

DUBAI’S ECONOMIC ENVIRONMENT AND BUSINESS DIFFERENTIATION

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ABSTRACT

This paper discusses issues of the economic environment in connection with organizational high-quality (differentiation) strategy and business orientation. The specificity of the cutting-edge high-tech business environment based on knowledge enables enterprises to orient with greater confidence towards a strategy of high quality of the offered products and services. The purpose of the report is to present and analyse elements of the business environment in Dubai, serving as a prerequisite for the implementation of the strategy of high quality. An example of the relationship between the high-tech environment and the vision of consultants and managers regarding the strategic issues of the development of the organization and the offering of high-quality products and services is presented. The specific business environment makes it possible to focus on specific areas in which the entrepreneur has competencies and can secure a target customer group showing interest in a differentiated product or service.

KEYWORDS: *business development, business environment, differentiation strategy.*

DOI: 10.24818/IMC/2022/03.06

1. INTRODUCTION

The modern business environment confronts organizations with a number of challenges that require correct and timely strategic moves. However, there are times when the management of the organizations cannot deal with the situation on their own due to the influence of the business environment. In such cases, competent support from business consultants or other organizations such as science parks, business incubators and others is usually resorted to. In the process of providing qualified assistance, the consultants determine the goals and tasks to be solved, evaluate the alternatives, look for ways to optimize the ways to achieve them and determine the necessary resources. It is natural that these aspects of the study should be agreed with the management of the client organization, then its strategy and plan should be formed (Papazov & Mihaylova, 2015). Similar practices can be observed in several countries around the world, including the UAE. Studies and analyzes show that some of them, in particular Dubai, can become a centre of excellence for various types of business.

The Emirate of Dubai is an economically driven destination and a world leader in research and development, technology, logistics and financial services. One of the main reasons for this is that its business environment predisposes to the creation and development of various types of business – from small to large. The specificity of such a business environment enables organizations to follow a strategy of high quality of the offered products and services. Enterprises with a higher degree of competitive pressure and a higher intensity of transfer of leading international practices put more effort and resources into managing customer relationships and offering high-quality services and

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products (Stanimirov, Zhechev & Stanimirova, 2016; Zlateva, Velev & Galabov, 2020; Stoencheva, 2020). The question arises, what is the relationship between the avant-garde business environment and the strategy applied by the companies operating in it.

The analysis of the more essential specifics of the cutting-edge business environment in the Emirate of Dubai are presented in this publication. Such connections between the specifics of the business environment and the strategy of high quality are still relatively rarely discussed in theory and practice. The purpose of the report is to present and analyse those elements of the business environment in Dubai that are a prerequisite for the implementation of the strategy of high quality. The ideas are illustrated with an example of the points of contact between the high-tech environment and the vision of consultants and managers in relation to solving strategic issues of the organization's development, including the offering of high-quality products and services.

2. SPECIFICITY OF THE BUSINESS ENVIRONMENT IN THE EMIRATE OF DUBAI

A proper business environment is a key factor for success and growth, both at the macro (state)- and microeconomic level (Blagoev, 2022). The state contributes a lot to its construction through formulating a well thought-out economic policy and realizing it with the help of goal-oriented plans, programs, and projects.

In this connection, it is worth mentioning that the UAE Ministry of Industry and Advanced Technology launched a special strategic document, known as the 300 billion Project (Teller Report, 2022). This should be the largest and the most comprehensive plan for developing the industrial sector of the country and enhancing its contribution to stimulate the national economy. The name of the program stems from the idea to raise the contribution of the industrial sector to the GDP from currently 133 billion dirhams to 300 billion dirhams by 2031.

With the launch of the Project, the Ministry of Industry and Advanced Technology seeks to increase the effectiveness and sustainability of the stages of the production cycle and supply chains by strengthening the research and development system and the system of specifications and standards for the industrial sector that provide quality infrastructure as well as implementing sustainable manufacturing policies that reduce resource consumption and support efforts for climate action and achieving carbon neutrality.

The Project development is built on six main objectives, some of which are as follows (ICP Strategy 2022, 2022):

- Creating an attractive industrial environment for local and foreign investors.
- Stimulating the growth of national industries as well as enhancing their competitiveness.
- Stimulating innovation, adopting advanced technology to upgrade industrial systems and solutions, raising the level of production, and creating competitive advantages in new areas.
- Laying solid foundations that contribute to strengthening the country's position as a leading global destination in the industries of the future.
- Creating ability for innovations within the institutional working milieu.
- Ensuring the provision of administrative services so that they meet the standards of quality, efficiency, and transparency.

