Entry modes used in Bahrain for the most successful foreign contracting firms, Source: (Home web pages of each firm).

4.2.2 Qualitative data collection

4.2.2.1 Research Approach

After verifying the six proposed hypothesis using the quantitative data analysis, a further investigation of the basis of entry considered in the preliminary frame work will be carried out. This investigation will consider a qualitative approach, where the data will be collected though semi-structured interviews, offering critical views of the interviewed decision makers in UAE, this procedure will provide additional ideas and offer a basis of comparison between the theoretical concepts and practical knowledge.

The interviews will consider three decision makers from UAE only, due to the lack of time and the difficulty in travelling to the other GCC states to interview professionals from other states. However, the study of single state of UAE will provide a significant indication about the veracity of the preliminary frame work.

The Interviews data will be recorded, arranged in coding table, and afterward it will be Sub coded, Coded and categorized to develop the analysis procedure and guarantee relevant outcomes. The complete interviews questions, feedback and coding tables are properly arranged in appendix chapter.

4.2.2.2 Selection of research participants

The selection of research participants took into account the uniqueness of construction domain, and hence, the research considered the selection of three top management interviewees from different construction fields and backgrounds to enhance the content and provide further reliability to the analysis results. The following table 24 includes the interviewees' details:

Interviewee	**Scientific Qualification**	**Years of experience**	**Construction domain**	**Job Title**	**Used Entry Mode**
X	BSc Arch. Engineering MSc MBA	25	Buildings	Chief Executive Officer	Sole Venture Company (SVC)
Y	BSc Civil Engineering MSc Civil Engineering	21	Infrastructures	Managing Director	Branch Company (BRC)
Z	BSc. Mechanical Engineering	16	Buildings	General Manager	Sole Venture Company (SVC)

Table 24: Professional details of Qualitative research participants.

Chapter 5: Data Analysis

5.1 Quantitative Data Analysis

5.1.1 Data analysis within UAE construction Market

The Collected data reveals a clear tendency toward UAE entry using the permanent BRC mode, which is represented with a percent of 56% of sampled international entrants, that directly complies with H1, the compatibility in results can be attributed to the UAE strong construction market and the simplified procedures of establishing foreign subsidiaries in UAE, which attracted many foreign companies to set up their middle east branches in UAE to manage their business in this state and contribute directly and in directly in the other neighboring construction market.

Figure 21 indicates the percent of entries using four different modes, the figure shows that 9 firms entered UAE using BRC mode, 3 firms using SVC mode, another 3 firms using JVC mode and a single case using the JVP mode.

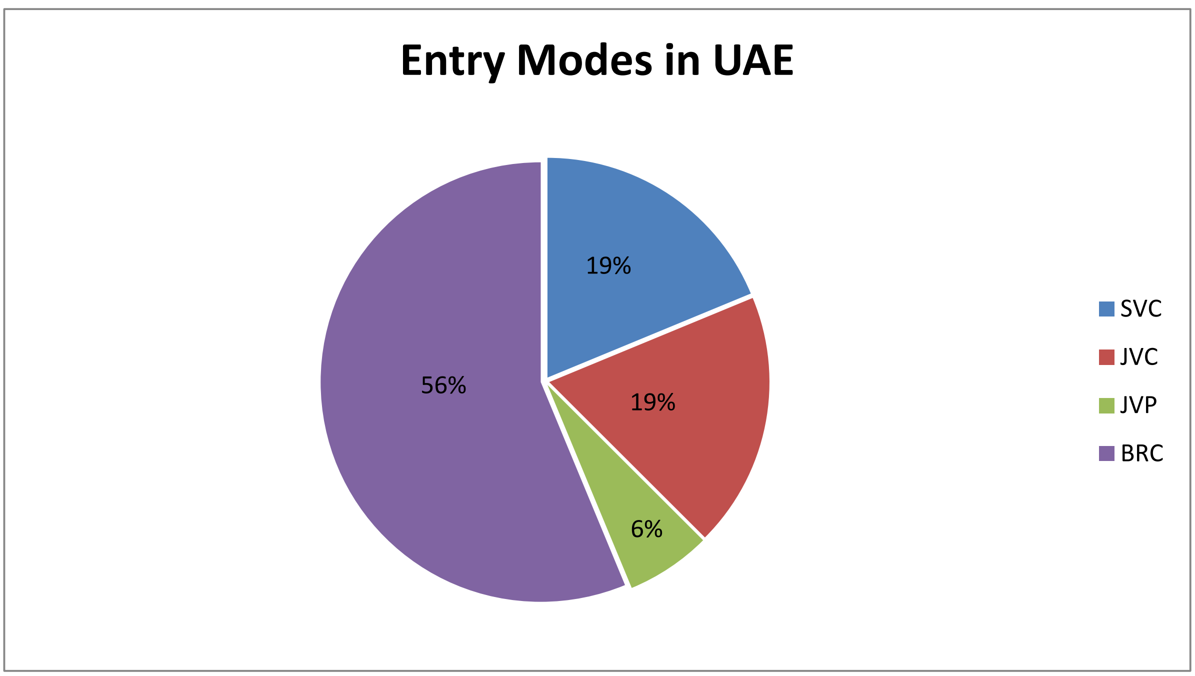


Figure 21: Entry modes adopted in UAE construction market according to the collected samples.

Simultaneously, the Sampled cases also indicated a moderate tendency towards JVC mode, where Figure 21 reveals 3 cases out 16 depending on the JVC mode, and this can be attributed to presence of the mega construction projects in UAE, such as the airport expansions, mega malls and towers, which occasionally requires the unity of different contractors to gain the ability to handle these mega projects.

It is worth noting that the listed contractors in table 17 “most successful international contractors in UAE”, can be categorized into two type of contractors; the buildings contractors and the infrastructure contractors, this list also indicates the absence of foreign oil and gas contractors, unlike other GCC countries, and this can be explained by the presence of competent local oil and gas contractors in UAE and the diversified economy activities other than oil and gas works.

Although the number of tested companies is relatively low “16 firms”, due to the lack of official reliable sources, nevertheless the result of 56% out of total modes is firm enough to prove that the most appropriate entry mode to penetrate the UAE market is the Branch Company (BRC), and hence H1 can be accepted.

5.1.2 Data analysis within KSA construction market

The Collected data indicates a firm tendency towards entering the Saudi market using the permanent BRC and the SVC modes, which is represented with a percent of 79 % of sampled international entrants, which directly complies with H2, the compatibility in results can be attributed to the huge construction opportunities in KSA and the low restrictions imposed on foreign investors, where entrants penetrate such market with permanent modes to take the advantage of the several profitable opportunities in this market.

The following figure 22 indicates the percent of entries using four different modes, the figure shows that 5 firms entered KSA using BRC mode, 6 firms using SVC mode, 2 firms using RO mode and a single case using the JVC mode.

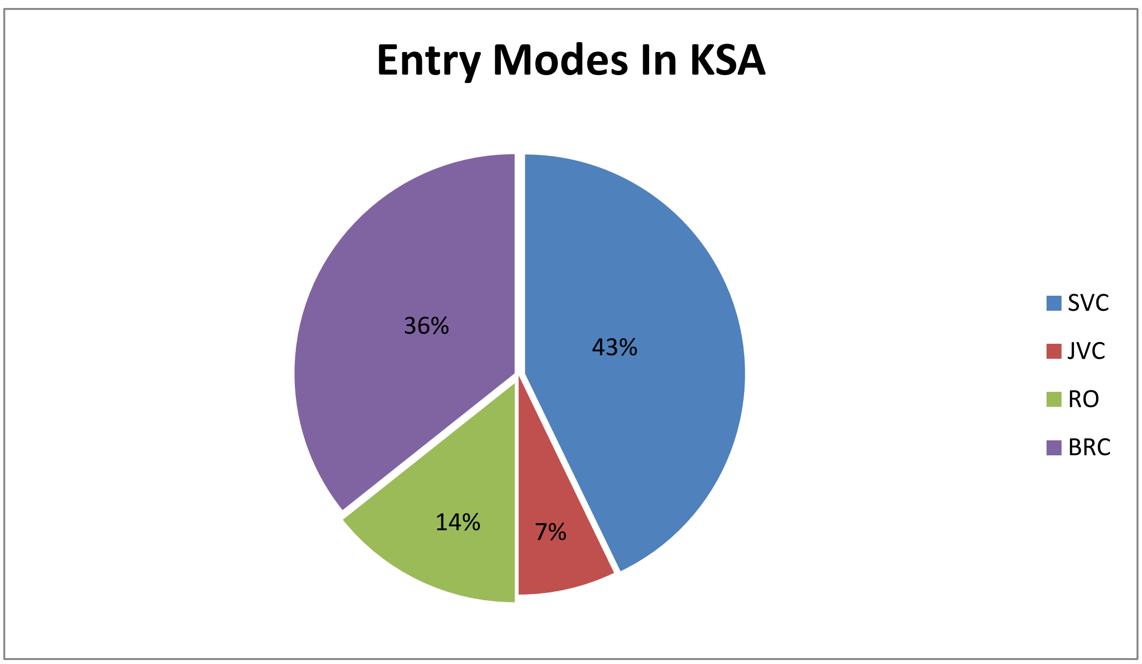


Figure 22: Entry modes adopted in Saudi construction market according to the collected samples.

On the other hand, the collected data marked the entries of two firms using the RO mode, which is totally doesn't comply with this study hypothesis, the explanation of this observation relies in the fact that some of the oil and gas contractors are locating their head offices in UAE, due to the favorable investment environment, and it was discovered that they prefer to operate their business in KSA using RO mode to reduce costs and maintain their presence in KSA.

The results of analysis in this market also reveal some interesting differences among the Saudi and the UAE construction markets, these differences include:

1. The Saudi construction market is totally dominated by few giant local contracting firms, such as Saudi Bin Laden Group.
2. There is a clear preference of local main contractors for all religious and governmental construction projects.
3. Foreign contracting companies are usually awarded partial works of the construction projects thru subcontracts with the local giant main contractors.
4. Despite the presence of several mega construction projects in KSA the collected data doesn’t reveal significant number of joint ventures to handle those mega projects, which is justified by the earlier presented differences.
5. Studying the profiles of listed companies, observer can notice that the Saudi construction market encloses higher number of international oil and gas contractors dominating this branch of construction business.
6. Despite the full presence of foreign entrants with BRC and SVC modes in the collected data, there are few observations for an international oil and gas contractors based in UAE, performing their businesses in KSA using remote representative offices, and this observation has never seen on the other side with KSA based firms penetrating the UAE construction market.

Although the number of tested companies is relatively low “14 firms”, due to the lack of official reliable sources, nevertheless the result of 79% out of total modes is firm enough to prove that the most appropriate entry mode to penetrate the Saudi market is the Branch Company (BRC) or Sole Venture Company (SVC), and thus H2 can be accepted.

5.1.3 Data analysis within Qatari construction market

The Collected data in Qatar reveals the entrants contrast toward the most appropriate type of entry, as the entrants' majority considered the SVC mode and the JVC mode, and the balance sampled entrants considered other types which are the JVP, SVP and the RO.

Critical analysis of this observation indicates that there is a major agreement on the permanent entry modes in general, i.e. SVC, JVC, and RO which represent 88% percent of the whole used modes, which complies with the theoretical proposed hypothesis, never the less, the proposed H3 specified the JVC mode as the one and only recommended technique, which implies further assessment of the SVC mode as well which indicated a high preference level among the sampled entrants. The contrast in results can be attributed to the unpredictable nature of foreign contractors who may find it more profitable and flexible to penetrate this emerging market without the involvement of local partners, as this kind of entrants are very confident about their reputation, financial state, and know-how capabilities.

The following figure 23 indicates the percent of entries using five different modes, the figure shows that 7 firms entered Qatar using SVC mode, 6 firms using JVC mode, 3 firms using RO mode and a single case using the JVP and SVP modes.

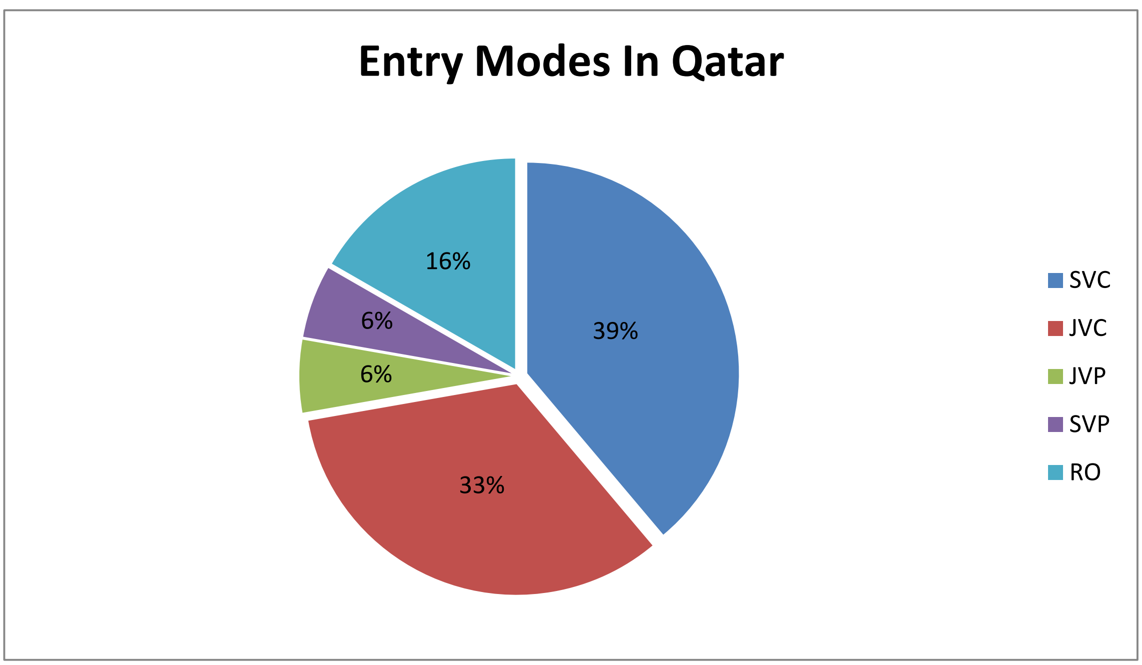


Figure 23: Entry modes adopted in Qatar according to the collected samples.

The presence of three firms considering RO mode can be interpreted by reviewing the profiles of these firms, this study went through the available online content and concluded that those three firms are well-known contractors within the oil and gas domain, further investigation revealed that one firm is managing its middle east business thru its regional head office at UAE, and the remaining two firms were described a new entrants to the Qatari market, and thus the consideration of simple RO mode is justified.

Comparing the obtained entrants' data against their counterparts in KSA and UAE brings the attention to the JVC mode, as there was no major dependence in KSA and UAE on this type of entry, while the Qatari data revealed a relatively significant percent of dependence on JVC mode reached 33%, which is fairly significant compared to other modes in Qatar. This observation can be illustrated using the "Qatari entry restrictions" aforementioned in the literature review, since the governmental entry procedures in this state are limiting the ownership of the company's capital to a certain percent.

These restrictions imply the presence of local Qatari partner for any contracting establishment, which will lead the entrant to the following options:

1. To enter the market as a JVC, i.e. joint venture between Foreign and local firms, that will decrease the entrant's flexibility and control and increase the contractual risk, while entrant can still utilize the local partner's relationships and knowledge of the local market.
2. To enter the market as a SVC, i.e. Local citizen to share ownership of the company's capital, which will increase the entrant's flexibility and control, as this kind of partnerships allow the local partner to interfere in the financial part of business, while it keeps the major technical and contractual decisions in the hands of the foreign entrant.

As a result, both options have their own pros and cons, and hence, the entrant has to evaluate his/hers priorities in order to choose the right entry mode

The JVC result of 33% out of total modes is not firm enough to prove that the most appropriate entry mode to penetrate the Qatari market is the JVC, and thus this data analysis suggests an amendment to the hypothesis H3 by including the SVC mode as an additional option to the JVC mode when considering Qatar market entry.

5.1.4 Data analysis within Kuwaiti construction market

The gathered data indicates a fair tendency towards penetrating the Kuwaiti market through the mobile JVP and the SVP modes, which are represented with a percent of 61 % of sampled international entrants that properly complies with H4, the noted preference of mobile modes can be ascribed to following reasons:

1. The Kuwaiti construction market is unsustainable, which doesn't offer similar attraction for permanent investment compared to other GCC markets.
2. The aforementioned entry restriction within Kuwaiti market, which doesn't offer several entry options.
3. The emphasis on the oil and gas development projects and the weak movement of residential, commercial and infrastructure projects.

The following figure 24 indicates the percent of entries using four different modes, the figure shows that 6 firms entered Kuwait using SVC mode, 5 firms using SVP mode, 5 firms using JVP mode, and 2 firms using the BRC mode.

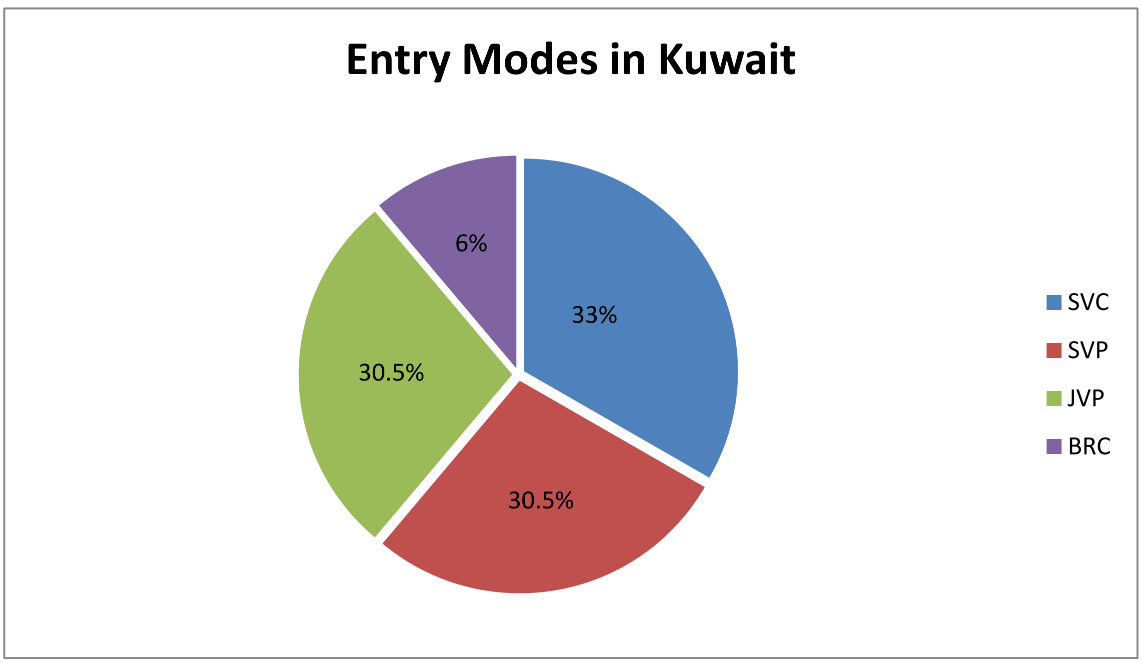


Figure 24: Entry modes adopted in Kuwait construction market according to the collected samples.

The presence of six firms with SVC mode which represents a percent of 33% shall be addressed as well. In order to analyze this observation, the study went through the profile and the history of these six forms, and it was found that the firms with SVC mode have entered the Kuwaiti market since long time at the golden days of Kuwait and established a permanent presence to handle the continuous growth of oil and gas industry.

Comparing the obtained entrants' data in Kuwait against their counterparts in UAE, KSA and Qatar brings the attention to the high dependence on mobile entry modes in Kuwait, which represents 61% of the total used modes, and that is obviously contradicting the ruling pattern in earlier analyzed GCC states. Never the Less, a major similarity exists among the Kuwaiti and Qatari construction markets, as entrants at both states will face major entry restrictions limiting their entry options. However, the nature of opportunities in both states (Kuwait and Qatar) critically affects the selection process, as entrant may accept further risks using permanent partnerships to penetrate promising markets as noticed in Qatar, while it doesn't worth it in the case Kuwait.