As for the sectoral orientation of the Project, efforts will be directed to several vital industrial sectors concentrated in three lanes:

- Stimulating and strengthening the economy through vital industries, through sectors.
 - Food and beverage products and agricultural technology.
 - Medicines and pharmaceutical products.
 - Electrical and electronic equipment.
 - Advanced Manufacturing.

- Raising the level of industrial productivity in sectors:
 - Chemical products.
 - Rubber and Plastics
 - Machines and the equipment.
- Creating a competitive environment incubating the industries of the future, across sectors:
 - Space technology
 - Medical Technology
 - Hydrogen

The role of the micro (business) environment in crafting different types of innovative strategies of organizations has also been the subject of various studies (Prajogo, 2016; Savrul, Incekara & Sener, 2014). The business environment influences the corporate development and financial sustainability of companies (Bistrova, Lace & Kasperovica, 2021).

The specifics of the business environment in the Emirate of Dubai stem from the fact that Dubai is an important tourist destination, a key port, as well as a financial center. The emirate is developing rapidly, especially in the field of services (in all their varieties) and information technology. Evidence for this is contained in Table 1.

Table 1. GDP contribution as constant prices and economic activity

Indicators	Growth rate (%) by years		
	2019	2020	2021
Activities of households as employer	2.8	0.6	-11.1
Mining and quarrying	0.0	-0.1	-6.7
Public administration and defence	0.1	1.6	-2.6
Construction	1.2	-4.0	-1.1
Information and communication	0.3	-1.8	-0.5
Agriculture, forestry and fishing	-0.2	3.5	0.0
Education	5.8	0.7	0.5
Human health and social work activities	5.9	-1.3	1.6
Financial and insurance activities	0.2	4.4	2.9
Manufacturing	0.3	0.1	3.5
Administrative and support service activities	5.6	-11.0	5.4
Electricity, gas, and water supply; waste management activities	0.4	-12.5	5.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	3.2	-15.0	6.1
Professional, scientific and technical activities	2.6	-10.8	7.1
Transport and storage	4.7	-36.2	8.3
Other service activities	1.0	-7.7	8.7
Arts, entertainment and recreation	0.8	-52.0	9.5
Real estate activities	7.5	-6.8	20.0
Accommodation and food service activities	2.5	-36.4	38.1

Source: Dubai Statistics Centre, 2022

Some main tendencies in Gross Domestic Product contribution as constant prices and economic activity, can be seen on Figure 1.

The more essential specifics of the business environment in Dubai, which are key to offering high-quality products and services, and hence the formation of a well thought-out business strategy (VisitDubai, 2022), can be summarized as follows:

- **High technological development** is among the main characteristics of the business environment in Dubai. For this reason, it is becoming a prime destination for companies conducting research

and development (R&D) in a number of emerging sectors, including artificial intelligence (AI), robotics, blockchain technology, transportation, biotechnology and green energy. Over the past ten years, Dubai has developed strong business relationships with entrepreneurs from all over the world and fosters collaboration and creativity in the field of new technologies. An example in this regard is the developed "eBusiness Residency", which allows entrepreneurs to create virtual companies in Dubai, regardless of where in the world they operate.