Digging deep in the profiles of sampled entrants in this market, reveals some interesting data, which can be summarized in the following:

1. The Kuwaiti building and infrastructure construction market is totally dominated by few giant local contracting firms similar to KSA, such as Al Kharafi Group.
2. The market is non competitive, which is a main reason behind mobile entry modes preference.
3. The majority of the listed international entrants in Kuwait belong to the oil and gas sector, that indicates buildings and infrastructure construction sector is dominated by the giant local contracting firms.

Although the number of tested companies is relatively low "18 firms", due to the lack of official reliable sources, nevertheless the result of 61% out of total modes is firm enough to prove that most appropriate entry modes to penetrate the Saudi market are the Mobile SVP mode and JVP mode, and thus H4 can be accepted.

5.1.5 Data analysis within Omani construction market

The Collected data in Oman reveals the entrants contrast toward the most appropriate type of entry, Similar to the theoretical hypothesis the data indicates that both permanent and mobile entry modes are making a good choice, as the entrants who considered the permanent modes (SVC, JVC and RO) represented a percent of 58% out of total samples, whereas, the entrants who considered mobile modes (SVP, JVP) represented a percent of 42% out of total samples, accordingly, this balance between mobile and permanent modes supports the content of H5.

Figure 25 indicates the percent of entries using Five different modes, the figure shows that 5 firms entered Oman using SVC mode, 5 firms using SVP mode, 3 firms using JVC mode, 3 firms using the JVP mode and a 3 firms using the RO mode.

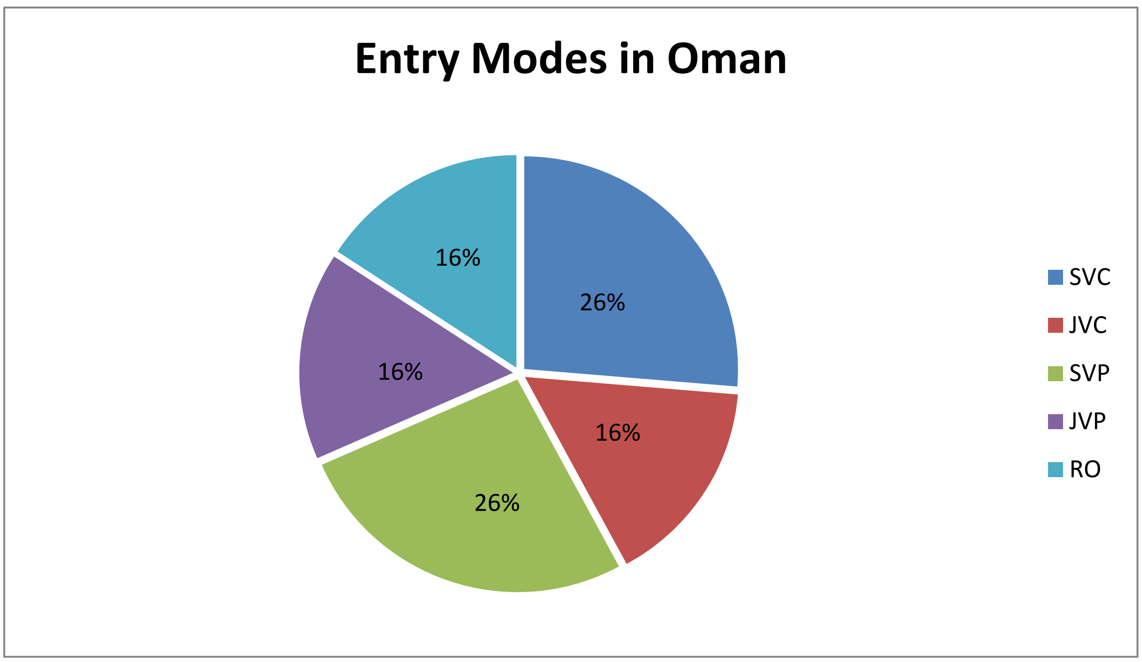


Figure 25: Entry modes adopted in Oman construction market according to the collected samples.

The presence of different types of entry in Oman indicates that main lines of this hypothesis are correct as there is a significant balance among the permanent and the mobile modes, in order to identify the presence of each mode a profile review of each firm is required.

Reviewing the Firms with SVC mode indicates that all these firms are categorized under the infrastructures contractors. While the review of firms with RO concludes that most of these firms belongs the category of oil and gas contractors.

After a full review of all sampled firms the study can conclude the following results:

1. The diversity of decisions in entry modes can be explained by the diversity in Omani construction market, which doesn't rely on the oil and gas activities only.
2. The diversity of decisions in entry modes is a result of low enforced entry restrictions in Oman.
3. The Omani list of foreign contractors includes several names compared to KSA and Kuwait, which indicates the competitiveness in this market, i.e. this market is not dominated by huge local contractors.
4. Entrants of oil and gas field preferred mobile entry modes due to low dependence on hydrocarbons industries in Oman
5. Entrants of infrastructure field preferred permanent modes due to the growing need of infrastructure development projects as part of the general plan of economy diversification in Oman
6. The moderate presence of joint ventures mode within sampled firms indicates the presence of some mega projects, which requires firms to consolidate in order to handle properly such kind of mega projects.

Although the number of tested cases is relatively low "19 firms", due to the lack of official reliable sources, nevertheless the obtained results are firm enough to prove main result of hypothesis application, which is summarized by the workability of permanent and mobile modes, however, the proposed H5 is rejected since the SVC and RO was not proposed in this hypothesis.

5.1.6 Data analysis within Bahraini construction market

The Collected data indicates a firm tendency towards entering the Bahraini market using the permanent BRO mode, which is represented with a percent of 50 % of sampled international entrants, that directly complies with H6, the compatibility in results can be attributed to the weak construction opportunities and slow-moving construction sector, in conjunction with the political instability that imposes high risk levels on entrants, which lead entrants to consider a flexible/ low risk mode to work in this market.

The following figure 26 indicates the percent of entries using four different modes, the figure shows that 5 firms entered Bahrain using BRO mode, 3 firms using JVP mode, a single case using the JVC and BRC modes.

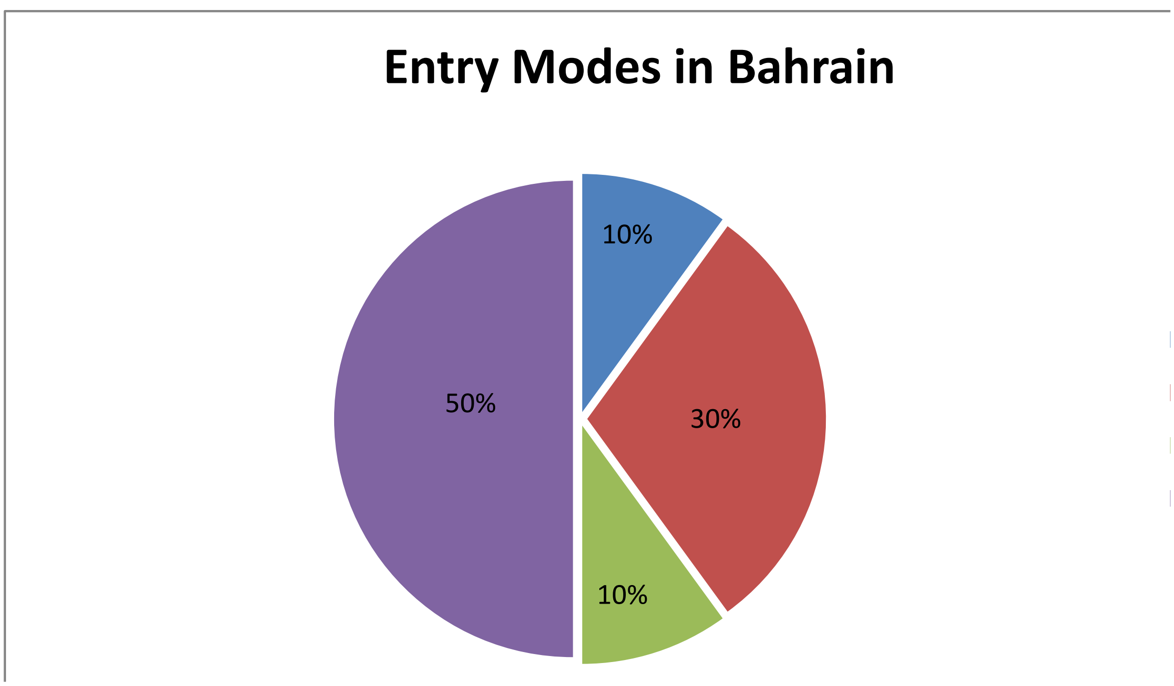


Figure 26: Entry modes adopted in Bahraini construction market according to the collected samples.

Upon deep investigation of the odd cases, which is represented by the presence of three firms considering JVP mode, the investigation revealed that those three companies are handling their business in Bahrain through their regional offices in the adjacent GCC states; as Sidem has their own regional offices in KSA, Diar head quarter is already located in Qatar, and Murray and

Roberts is is coordinating their business from UAE and their projects are engaged throughout the UAE in joint venture with appropriate local partners. These observations can be attributed to the remarkable risk avoidance tendency among all entrants targeting this market.

Upon an extensive review of all sampled international contractors in Bahrain, the study summarizes the following interesting results:

1. The gathered data complied with the theoretical content, as this study couldn't find a significant number of international contractors in Bahrain due to the tiny construction market.
2. The gathered data indicated the full presence of Building and Infrastructures contractors only, with a complete absence of oil and gas contractors, which also complies with the theoretical content.
3. The presence of all entrants under construction domain (Buildings and infrastructures) indicates a competitive fair market, which defers from the neighboring Saudi market.
4. Military construction activities are considered as a main target for some entrants, as all their project history in Bahrain is specialized in the military sector.
5. The presence of strong Qatari and UAE based firms in Bahrain is increasing the competitiveness and reducing the chances of other foreign entrants.

Despite the lack of available samples, which is significantly small "10 firms", which is attributed to the limited construction market, however, the result of 50% out of total modes is fair enough to consolidate the hypothesis, that most appropriate entry mode to penetrate the Bahraini market is the permanent BRO mode, and thus H6 can be accepted.

5.2 Qualitative Data Analysis

Based on the literature review, the process of entry mode selection has to be supported on six strategic effects pillars (return, resource commitment, investment risk, contractual risk, control, and flexibility), and the decision to enter must be supported with a precise balance between the risk and return factors, in order to utilize the theoretical framework, entrant has to understand the different strategic effects of each entry mode in order to conclude the right mode.

The performed interviews tackled the two main components of the preliminary framework; 1) understanding the characteristics of UAE construction market, 2) the main strategic effects which impact the entry decision. First part includes various questions about the market size, competitiveness, returns, threats, and the performance of foreign firms within this market to provide more clarity of the characteristics of this market, while the second part focused on the main factors affecting the investment decision with UAE construction market in order to examine the earlier presented theoretical concepts.

A detailed coding analysis was performed and included in appendix B to facilitate the following interview analysis procedure:

First question discusses the main attractive characteristics of the UAE construction market, as the interviewees were asked about the size, competiveness, and returns. The result highlighted unanimous agreement between all interviewees about the high strength and competitive environment in this market, which complies with the earlier presented literature; these results were indicated in the coding table with codes (A1, A2, and A3).

On the other hand, the ***second question*** tackled the negative threats may hinder firms performance in this market; the respondents indicated obviously a several types of threats as shown in coding table. Analyzing the content reveals that three interviewees have four common threatening factors, C1 (the high investment risk), A2 (the highly competitive market), A5 (the unfair competition), and D2 (supply chain risks). These factors are classified under the returns, contractual risk, and investment risk categories. In this sense, this question reflects a major respondents' emphasis on the selection of entry mode with less investment and contractual risk levels, which is complying with their used entry modes (SVC and BRC).

Third question was introduced to examine the performance of international firms in UAE, interestingly every interviewee responded with a different approach, as interviewee X has split his firm performance into two phases, the fantastic phase before 2008 and the weak phase after 2008, the description itself looks realistic due the financial crunch in 2008 and its consequent shrink in construction market, this response is represented in coding table using symbols (A1, C2, C3, and A2). Interviewee Y indicated less satisfaction about his firm performance, the interviewee response emphasized on the contractual and investment related risks, as he stated that his firm was struggling with clients experience in construction (D5), incomplete designs (D4), unfair competition (A5), and the low profits due to severe competition (C3). Unlike X and Y, Interviewee Z reflected full satisfaction about his firm's performance, his response was mainly tackling the favorable investment environment in UAE, where his response is represented in (A1) symbol, never the less, he complained about few contractual risks due to rules and regulations changes from city to another (D1).

Fourth question tackles the factors taken into account during preliminary entry to UAE construction market. the responses of interviewee indicates a collective agreement on the risk and resource commitment effects, where interviewee X simply responded with his major concern about the resources and financial support to sustain the firm presence in market (B3), while interviewee Y emphasized more the risk effects in terms of contractual and investment risks which is represented in coding table with symbols; (D1, C1, D2, C2, D7, and D6), similar to the first two respondents , interviewee Z confirmed his interest in the risks and resource commitments factors (C1, and B2), and he added a new dimension of flexibility (E2) to the considered factors.

Since forth question was inquiring about interviewees' preliminary vision of entry, it's necessarily important to verify their current vision after long years of firms establishment, and hence ***fifth question*** was introduced to examine their current opinion for market entry based on their accumulated experience. Interviewee Y and Z confirmed that their selection approach will based on the same factors mentioned in fourth question, i.e. the resource commitment and risk factors, nevertheless, they have introduced further factors to be taken into account with this process, as they stated flexibility and control must be combined in this process to achieve the right decision, these factor are coded in symbols (F3, F2, and E3).

On the other hand, interviewee X response indicated more emphasis on the control factor specifically as he stated that "The control and managing the business according to the company's policy is crucial issue, if the company loose the control they will be under huge risk".

Comparing the answers during preliminary establishment of a firm to the current views after long years of establishment, respondents indicated that new entrants emphasize more on the financial effects during entry, represented by the investment risk and resource commitment, while after the long accumulated experience the vision started to improve and consider other important effects such as; the control and flexibility.

Last question is the major question of the whole interviewee, as it arranges the different entry modes strategic effects based on their importance and priority for interviewees during UAE entry process, the result of this task is indicated in following table 25:

Interviewee	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
X	Investment Risk	Control	Flexibility	Resource Commitment	Contractual Risk
Y	Investment Risk	Resource Commitment	Flexibility	Control	Contractual Risk
Z	Flexibility	Investment Risk	Control	Resource Commitment	Contractual Risk

Table 25: Prioritizing the strategic effects of different entry modes

The presented responses shown in the above table indicates that contractual risk and resource commitment are not a priority to the interviewed managers, since all of them agreed that contractual risk is considered as the last priority and two of them agreed that the resource commitment is their fourth priority, accordingly, the interviews content concludes that investment risk, and control represent the most important concern to new entrants to UAE construction market, which is entirely complies with the theoretical hypothesis adopted in the beginning of this study, since the literature stated that the most appropriate entry mode to establish a presence UAE is the permanent BRC and SVC modes, which enclose the highest levels of investment risk, and control.

Using the data in the coding tables, the percentage of each category out of total categories can be utilized to reflect further impression about entrants main focus during entry, the below table 26 summarizes the weight of each category based on its repetitiveness during the performed interviews:

Category	Codes	Freq.	Coding	Percent
Returns	A1	8	Market with strong potentials	28%
	A2	8	Competitive market	
	A3	1	High returns	
	A4	1	Acceptable demand in the market	
	A5	4	Un fair competition	
	A6	1	Profit margins	
	A7	2	Low profit margins	
Resource Commitment	B1	1	High development investments	9%
	B2	2	High resource commitment	
	B3	2	Emphasis on resource commitment	
	B4	3	Avoiding high resource commitment	
Investment Risk	C1	14	High investment risk	21%
	C2	3	Fluctuant market	
	C3	2	Low profits due to competition	
Contractual Risk	D1	6	Rules and regulations risks	23%
	D2	3	Supply chain risks	
	D3	2	Secure collection of payments	
	D4	2	Incomplete design	
	D5	2	Client experience	
	D6	4	High contractual risk	
	D7	1	Legal cover	
Flexibility	E1	1	Retreat of market	9%
	E2	2	Flexibility to accommodate market changes	
	E3	4	Ability to make critical decisions	
Control	F1	1	Proper team management	10%
	F2	6	High level of control is required	
	F3	1	Low control levels	

Table 26: Categories percentage within the performed three interviews

The above figures in table 26 cannot be adopted to perform further analysis based on these percentages, since this data is based on several question with different objectives. These data are presented for information only and to present the codes and categories in a summarized form.

Chapter 6: Conclusions and recommendations

6.1 Conclusions

The international construction is a fluctuant industry in such a manner that contracting firms are continuously looking for new potential markets to expand. The moment they have indentified an attractive market, they are challenged with the mean to establish a presence in this market, which will have the significant impact in future on the profitability of this firm in this new market.

During the review of current literature, it was noted that there have been very few researches of entry mode domain within the construction industry domain, the research found that the construction unique characteristics imply different priorities than those in other industries to enter foreign markets, and hence, a specific classification of entry modes to international construction was defined and an advanced entry modes selection model was developed to facilitate the entry decision based on theoretical and practical data.

This study aimed to answer "what is the most appropriate entry mode to consider during entry to GCC construction market?" and "how does this entry modes vary across different GCC states?". The answers of these questions were provided by identifying the different modes of entry and the factors that affects the selection process in each state of GCC. The research classified the entry modes for international construction based on their strategic effects, identified the external factors that influence the entrant decision, and developed a selection model based on these classifications and influencing factors.

Reviewing current knowledge, the entry modes were identified regarding their structure; key setting characteristics; creation process; possible pros and cons; compatibility; and transferability. These basic modes include 1) SA, 2) LA, 3) LI, 4) JVC, 5) SVC, 6) BRO/ BRC, 7) RO, 8) JVP, 9) SVP, and 10) BOT. Theses modes were combined into a unified structure according to their strategic effects levels.

The basic entry modes varies in strategic effects (flexibility, control, resource commitment, risk exposure, and returns) and setting characteristics (e.g., ownership, hierarchal levels, cooperative versus competitive, investment versus contractual). But, there is no single dimension which can distinguish all basic entry modes. The dichotomy of mobile and permanent entry was utilized to establish a binary selection among two groups of entry modes: mobile entry modes and permanent entry modes. The permanent group includes: SVC, JVC, RO, and BRO/BRC; mobile groups includes: SVP, JVP, and BOT. On the whole, permanent modes involve more investment risk and control, but are less flexible than the mobile modes.

As for the influencing factors that affect the selection among permanent and mobile modes, the research indentified the major six schools of internationalization which are: 1)transaction cost theory, 2)dunning eclectic paradigm (OLI), 3)stage model of entry, 4)institutional /cultural theory, 5)bargaining power theory, and 6)organizational capability theory. The research found that only three theories (transaction cost theory, OLI, and institutional/ cultural theory) involve factors that may affect the decision of mobile and entry modes, these factors are: 1) cultural distance, 2) colonial link, 3) language proximity, 4) uncertainty avoidance, 5) long term orientation, 6) competitive intensity, and 7) entry restriction. The study applied Chen (2005) tested hypotheses which highlight the influences of these factors on mobile/ permanent modes decision on the six GCC states to generate the summary of recommend entry modes in each GCC market.

Applying the tested hypothesis of Chen (2005) on the different GCC construction markets separately revealed that UAE, KSA, Qatar and Bahrain construction markets share the same characteristics to enter using permanent modes, while Kuwaiti market was found different and requires mobile entry modes. Interestingly, the Omani market was found appropriate for both permanent and mobile entry modes.