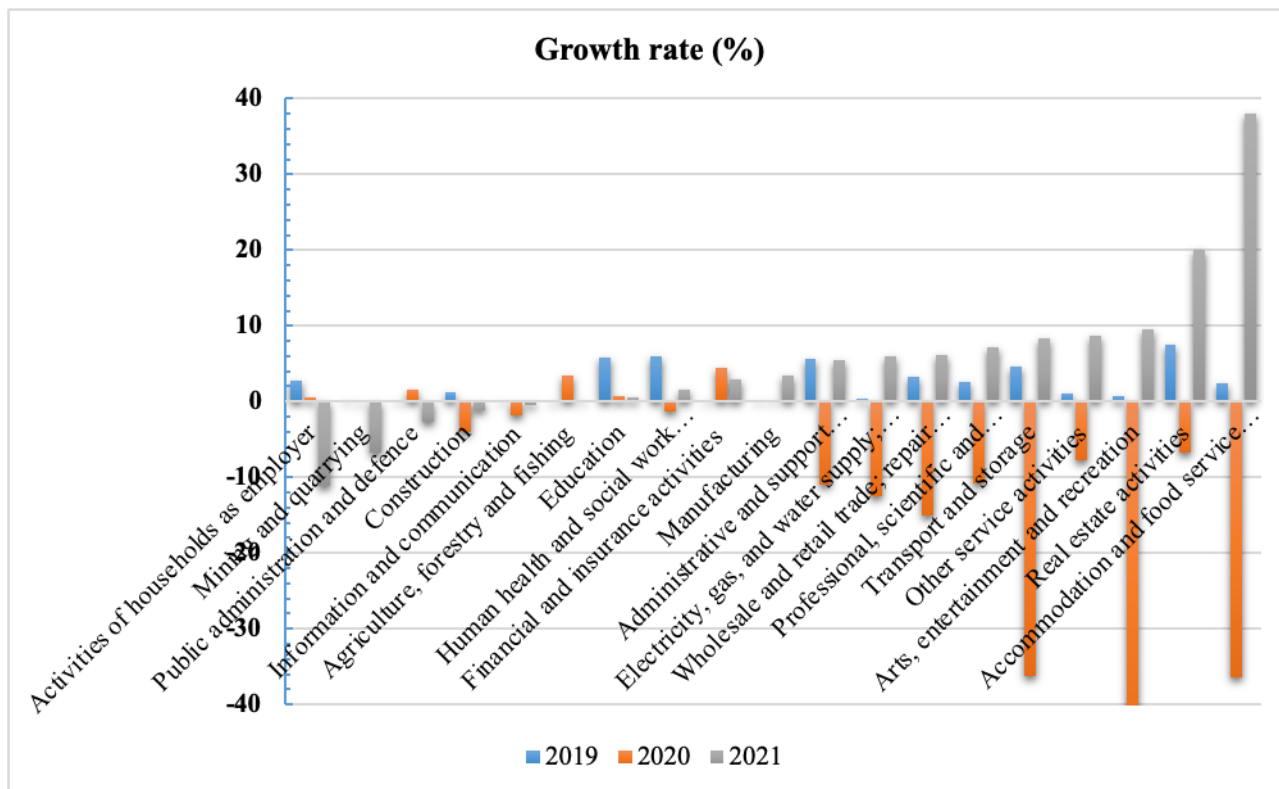


Figure 1. GDP contribution as constant prices and economic activity

Source: Dubai Statistics Centre, 2022

- Another key advantage in Dubai is the **establishment of "X Labs" in the public administration and some state-owned enterprises**. A "Dubai 10X" project has been developed and is being implemented, the goal of which is the anticipatory development of state structures. „X Labs“ aims to move Dubai ten years ahead of other cities around the world in areas such as technology, public administration, healthcare and education. The Dubai 2021 Strategic Plan foresees to strengthen the city's role as a global hub for business, supported by a strategy for economic diversification, innovation, and socio-economic development initiatives. The project is oriented towards new strategic solutions for business organizations. This will enable increased productivity by restructuring existing systems in organizations, including organizational and hierarchical changes. With a view to significantly improving services, the government will update regulations and methodologies. This will allow all government entities to work with innovative companies and start-ups specializing in the development and implementation of the latest technologies. In this way, the administration is expected to significantly improve its services and thereby help the development of cutting-edge business ventures.
- **Positioning Dubai as a global leader in capital flows and greenfield foreign direct investment projects** is another key feature. Analyses show that in the first half of 2019, Dubai ranks third in the world for attracting foreign direct investment. This result was achieved through sensible investment decisions. From 2015 to 2018, the emirate attracted a total of US\$21.6 billion for

investments in artificial intelligence and robotics alone. To date, this is the highest amount recorded in the world for this sector. According to the Financial Times, foreign direct investment marks the highest value both in terms of capital flows and the number of greenfield projects. An interesting example in this regard is the Emirates Mars Mission project related to the study of the planet Mars. Several cutting-edge facilities such as the Mohammed bin Rashid Space Centre have been built within its framework. The centre is at the heart of the Emirates Mars mission, which aims to launch the Mars Hope probe into orbit around the red planet.