On the other hand, and away from theoretical data, the quantitative data analysis using real entry data of the most successful international contractors in GCC revealed some differences as per the following table 27:

Hypotheses		Testing result
H1	Most appropriate entry modes to penetrate UAE construction market are the permanent BRC and SVC.	Yes
H2	Most appropriate entry modes to penetrate the Saudi construction market are the permanent BRC and SVC.	Yes
H3	The Most appropriate entry mode to penetrate the Qatari construction market is the permanent JVC.	Partially
H4	Most appropriate entry modes to penetrate the Kuwaiti construction market are the mobile JVP & SVP.	Yes
H5	Most appropriate entry modes to penetrate the Omani construction market are the permanent LA, and mobile JVP, and SVP.	No
H6	The Most appropriate entry mode to penetrate the Bahraini construction market is the permanent BRO.	Yes

Table 27: Results of hypotheses testing

This analysis found that proposed hypotheses in UAE, KSA, Kuwait, and Bahrain are accepted according to historical entry data, however, the hypothesis H3 in Qatar was found incomplete, as the analysis unveiled that although the JVC mode was one of the used modes to enter Qatar, however, there was a significant tendency toward entering this market using the SVC mode, which was not proposed in theoretical context. On the contrary the proposed hypothesis H5 in Oman was rejected as the majority of used entry modes were different than proposed ones.

Eventually, the qualitative interview analysis indicated a remarkable compatibility in the main entry modes strategic effects taken into consideration while establishing a new contracting firm in UAE, as the respondents agreed on the emphasize on the risk investment and control effects of the selected entry mode which directly complies with the assumed effects in the preliminary framework. And hence, this result affirms that accuracy of the proposed entry mode strategic effects while entering other GCC states.

6.2 Recommendations

The decision of foreign market entry is controversial decision; it includes high risk factors, since entrants are going to perform in new environment, which requires a deep experience in foreign investment, host country and the competitiveness degree in that market, this study urges all international contractors to consider the following recommendations for successful selection of entry mode:

1. Entrants have to understand first the main general settings and strategic effects of the basic entry modes.
2. A well performed feasibility study is required before the decision to enter any foreign market, in order to assess the available potential, latent risks, business environment and competitiveness within the targeted market.
3. Despite the colorful image of any construction market the entrant has to take a special care for the legal restrictions imposed on foreign investment, as the performed study unveiled several entry restrictions while entering GCC construction market.
4. A gradual entry process using less “resource commitment” modes is recommend for foreign entrants with little background about GCC construction markets.
5. Despite the recommendation of cooperative entry modes in some GCC states, the partnership with local partners implies several threats if not well evaluated.
6. Any entry mode analysis for construction markets has to start from scratch. Applying successful experience within other domains (rather than construction) may not assure the same successful outcomes, due to the unique constriction domain characteristics.
7. Implementation of entry mode theories by inexperienced investors is relatively complex process, and hence this study recommends entrant to seek help of governmental FDI department in each targeted country.
8. Eventually, the study recommends the presence of close cooperation between international construction experts and the governmental FDI department to publish a detailed manual to help international contractors understand all aspects of entry within the targeted market, which will facilitate the process and ensures better entrants performance.

6.3 Limitation of the research

Despite excessive effort to ensure the reliability of research outcomes, the following limitations are still existed and shall be taken into consideration while evaluating the research methodology and conclusions:

1. The research has considered since the beginning the entry modes selection for international contractors only, which implies that engineering, project management, and suppliers of construction materials firms are not necessarily following the same used entry mode criteria.

2. The unique nature of construction doesn't allow for the direct application of international business concepts to this unique sector, and the review of current literature proved that there is a great scarcity in studies and articles which tackles the international construction entry modes particularly.

3. The research haven't considered all influencing factors affecting the entrant decisions on permanent and mobile modes, the study is emphasizing on the host country (GCC states) factors, while its not tackling the internal factors (entrant factors) and the entrant home country factors.

4. The used raw data in quantitative analysis represents the current legal form of the sampled firms and it doesn't necessarily represent their preliminary entry mode to that markets.

5. The qualitative data analysis was performed in UAE only due to the difficulty of traveling to other GCC states.

6. Final limitation encountered is the limited numbers of competent interviewees, due to the nature of the topic which requires a well experienced top management executives or owners that are very difficult to meet due to their full schedules and obligations.

6.4 Recommendation for further studies

Despite their important economic contribution to the most of countries in the world, international construction activities have received a limited attention within the research community, and hence this study recommends future researches to cover the following knowledge gaps in this domain:

1. A comprehensive research is required for entry mode selection including other members of the international construction process (Engineering firms, specialized sub contractors, construction materials suppliers, project management firms). This kind of research will provide a wider vision for the whole international construction process.
2. This research and previous studies remarked that international contractors and international manufacturing firms are acting differently in international markets, and the concepts of international business are not necessarily considered during contractors' expansion in foreign markets, and hence it is an interesting topic to investigate the contractors' culture behind this contrast.
3. The literature review indicated a clear gap in market selection decision topic within international construction domain, and therefore it will be very helpful to investigate the basis of selecting specific markets based on the market characteristics and away from entry modes topic, this recommendation will help establishing a general framework for international construction markets selection.
4. Last remarked knowledge gap was the entry mode classification, combining, and sequencing. The performed literature review unveiled the lack of reference in this part of knowledge. A further research is required to support or modify the current studies.

References

Abdul-Aziz, A. (1995). “Examination of the eclectic paradigm as applied to international contracting – with emphasis on the internalization dimension”, *Engineering, Construction and Architectural Management*, Vol. 2 No. 2, PP. 105-20.

Abercrombie, Nicolas, Hill, Stephen and Turner, Bryan S. (1984) Dictionary of Sociology. Harmondsworth: Penguin

Agarwal, S. and Ramaswami, S. (1992). “Choice of foreign market entry mode: impact of ownership, location and internalization factors”. *Journal of International Business Studies*, Vol 23, issue (1), PP. 1–27.

Ahmed, D. A. (2010), “ Bahrain”. Women’s Rights in the Middle East and North Africa: Progress Amid Resistance, New York, NY: Freedom House; Rowman & Littlefi publishers.

Al Arabia (2012), Oman first Gulf state to have German taught as second language. (online), (accessed at 16 may 2015), available at: http://english.alarabiya.net/articles/2012/11/06/247981.html

Alpen Capital (2012), GCC Construction Industry, Residential and commercial building construction.

Andersen, E. and Gatignon, H. (1986). “Modes of foreign entry: a transaction cost analysis and propositions”, *Journal of International Business Studies*, Vol. 17, PP. 1-26.

Andersen, O. (1997), “Internationalization and market entry mode: A review of theories and conceptual frameworks.” *Manage. Int. Rev*., Vol 37, PP. 27–42.

Arregle, J., Hébert, L., Beamish, P. (2006). “Mode of international entry: the advantages of multi level methods”. *Management International Review*. Vol 46, Issue (5), PP. 597–618.

Ashley, D.B. and Boner, J.J. (1987). “Political risks in international construction”. *Journal of Construction Engineering and Management*, Vol 113, Issue(3), PP. 447–465.

Badger, W., and Mulligan, D. (1995). “Rationale and benefits associated with international alliances.” *Journal of Construction Engineering and Management*, Vol. 121, No. 1, PP. 100–111.

Barney, J. (1991). "Firm resources and sustained competitive advantage." *Journal of management studies*, Vol. 17, Issue 1, PP. 99-120.

Baudry, B., Chassagnon, V., (2010), “The Close Relation between Organization Theory and Oliver Williamson’s Transaction Cost Economics: a Theory of the Firm Perspective”, Journal *of Institutional Economics*, Vol. 6, No. 4, PP. 477–503.

Behrman, J. (1970), National Interest and the Multinational Enterprise, Prentice Hall, New York, NY.

Brouthers, K. (2002). “Institutional, cultural and transaction cost influences on entry mode choice and performance”. *Journal of International Business Studies* Vol 33, Issue(2), PP. 203–221

Brouthers, K. , & Hennart, J. (2007). “Boundaries of the firm: Insights from international entry mode research”. *Journal of Management*, Vol 33, PP. 395–425.

Bruce Shaw (2014), Middle East, chapter 5, Knowledge Centre 2014

Bryan Cave, (2008). Doing Business in Kuwait, Summary of principal issues and concerns.

Buckley, P. and Casson, M. (1976). The future of the multinational enterprise, Macmillan, London.

Canabal, A., White, G. (2008). “Entry mode research: past and future”. *International Business Review* Vol 17, PP. 267–284.

Caves, R. (1982). Multinational enterprise and economic analysis. New York: Cambridge University Press.

Cespedes, F. (1988). “Control vs. resources in channel design: Distribution differences in one industry”. *Industrial Marketing Management*, Vol 17, PP. 215-27.

Chen, C. and Messner, J. (2011), “Characterizing entry modes for international construction markets: Paving the way to a selection model” , *Engineering, Construction and Architectural Management,* Vol. 18, No. 6, PP. 547-567

Chen, C. (2005), Entry Strategies for international construction markets, a thesis in Architectural Engineering. The Pennsylvania State University.

Chen C. (2008), 'Entry mode selection for international construction markets: the influence of host country related factors', *Construction Management & Economics*, Vol 26, issue 3, PP. 303-314.

Chen, C. and Messner, J. (2009), “Entry Mode Taxonomy for International Construction Markets”, *Journal of Management in Engineering*, Vol. 25, No. 1, PP. 3-11.

Chu, W., and Andersen, E. (1992). "Capturing ordinal properties of categorical dependent variables: a review with application to modes of foreign entry". *Journal of International Business Studies*, Vol 9, PP. 149-160.

CIA (n.d.), The World Fact book. (Online), (accessed at 16 may 2015), available at: https://www.cia.gov/library/publications/the-world-factbook/geos/mu.html

Common, R. K. (2011), “Barriers to developing ‘leadership’ in the Sultanate of Oman”. *International Journal of Leadership Studies*, Vol. 6 Issue 2, PP. 216-228

Davidson, W. (1983). “Market similarity and market selection: implications for international marketing strategy”, *Journal of Business Research*, Vol. 11, PP. 439-56.

Deloitte (2013), GCC Powers of Construction: Meeting the challenges of delivering mega projects.

Deloitte (2013), GCC Powers of Construction: Construction Section Overview.

Deloitte (2014), GCC Powers of Construction: Construction sector overview

Dunning, J. (1980). "Toward an eclectic theory of international production: some empirical tests." *Journal of International Business Studies*, Vol. 11, PP. 9-31.

Dunning, J. (1981), “Explaining the international direct investment position of countries: towards a dynamic or developmental approach”, *Weltwirtschaftliches Archiv Journal*, Vol. 117, Issue 1, PP. 30-46

Dunning, J. (2000), “The eclectic paradigm as an envelope for economic and business theories of MNE activity”, *International Business Review journal*, Vol. 9, PP. 163-190

Ecovis (n.d.). Doing Business in Qatar

Emirates 24/7 business (2014). UAE has most diversified GCC economy. (online). (accessed 23 April 2015). Available at: http://www.emirates247.com/business/economy-finance/uae-has-most-diversified-gcc-economy-2014-01-06-1.533612

Energy Infromation Adminstration (EIA) (n.d.). (online). (accessed 23 april 2015). Available at: http://www.eia.gov/countries/country-data.cfm?fips=SA
Ernst and Young (2011), Doing Business in Bahrain.

Erramilli, M. (1991). “The experience factor in foreign market entry behavior of service firms”, *Journal of International Business Studies*, Vol. 22 No. 3, PP. 479-501.

Erramilli, M., and Rao, C. (1993). "Service firms' international entry mode-choice: a modified transaction-cost analysis approach." *Journal of Marketing*, Vol. 57, PP. 19-38.

Erramilli, M., Agarwal, S., and Dev, C. (2002). "Choice between non-equity entry modes: an organizational capability perspective." *Journal of international business studies*, Vol. 33, Issue 2, PP. 223-242.

Flyvbjerg, B. (2006) "Five Misunderstandings About Case-Study Research," *Qualitative Inquiry*, vol. 12, no. 2, PP. 219-245.

Folta, P. (2005). “Cooperative Joint ventures: Savvy foreign investors may wish to consider the benefits of this flexible investment structure”, *China Business Review*, 2nd of January (Online). Available at: http://www.chinabusinessreview.com/cooperative-joint-ventures. (accessed: 6 Feb 2015)

Geringer, J., and Hebert, L. (1989). “Control and performance of international joint ventures.” *Journal of International Business Studies*, Vol. 20, No. 2, PP. 235–254.

Ghoshal, S. (1987). “Global strategy: an organizing framework”, *Strategic Management Journal*, Vol. 8, PP. 425-40.

Gomes-Casseres, B. (1990). "Firm ownership preferences and host government restrictions: an integrated approach." *Journal of International Business Studies*, Vol. 21, PP. 1-22.

Government of Kuwait, (2013). Statiscal reports by the public authority of for civil information. (Online), (Accessed at 8 May 2015), available at: http://stat.paci.gov.kw/englishreports/

Grant Thornton (2013). Doing Business in the United Arab Emirates.

Han, S. H., and Diekmann, J. E. (2001). "Approaches for making risk-based go / no-go decision for international projects." *Journal of Construction Engineering and Management*, Vol 127, Issue (4), PP. 300-308.

Harrigan, K. (1981). “Deterrents to divesture”, *Academy of Management Journal*, Vol. 24 No. 2, PP. 306-23.

Hastak, M., and Shaked, A. (2000). “ICRAM-1: Model for international construction risk assessment.” *J. Manage. Eng*., Vol 16, Issue (1), PP. 59–69

Hennart, J.-F. (1989). "Can the "new forms of investment" substitute for the "old forms?" A transaction costs perspective." *Journal of International Business Studies*, Vol 20, Issue 2, PP. 211-234.

Hill, C. and Kim, W. (1988). “Searching for a dynamic theory of the multinational enterprise: a transaction cost model”, *Strategic Management Journal*, Vol. 9, PP. 93-194.

Hill, C., Hwang, P. and Kim, W. (1990). “An eclectic theory of the choice of international entry mode”, *Strategic Management Journal*, Vol. 11 No. 2, PP.117-28.

Hamad Medical Corporation (HMC). (2013), Qatar Facts, First Qatar Orthodontic Conference. (online), (accessed at 2 May 2015), Available at: http://fqoc.hamad.qa/en/venue/about_qatar/about_qatar.aspx

HLB Kuwaiti Accountant Auditing. (2012). Doing Business in Kuwait.

HSBC (2011). Doing business in Saudi Arabia. PP. 6

Hussein, A. T. (2013). Construction and projects in Saudi Arabia: Overview. Construction and project Multi-Jurisdictional Guide 2013/2014. PP. 1

Kangari, R. and Lucas, C. L. (1997). Managing International Operations. American Society of Civil Engineers. New York, N.Y.

Kharusi, N and Salman, A. (2011). “The English Transliteration of Place Names in Oman”. *Journal of Academic and Applied Studies,* Vol 1, No. 3, PP. 1–27.

Kharusi, N. (2012). "The ethnic label Zinjibari: Politics and language choice implications among Swahili speakers in Oman". *Ethnicities*, Vol 12, No. 3, PP. 335.

Kim, D., Ashuri, B., and Han, S. (2013). ”Financial Valuation of Investments in International Construction Markets: Real-Options Approach for Market-Entry Decisions.” *Journal of Management in Engineering*, vol. 29, issue 4, PP. 355–368.

Kobrin, S. (1987) “Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries” *International Organization,* Vol. 41, PP. 609-638.

Kumar B. ,Agarwal A. and Khullar R. (2010), Real Estate and Construction Sector in the UAE: Growth Strategies. HEC Montréal Centre for Case Studies, 3000, chemin de la Côte-Sainte-Catherine, Montréal (Québec) Canada.

Latham and Watkins (2010). Doing business in Saudi Arabia

Latham and Watkins (2011). Doing business in the United Arab Emirates

Latham and Watkins (n.d.), Doing business in Qatar. 2nd edtion.

Lin, H. (2000). "Choice of market entry mode in emerging markets: influences on entry strategy in China." *Journal of Global Marketing*, Vol. 14, Issue 1, PP. 83-109.

Low, S. and Jiang, H. (2003),“Internationalization of Chinese construction enterprises”, *ASCE Journal of Construction Engineering and Management*, Vol. 129 No. 6, PP. 589-98.

Luo, Y.D. (1999), Entry and Cooperative Strategies in International Business Expansion, Greenwood Publishing Group, New York, NY.

Luo, Y. D. (2001). "Determinants of entry in an emerging economy: a multilevel approach." *Journal of Management Studies*, Vol. 38, Issue 3, PP. 443-472.

March, J., and Olsen, J. (1998). "The institutional dynamics of international political orders." *International Organization*, Vol. 52, Issue (4), PP. 943-969.

MEED Projects (2014), GCC Projects Market, the outlook for 2015 and beyond.

MEED Projects (2015), The Dubai and GCC projects market in 2015 and the impact of the oil price fall on the regional projects market.

Meyer, K. (2001). "Institutions, transaction costs, and entry mode choice in Eastern Europe." *Journal of International Business Studies*, Vol. 32, PP. 357-367.

Miller, R. (1993). Joint ventures in construction. National Association of Surety Bond Producers, Washington DC.

Mohamed, S. (2003). "Performance in international construction joint ventures: Modeling perspective." *Journal of Construction Engineering Management*, Vol. 129, Issue 6, PP. 619–626.

Morison Muscat. (n.d.). Doing business in Oman.

Morledge, R., Smith, A. and Kashiwagi, D. (2006). Building procurement. Oxford: Blackwell.

Morschett, D., Schramm-Klein, H., Swoboda, B. (2010). "Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice?". *Journal of International Management*, Vol 16, PP. 60-77

Mroczek, K., (2014), "Transaction cost theory -- explaining entry mode choices", *Poznan University Of Economics Review*, Vol. 14, Issue 1, PP. 48-62

NBK, (2010), Doing Business in Kuwait, PP. 5

Nebus, J. and Rufin, C. (2008) "Extending the Bargaining Power Model: Explaining Bargaining Outcomes among Nations, MNEs, and NGOs", Academy of International Business-Milan, Best Paper Proceedings, Number AIB2008-0072.

North, D. (1991). "Institutions." *Journal of Economic Perspectives*, Vol. 5, No. (1), PP. 97-112.

ONA (Oman News Agency), (2013). Basic information on Oman. (online), (Accessed at 16 May 2015), Available at:
https://web.archive.org/web/20131205155257/http://www.omannews.gov.om/ona/english/Basic_Information_on_Oman.jsp

Oryx Middle East (2013), Construction Industry in the UAE: Strategic Assessment.

Oryx Business Intelligence (2013), Qatar Economic and construction industry outlook and five year forecast 2012-2016. PP.5

Pan, Y. and Tse, D. (2000). "The hierarchical model of market entry modes.", *Journal of International Business Studies*, Vol 31, No. (4), PP. 535-554.

Pietroforte, R. (1996). Building international construction alliances: Successful partnering for construction firms, Taylor & Francis Books Ltd., New York.

PKF (2011), Doing Business in the Sultanate of Oman

Qatar Survey Authority (QSA) (2015). Population Structure. (online), (accessed at 2 May 2015), available at: http://www.qsa.gov.qa/eng/PopulationStructure.htm

Roberts, P., and Greenwood, R. (1997). "Integrating transaction cost and institutional theories: toward a constrained-efficiency framework for understanding organizational design adoption." *Academy of management review*, Vol. 22, PP. 346-373

Root, F. (1987), Entry strategies for international markets, D. C. Heath and Company, Lexington, Mass.

Root, F. (1994), Entry Strategies for international markets, San Francisco: Jossey-Bass, Inc.

RSM International (2011), Doing Business in Bahrain.

Sarkar, M., & Cavusgil, S. (1996). "Trends in international business thought and literature: A review of international market entry mode research: Integration and synthesis". *The International Executive*, Vol 38, PP. 825–847

Schirmer, H. (1996). "Global expansion: A growing dilemma." *Journal of Management Engineering*, Vol 12, No. 5, PP. 28–31.

Schwab, K. (2014). The Global Competitiveness Report 2014-2015, World Economic Forum.

Sharma, V. & Erramilli, M. (2004). "Resource-based explanation of entry mode choice", *Journal of Marketing Theory and Practice*, Vol 12, PP. 1–18

Sridharan, G. (1994). "Managing technology transfer in construction joint ventures." AACE Transactions, Nanyang Technological University, Singapore.