- **Initiation of Dubai Future Foundation** with the aim of enhanced economic growth. The foundation was launched in 2016. Its activities are linked to developing the future of the city through a number of programs designed to share knowledge, create and support future leaders and develop the economy of the emirate. With the help of this foundation, the region's first partner centre for the Fourth Industrial Revolution was created, launched in cooperation with the World Economic Forum. The Centre's mission is to develop the tools, build the applications, and issue the global governance protocols and policy frameworks to support the development of technologies of the fourth industrial revolution with an emphasis on precision medicine, artificial intelligence, machine learning, and blockchain technology.
- **Availability of free zones** that provide freedom and support for accelerated growth of enterprises. The Dubai Free Zone model demonstrates the capability and flexibility to serve companies from the Fortune 500 (annual ranking of USA's largest companies) such as Microsoft and Cisco, to start-ups and small businesses that make up more than 94% of the UAE's economy and 86% of the private sector workforce. Dubai Free Zones offer a business model that does not require a local sponsor or agent, as well as some other unique regulatory mechanisms tailored to the specific needs of the industry.
- Establishment and development of the Dubai Science Park. The facility hosts leading companies from all over the world. The Dubai Science Park offers crucial support for laboratories, offices and warehouses and attracts international companies such as the Dutch Jotun – a world leader known for its paints and coatings. The Dubai Science Park supports innovation by providing the right enabling environment to foster growth and development in the pharmaceutical, health and SPA services, as well as life, human, plant, materials, environment and energy sciences. The built infrastructure and the joint business environment contribute to the rapid success of the enterprises, and from there – to the improvement of the standard of living of its inhabitants.

The presented specifics of the business environment in Dubai create prerequisites for enterprises to orient their strategy in the direction of production and supply of high-quality products and services, including claiming leadership positions in the market of differentiated products. Strategic leaders are interested in how to create the best value for their stakeholders (Năstase, 2010), and from there – how to conduct business communication with them (Pepur, Kukuz & Hrga, 2022).

All this is a basis for further in-depth studies of the relationship between the specifics of the business environment in Dubai and the specific strategic orientation of enterprises. The next paragraph presents an example of the influence of the Dubai Science Park as an element of the business environment on the creation and development of innovative enterprises with high quality products and services.

3. THE DUBAI SCIENCE PARK: AN EXAMPLE OF THE RELATIONSHIP BETWEEN SPECIFIC BUSINESS ENVIRONMENT AND CONCRETE STRATEGIC ORIENTATION

This publication presents an example of good practice: the Dubai Science Park and its related activities and organizations. Of course, not all aspects of business relations can be covered but those of them that are relevant to the specific strategic orientation of enterprises in this park are affected. Dubai's dynamic business environment drives innovation and creativity through a range of products and services targeting the needs of global and regional industry giants, including Pfizer, Medtronic,

Olympus, Mettler Toledo and First Solar. Dubai Science Park is the region's leading centre research and development, innovation, and science. It is situated in a beautifully landscaped environment that provides the ideal atmosphere and working environment for researchers, scientists, etc. This park is oriented towards the future of healthcare, innovation and research and development through Arab Health 2022. Arab Health 2022 is a specialized exhibition for disposables, healthcare and general services, healthcare infrastructure and assets, IT systems and solutions, imaging and diagnostics, laboratory, medical equipment and devices, orthopaedics and physiotherapy, rehabilitation, pharmacy, health and dietetic nutrition (Dubai Science Park, 2022).

Dubai Science Park is focused on science and the high quality of products and services. The park covers more than 400 companies and 4,000 professionals working for international corporations and SMEs in the science, energy, and environment sectors. The business district highlights the emirate's growing attractiveness for global life sciences companies that create high quality products and services, following a high-quality (differentiation) strategy.

In 2021 the Dubai Science Park experiences a notable growth in sectors like medical devices and pharmaceuticals. Of the 400 companies covered in the Dubai Science Park, 50% are SMEs and start-ups, a remarkable increase of 40% in 2021 compared to the previous two. Almost 50% of new registrations in 2021 are of start-ups, confirming Dubai's global reputation as a hub for start-ups and the Dubai Science Park as a top choice for businesses in vital sectors such as medical and SPA services and pharmaceuticals. There is continued business interest from European and Asian consumers in high-quality products and services.

The creation and development of the Dubai Science Park is indicative, for example, of realizing the UAE's transformation to a next-generation pharmaceutical manufacturer in line with the Operation 300bn Industrial Strategy. It is related to supporting the growth of medical tourism, innovation, and production in the field of health care. In these areas, three R&D centres are expected to open in 2022, including a global research centre for herbal health products from India's Himalaya Drug Company, a complex for experimentation with new flavouring ingredients from Switzerland's Firmenich, and a regional headquarters for Norway's Jotun Chemical Company.

The Dubai Science Park plans to participate in expert research forums in the UAE related to healthcare in the region. A similar forum is The Future Health Summit, which brings together over 150 senior government health officials, CEOs, and experts from around the world. The Emirate is considered to have developed an environment that is highly conducive to enabling medical innovation and establishing itself as a global life sciences destination with state-of-the-art infrastructure, modern laboratories, and manufacturing facilities. This is part of the Dubai Science Park's strategy to create an economy based on knowledge and innovation. Knowledge-based economy sectors in Dubai are related to the information and communications sector, education sector, professional, scientific, and technological activities, manufacturing industries (UAE Ministry of Economy, 2022), shown on Table 2.