Tripp, H. and North, P. (2003). Culture Shock! A Survival Guide to Customs & Etiquette. Graphic Arts Center Publishing Company. PP. 28

Tse, D., Pan, Y., and Au, K. (1997). "How MNEs choose entry modes and form alliances: The China experience." *Journal of International Business Studies*, Vol. 28, Issue 4, PP. 779–805.

United Nations (2013). Human development report 2014, PP. 159

United Nations Educational, Scientific and cultural organization (UNESCO), (n.d.). UNESCO Atlas of the World's Languages in Danger. (online), (accessed at 16-may-2015), Avaiable at: http://www.unesco.org/languages-atlas/index.php

U.S. Department of Commerce. (1984). *A competitive assessment of the U.S. international construction industry*, U.S. Department of Commerce, Washington, D.C.

U.S. Library of Congress, (n.d.), Legal System in Bahrain, Government and politics of Bahrain, (online), (accessed at 16-may-2015), avaible at:

http://countrystudies.us/persian-gulf-states/43.htm

Ventures Middle East (2014). GCC Construction Market 2014, The Boom, Challenges and Future out look.

Vietor Richard H. K. (2007), “How Countries Compete,” Harvard Business School Press, Boston, Massachusettes.

Wang, N., (2003),”Measuring Transaction Costs: An Incomplete Survey”, Ronald Coase, Institute Working Papers, no. 2, http://www.coase.org/workingpapers/wp-2.pdf.

Werner, S. (2002). “Recent developments in international management research: a review of 20 top management journals”. *Journal of Management* Vol 28, PP. 277–305

Williamson, O. (1985), The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting, Free Press; Collier Macmillan, London.

Wynbrandt, J. (2004). A Brief History of Saudi Arabia. Infobase Publishing. PP. 242.

Appendix

Appendix A – Interview Questions

UAE Construction Market Assessment

Q1) Describe the UAE construction market in terms of size, competitiveness, and returns?

Q2) What are the main threats facing new contractors in the UAE construction market?

Q3) During your long career in a foreign international contracting company, how do you evaluate the performance of that firm in details?

Factors affecting the investment decision in UAE construction market

Q4) what was the factors taken into account during your preliminary establishment of your current firm in UAE?

Q5) Assuming that you were in charge of establishing a new contracting firm in UAE, will you consider the same factors you considered during old company establishment? What additional factors you may suggest.

Q6) Based on question 5, please indicate the level importance of the following factors for any new investor plan to establish a contracting firm in UAE:

- Investment risk
- Resource commitment
- Contractual risk
- Flexibility
- Control

Appendix B – Coding Table

Themes	Codes	Sub-Codes	Sc*	Ssc*
(A) Returns	Market with strong potentials	One of the biggest construction markets in MENA	A1	A1-1
		The huge number of projects that exceed the capacity of the available companies.		A1-2
		UAE has successfully recovered from the financial recession impact		A1-3
		the market is driven by the Government and the big solid developers		A1-4
		UAE construction market is growing fast		A1-5
		It was fantastic from 1994 till 2008		A1-6
		The construction performance of my firm was excellent		A1-7
		the investment procedures and environment in UAE help the construction firm to grow		A1-8
	Competitive market	UAE construction market is rival in its nature	A2	A2-1
		the contractors reducing their profit margin to be more competitive to win projects		A2-2
		the large firms who have big overhead while they could not sustain unless they secure large value projects		A2-3
		UAE contains a lot of int'l construction companies		A2-4
		companies trying to introduce the best technologies and innovative solutions		A2-5
		The big companies are having tremendous capacities and potential		A2-6
		Construction environment in UAE is very competitive		A2-7

		The chance to win a project is very less.		A2-8
	High Returns	Return of investment is relatively high and satisfactory	A3	A3-1
	Acceptable demand in the market	this is the logical size where the government to be the major developer	A4	A4-1
	Un fair Competition	Some companies are dominating certain spectrums	A5	A5-1
		Severe competition from small and med size companies		A5-2
		Major projects in UAE are awarded for certain companies		A5-3
		competing with non-equal size firms		A5-4
	Profit Margins	Offered projects and accepted profit margins compared to the competitors.	A6	A6-1
	Low Profit Margins	Low profit margins	A7	A7-1
		will expose you to agree with a very minimum profit and a very limited power		A7-2
(B) Resource Commitment	high development investments	companies trying to introduce the best technologies and innovative solutions	B1	B1-1
	high resource commitment	the company infrastructure was competent and having all the required resources, expertise, and know how	B2	B2-1
		amount of capital invested in the firm		B2-2
	emphasis on resource commitment	Resources and financial support to sustain in the market.	B3	B3-1
		Required capital investment amount.		B3-2
	Avoiding high resource commitment	to come through JOINT VENTURE PROJECT	B4	B4-1
		you will share with your management team only		B4-2
		1. Investment Risk, 2. Resource commitment, 3. Flexibility, 4. Control, 5.		B4-3

		contractual risk		
(C) Investment Risk	High Investment risk	sustainability in terms of maintaining the business running	C1	C1-1
		Risk of projects continuity “availability”		C1-2
		Higher accommodation and general costs		C1-3
		The rapid increase in the cost of living, authority’s fees and cost of labor		C1-4
		the performance was satisfactory but on the account of the company achieving less profit		C1-5
		Staff and labors visas and Country expenses		C1-6
		Proper marketing to establish relations to get projects		C1-7
		amount of risk involved in investment		C1-8
		the risk of competing and sustaining in the market		C1-9
		the risk factors remain the same		C1-10
		the entry risk will be materialized in investing money to get the resources which is pretty high upfront risky investment		C1-11
		1. Investment Risk, 2. Control, 3. Flexibility, 4. Resource commitment, 5. contractual risk		C1-12
		1. Investment Risk, 2. Resource commitment, 3. Flexibility, 4. Control, 5. contractual risk		C1-13
		1. Flexibility, 2. Investment risk, 3. Control, 4. Resource commitment, 5. contractual risk		C1-14
	Fluctuant market	The UAE market is strongly associated with the global market	C2	C2-1

		the curve started to decline due to the financial crunch in 2008		C2-2
		Projects continuity		C2-3
	Low profits due to competition	pushed many companies to get projects with very small margin of profit	C3	C3-1
		the performance was satisfactory but on the account of the company achieving less profit		C3-2
(D) Contractual risk	Rules and regulations risks	it is very difficult to familiarize themselves with the government rules and regulations	D1	D1-1
		The unique nature of the weather in UAE and the correlated legislations		D1-2
		Most of projects are concentrated only at two cities of UAE (Dubai and Abu Dhabi)		D1-3
		The performance itself differentiates from city to city in UAE		D1-4
		Legal licensing requirements.		D1-5
		the familiarity of the host country rules and regulation		D1-6
	Supply chain risks	the material procurement challenges, language barriers, Availability of skilled staff	D2	D2-1
		Lack of trust in obtaining credit facilities from suppliers or even banks		D2-2
		Establishing relationship with suppliers-subcontractors-banks		D2-3
	Secure collection of payments	Clients are not committing to timely payments	D3	D3-1
		The payments and resources are very significant tools		D3-2
	Incomplete design	Incomplete design which leads to conflicts	D4	D4-1

		The incomplete design would always be a major challenge		D4-2
	Client experience	Client experience in construction	D5	D5-1
		the client and the consultant are main factors to accelerate the performance or on the contrary hurdle it,		D5-2
	High contractual risk		D6	D6-1
		Risk of the imposed client contract conditions and payment terms		D6-2
		contractual acts will create significant threat to the company		D6-3
		the risk factors remain the same		D6-4
	Legal Cover	Legal cover	D7	D7-1
(E) Flexibility	Retreat of market	some companies cannot withstand so they shutdown	E1	E1-1
	Flexibility to accommodate market changes	the flexibility of firm to accommodate the unsteady construction market in UAE	E2	E2-1
		then you can spread alone in the market by your own		E2-2
	Ability to make critical decisions	hinders the investor ability to make critical decisions freely once its required	E3	E3-1
		1. Investment Risk, 2. Control, 3. Flexibility, 4. Resource commitment, 5. contractual risk		E3-2
		1. Investment Risk, 2. Resource commitment, 3. Flexibility, 4. Control, 5. contractual risk		E3-3
		1. Flexibility, 2. Investment risk, 3. Control, 4. Resource commitment, 5. contractual risk		E3-4
(F) Control	Proper team management	Risk of the company members to work as a team in harmony	F1	F1-1
	High level of control is required	the company should look into the level of control	F2	F2-1
		managing the business according to the		F2-2

		company's policy is crucial issue		
		another factor would be considered such as the level of control of the firm		F2-3
		hinders the investor ability to make critical decisions freely once its required		F2-4
		1. Investment Risk, 2. Control, 3. Flexibility, 4. Resource commitment, 5. contractual risk		F2-5
		1. Flexibility, 2. Investment risk, 3. Control, 4. Resource commitment, 5. contractual risk		F2-6
	Low control levels	will expose you to agree with a very minimum profit and a very limited power	F3	F3-1

Ssc and Sc represent Symbol sub codes and Symbol codes respectively.

Appendix C- Interviews detailed content

INTERVIEWS DETAILED CONTENT
Q1) Describe the UAE construction market in terms of size, competitiveness, and returns?
X: UAE construction market deemed one of the biggest construction markets in the MENA, due to the huge numbers of the national and international companies that varies in size and nationalities it gives apparent indication that, the UAE construction market is rival in its nature. Many companies are motivated to work in UAE because of its good opportunity to win projects due to many factors such as the huge number of projects that exceed the capacity of the available companies. Return of investment is relatively high and satisfactory in UAE especially there is no levy imposed on the foreign construction companies like many other countries.
Y: The construction industry market had been escalating with significant profit margin comparing to the other countries till the financial recession which took place in 2008, after then the industry has suffered the like of the other sectors due to the crisis and due to the banks stopped providing the loans facilities like before and due to the lack of projects; however the UAE has successfully recovered from the financial recession impact nevertheless the aforementioned recession had reshaped and redefined the construction industry promoters and developers, currently the market is driven by the Government and the big solid developers who has the sufficient financial capacity to run such big developments while the med size and small developers contribution has been limited to minimum. I think even the current size and value of the ongoing projects are less than the period before 2008 but it is noteworthy that this is the logical size where the government to be the major developer and with some trusted contribution from the med size private investors. While the reduction in the offered projects dictates on the contractors reducing their profit margin to be more competitive to win projects, however this has an adverse impact on the large firms who have big overhead while they could not sustain unless they secure large value projects which could cover their overhead and enable them sustain in the market.
Z: UAE construction market is growing fast when compared to other markets in Middle East areas and also when compared to current region conditions which surrounded with a lot of wars. The UAE construction market represents a great portion of the UAE economy, and also has significant effects on other economy industries. Moreover, construction market in UAE contains a lot of international construction companies which make the market to be very competitive due to varies nationalities and cultures. Due to this reason, companies trying to introduce the best technologies and innovative solutions to win projects in the market which all impact positively on the quality of projects, client’s satisfaction, increasing the local companies experience, development of the construction industry, etc.

Q2) what are the main threats facing new contractors in the UAE construction market?
X; If you were asking this question 9 years ago, absolutely the answer could be entirely different. However considering the current status quo, sustainability in terms of maintaining the business running in the main risk for the current or companies intend to enter UAE market. The big companies are having tremendous capacities and potential especially those who are supported from their governments; therefore competition with such companies is huge risk. Some companies are dominating certain spectrums and it is not easy to compete or enter these activities. For new contractors it is very difficult to familiarize themselves with the government rules and regulations especially to obtain the necessary and the required permissions to commence working. The unique nature of the weather in UAE and the correlated legislations especially in the summer season (15 June to 15 September), the material procurement challenges, language barriers especially with manpower. Availability of skilled staff, getting in the game requires time which we may call it as the learning curve which might takes months or years, some companies cannot withstand so they shutdown. UAE is having rigorous legislations for the labors and wedges which can create problems to the company.
Y: 1. Low profit margins which affect negatively its capability to sustain in case the company has big overhead. 2. Risk of projects continuity “availability” which impacts negatively the firm willing to increase its capital and deploy more resources. 3. Severe competition from small and med size companies which their overhead is very small compared to big international contractor, the ideal competition shall be between like to like company from the same size. 4. Lack of trust in the market therefore you can’t easily obtain credit facilities from suppliers or even banks which require huge cash investment to overcome the difference between the project ongoing expenditures and the receiving payments from the client. 5. Clients are not committing to timely payments which affect the contractor cash flow. 6. Incomplete design which leads to conflicts, disputes, etc. 7. Client experience in construction as the main player. 8. Higher accommodation and general costs compared to other GCC countries.
Z: 1. The UAE market is strongly associated with the global market, so any crisis in global market is effectively effect on the UAE market. 2. Construction environment in UAE is very competitive and the same push some companies to reduce the tender prices to win projects which impact on the profit 3. UAE’s population is growing slowly which would effect on the future investment in the construction field especially on the supply and demand requirements.

4. The rapid increase in the cost of living, authority's fees and cost of labor are all factors impact negatively on the price of tenders and therefore the number of projects being constructed in UAE. 5. Major projects in UAE are awarded for certain companies which impact on the medium and small size contracting firms. 6. Most of projects are concentrated only at two cities of UAE (Dubai and Abu Dhabi) which make pressure within these areas associated with different procedures, authority requirements and different regulation.
Q3) during your long career in a foreign international contracting company, how do you evaluate the performance of that firm in details?
X: It was fantastic from 1994 till 2008, however the curve started to decline due to the financial crunch in 2008 and the cancelation of many project, and the later decision of government to award only the critically required projects, which by turns significantly reduced the number of new projects. Which by turn, pushed many companies to get projects with very small margin of profit, just to survive and continue in the market, wishing to recall the status before August 2008. The demand (new projects) is very few and less than the offered services (contracting companies), therefore the chance to win a project is very less.
Y: There are internal factors and external factors that drive the company`s performance; the company infrastructure was competent and having all the required resources, expertise, and know how; nevertheless the internal factors are not enough as the external factors may heavily obstruct the company from performing as planned, the client and the consultant are main factors to accelerate the performance or on the contrary hurdle it, however also the incomplete design would always be a major challenge against smooth performance. Generally speaking; the performance was satisfactory but on the account of the company achieving less profit as planned due to the lower price which was result of competing with non-equal size firms and due to many design problems; however this could direct the company to rethink before engaging in similar projects in the future.
Z: The construction performance of my firm was excellent due to the competitive environment in UAE that help to enhance the quality of projects. This performance is supported by the client's culture for the nature of the UAE market which require unique and distinguished final product to satisfy their customers. The performance itself differentiates from city to city in UAE with different regulation and procedures. Generally speaking, the investment procedures and environment in UAE help the construction firm to grow and perform within international standards.

Q4) what was the factors taken into account during your preliminary establishment of your current firm in UAE?
X: Resources and financial support to sustain in the market.
Y: 1. Required capital investment amount. 2. Offered projects and accepted profit margins compared to the competitors. 3. Legal licensing requirements. 4. Staff and labors visas. 5. Country expenses i.e. staff wages, labor wages, accommodation, transportation. 6. Establishing relationship with suppliers-subcontractors-banks to gain payment facilities. 7. Projects continuity to ensure covering the company overhead and return on investment. 8. Legal cover in case of client not releasing the certified amounts. 9. Risk of the company members to work as a team in harmony as they are new members to each other and developing a strong team could be unguaranteed challenge. 10. Risk of the imposed client contract conditions and payment terms. 11. Proper marketing to establish relations to get projects.
Z: 1. amount of risk involved in investment 2. amount of capital invested in the firm 3. the flexibility of firm to accommodate the unsteady construction market in UAE
Q5) Assuming that you were in charge of establishing a new contracting firm in UAE, will you consider the same factors you considered during old company establishment? What additional factors you may suggest?
X: No. The accumulated experience added the new dimension of the control, where the company should look into the level of controlling and running the business. The control and managing the business according to the company's policy is crucial issue, if the company loose the control they will be under huge risk. Moreover, the risk of competing and sustaining in the market, in addition to the familiarity of the host country rules and regulation and the contractual acts will create significant threat to the company. The payments and resources are very significant tools should be considered, any pitfall in these tools the business is in great risk of shutting down. Therefore, prior to expanding beyond home country boundaries, all these issues should be closely studied and grasped, otherwise that may devastate the entire

business which by turn will impact the mother company.
Y: Yes, the risk factors remain the same whether you are running an existing company or enter the market as a new entrant company. The new significantly important factor which I will add is the Entry Mode; I would highly recommend to any foreigner company who wants to enter the U.A.E. market to come through JOINT VENTURE PROJECT with a long term established company who has good experience in the market, having massive relationships and backlog projects which enable it to get projects, and having very good relations with suppliers and banks to get the facilities required to provide a sufficient cash flow. Usually the entry risk will be materialized in investing money to get the resources which is pretty high upfront risky investment, in addition to the risk of getting projects due to being new company to the market and doesn't have back log of projects and strong relations, also the relations with suppliers and bankers to get credit facilities, you will share with your management team ONLY and the other joint venture party will share his resources and relationships therefore this would greatly eliminate the entry risks. Nevertheless; to tie up a contract with a well-established company will expose you to agree with a very minimum profit and a very limited power over them as the other company being the old expertise strong company who will be your bridge to enter, I do agree for sacrificing and accepting this even just to cover your costs for a while till you establish your own routes and understand the market after then you can spread alone in the market by your own with a permanent sole venture legal shape.
Z: Yes I will consider same factors. But there is another factor would be considered such as the level of control of the firm, in another meaning investor has to avoid the market penetrating using partnerships, which by default decreases the level of control over the firm and accordingly hinders the investor ability to make critical decisions freely once it's required.
Q6) Based on question 5, please indicate the level importance of the following factors for any new investor plan to establish a contracting firm in UAE: Investment risk, resource commitment, Contractual risk, Flexibility, Control
X: 1. Investment Risk , 2. Control, 3. Flexibility, 4. Resource commitment, 5. contractual risk
Y: 1. Investment Risk, 2. Resource commitment , 3. Flexibility , 4. Control, 5. contractual risk
Z: 1. Flexibility , 2. Investment risk, 3. Control, 4. Resource commitment, 5. contractual risk

Appendix D- Data set for investigating sequencing and combination of entry modes (Chen 2005, Page 130)

Entry #	Entrant	Home country	Host country	Projects	RO	JV company	Branch company	SV company
1	Bilfinger Be	Germany	USA			●		●
2	Bilfinger Be	Germany	China	●		●		
3	Black & Ve	USA	China		●			●
4	Bovid Lend	UK	Belgium	●			●	
5	China Harb	China	Singapore			●		●
6	Chiyoda	Japan	Singapore	●				●
7	Clough	Australia	Indonesia	●				●
8	Construtor	Brazil	Angola	●				●
9	Construtor	Brazil	Argentina	●				●
10	CTCI	Taiwan	Hong Kong			●		●
11	CTCI	Taiwan	China			●		●
12	CTCI	Taiwan	Malaysia		●			●
13	Enelpower	Italy	U.A.E.			●		
14	Enelpower	Italy	Brazil			●		●
15	Gammon	Hong Kong	China				●	●
16	HOCHTIEF	Germany	Brazil				●	●
17	HOCHTIEF	Germany	Poland			●		●
18	HOCHTIEF	Germany	Australia			●		
19	JGC	Japan	Indonesia			●		
20	Kajima	Japan	Singapore	●				●
21	Kinden	Japan	HK		●		●	
22	Leighton	Australia	Singapore	●			●	
23	Leighton	Australia	Thailand	●			●	
24	Obayashi	Japan	USA			●		●
25	SembCorp	Singapore	China			●	●	
26	Shimizu	Japan	USA		●			●
27	Shimizu	Japan	China		●			●
28	Shimizu	Japan	Taiwan		●		●	●
29	Taikisha	Japan	Singapore				●	●
30	Taikisha	Japan	HK		●			●
31	Taikisha	Japan	HK		●			●
32	Takenaka	Japan	Malaysia		●			●
33	Takenaka	Japan	Indonesia		●	●		
34	Takenaka	Japan	Singapore		●		●	
35	Takenaka	Japan	China	●	●	●		●
36	TRACTEBI	Belgium	Poland				●	●
37	Zublin	Germany	China	●	●	●		●