Table 2. Annual average growth rate

Sector	%
Information and Communications	5.40
Education	5.60
Professional, Scientific and Technological Activities	1.90
Manufacturing Industries	4.20

Source: UAE Ministry of Economy, 2022

The Dubai Science Park has succeeded in building a value chain based on engineered business ecosystems. For example, synergistic relationships between hospitals, healthcare companies, healthcare technology companies, scientific institutes are encouraged (Dubai Science Park, 2022). A platform is provided for the health science community, including networking events, industry

discussions and scientific panels. The region's first Greenlight for Girls event, which encourages young women to develop careers in science, technology, engineering, and mathematical analysis, is also linked to such a platform.

All of this is in line with the UAE's vision of creating a world-class healthcare industry of very high quality and supporting the implementation of national policy goals for successful start-up entrepreneurs. Providing comprehensive, high-quality care and treatment is critical to society in today's world. In this regard, the Dubai Science Park plays a leading role in developing the UAE's vision of a world-class healthcare industry, attracting state-of-the-art hospitals, doctors, pharmaceutical companies, medical equipment companies and others to provide support and rehabilitation to people in need. The aim is to empower people to take responsibility for their health and learn more about the causes and treatment of their illnesses.

For example, the Neuro Spinal Hospital focuses on diseases of the spine and together with the Radiosurgery Centre of the Dubai Science Park offers high-quality, next-generation healthcare in the region. Thanks to considerable medical experience and cutting-edge technologies, they successfully help patients with paralysis caused by diseases or accidents. The goal is to restore people's quality of life as much as possible. It is also tied to the understanding that business must be integrated is ethics and responsibility towards society (Nicolescu & Nicolescu, 2020).

The German company Ottobock SE & Co. KGaA, which works in the field of orthopaedic technology and is considered the global market leader in the field of prosthetics and one of the leading suppliers of orthopaedic products, wheelchairs and exoskeletons, creates innovative medical equipment that helps people maintain or regain their freedom of movement and has supported every Paralympic Games since 1988. Part of the company's strategy is to support important causes, including a collaboration with the Dubai Science Park. The communication strategy to raise awareness of the causes and treatment of paralysis aims to bring the business community together and explore new opportunities for innovation and high-quality products that can enable people with disabilities to lead more mobile lives.

Surveys show that UAE has taken a significant step forward in its efforts to become a leading destination for the healthcare and medical industry. The Dubai Science Park houses some of the world's largest pharmaceutical and biotech companies, working alongside a growing number of start-ups and entrepreneurs exploring cutting-edge solutions in healthcare and related technologies.

The Dubai Science Park as an element of the business environment enables strategic partnerships between pharma, health and wellness and life sciences. The Dubai Science Park collaborates with business partners to expand the dialogue on important issues – for example the collaboration with Neuro Spinal Hospital, Ottobock and Roxy Cinemas regarding paralysis as a disease.

The relationship between the specific business environment and the strategic orientation of the business is essential for the success and growth of enterprises of different sizes and activities. The role of the Dubai Science Park as an element of the business environment in the development of various types of innovation strategies of organizations is tangible for all economic entities.

4. CONCLUSIONS

The challenges and specifics of the business environment allows conducting of different kinds of studies. One of these possibilities is related to the high-tech and cutting-edge elements of the business environment as a prerequisite for implementing the strategy of differentiation (high quality) in organisations. A similar relationship can be observed in countries with a high-tech level of economy, such as the Emirate of Dubai. The presented specific features of the business environment in Dubai and the practice of the Dubai Science Park are indicative of such a relationship. Positioning in the science park of large world-leading companies working together with a growing number of start-ups and entrepreneurs looking for cutting-edge solutions and technologies to produce high-quality products is essential. The specific business environment

provides an opportunity to focus on specific areas in which the entrepreneur has competencies and can secure a target customer group for a high-quality product or service. Such a strategic move is considered successful, as customers relatively quickly orientate themselves to enterprises offering a product or service with high consumer value. By implementing high-tech and cutting-edge business solutions, businesses can justify higher than industry average prices, taking into account the specific advantages they possess.

ACKNOWLEDGMENT

The publication is part of the project 2022-BM-01 “Study of regional potentials for the development of socially innovative ecosystems in the context of digital transformation” funded by the National Scientific Fund/University of Ruse, Bulgaria.

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