

The Opportunities and Challenges of Global Business: Case of Siemens Power Company, Oman

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ABSTRACT

This paper examines Oman's global business environment through a variety of aspects, encompassing economic, political, social, and cultural. It addresses the topic of globalization's external forces and how they affect businesses in Oman, emphasizing the value of managing risks and gaining strategic advantage, pursuing new growth opportunities, getting access to cheap labor and raw materials, making investments in global connections, and growing economies of scale. The currency exchange rate, inflation rate, tax implications for international trade, national GDP, and per capita income levels are all covered in the economic study of Oman. The paper additionally glances at Oman's political, social, and cultural environment and how those factors impact transnational corporate activities. The conclusion offers suggestions for companies looking to break into the Omani market. Secondary sources, including scholarly journals, business reports, and government publications, served as the foundation for the research methods followed in this study.

Research Questions

- 1- What opportunities and challenges do Siemens Power Company's activities in Oman present in the context of the global business environment?
- 2- What is Oman's economic environment, and how does it impact the global operations of businesses like Siemens Power Company?
- 3- What is Oman's political, social, and cultural context like, and how does it affect global trade?

Research Objectives

- 1- To identify the potential and challenges that the Siemens Power Company has encountered in the international business climate, with an emphasis on its activities in Oman.
- 2- To evaluate Oman's economy and its effects on global trade, especially as it relates to firms like Siemens Power Company.
- 3- To explore Oman's political, social, and cultural landscape and how it affects global trade.

Research Methodology

The study "THE OPPORTUNITIES AND CHALLENGES OF GLOBAL BUSINESS: CASE OF SIEMENS POWER COMPANY, OMAN" employed a thorough evaluation of secondary data sources as part of its research methodology. The approach of gathering data involves a thorough search of the scholarly literature as well as relevant news narratives, industry publications, government reports, and industry publications. The data was organized and classified into pertinent themes and patterns before being subjected to a content analysis examination. The study's goal was to present

a thorough examination of the globalization's driving forces from a global perspective, Oman's economic situation, and the political, social, and cultural elements that influence foreign trade in Oman. Additionally, the study's limitations were taken into account, and suggestions for additional research were given.

Background Information

Werner von Siemens and John Halske established the German corporation Siemens in 1847 as a telegraph business. In more than 190 locations worldwide today (Siemens, 2022), Siemens employed more than 377,000 people, of whom 30,000 were engaged in research and development with generated revenue of 83.0 billion and net income of 6.2 billion. Energy, healthcare (Siemens healthineers), industry infrastructure, and most recently, electronics and power, make up the company's decentralized structures. In Oman (Barka and Sohar), the business is currently building two combined-cycle power plants (Macrotrends, 2022). According to McKinsey (2016), In recent decades, the globalization of economics, politics, cultures, and social has been a major trend. The current study establishes a formal framework that emphasizes the drivers of globalization. The study also offers an empirical evaluation of the globalization-related driving forces in international corporations like the Siemens Power Company in Oman. The data sources that will be used by the researcher are secondary sources with reference to the given case study to achieve the objective of the paper which include e-books, electronic journal articles, books, press news and reliable websites.

Discussion

International Drivers' Framework of Globalization

"Globalization" is frequently explained in terms of incremental growth, which is a more or less progressive process that begins with increasing exports or global sourcing, is accompanied by a minor worldwide presence, develops into a multinational corporation, and finally becomes a worldwide attitude. According to Lutkevich (2022) The expansion of the movement of financial goods, services, technologies, knowledge, and jobs over country boundaries and cultural boundaries can be described as globalization. As stated by Kluyver (2021) In terms of economics, it refers to a global interconnectedness facilitated by free trade. When well planned, expanding abroad is a growth strategy that entails entering new international markets and can boost profitability, lower risk, and accelerate corporate growth. Globalization is a key aspect in the company's strategy to dominate the field of electrical and electronic engineering, which has its headquartered in Germany. In light of the case study, Siemens Company, this section of the article will address the following international business drivers of globalization:

Balance Risks and Gain Strategic Power

Because globalization is required once the economy has reached a certain level of development. The company needs to have confidence in global growth and strengthen its risk-avoidance capabilities if it wants to avoid being eliminated from the competition in the market (You, 2014). Due to the dynamic and complex nature of the global risk, it is crucial for businesses to develop comprehensive risk-avoidance strategies that will allow them to anticipate potential threats to their operations in advance and effectively manage them. As a result, businesses can manage risks by expanding into multiple market segments. A financial crisis may have a positive impact on another market if it negatively impacts one. The risk of the crisis' repercussions on a company's finances will be lower when activities are spread out globally than it would be otherwise.

Search and Identify New Global Growth Opportunities Through New Markets and Customers

Generally, a company's ultimate goal when attempting to grow into an international market is to generate revenue and increase earnings. Entering new markets may be a great chance for businesses to make use of their strengths and provide value to the organization. Global strategies are more important than ever because to the rising competition in global marketplaces. In addition to dealing with reduced cost demands, a corporation must also deal with pressures for local adaptation and the need to adapt to variations in customer preference while formulating a strategy. Companies must look for new prospects for global expansion through new markets in order to get more clients and a better position in the industry (Lutkevich, 2022). In the context of the case study, Siemens seems to have a long record of success engaging in emerging nations, having fostered growth in nations like Egypt and Vietnam. With its robust financial position and very well infrastructures, the company can profitably enter new areas. Siemens found a new opportunity to win over its the competitors through taking the chance to expand its business activities globally through Qatar world cup 2022 (Neuhof, 2012). Since the company already is active in more than 200 countries worldwide and being one of the world's largest producers of energy and technology the company seeks to expand its business operations beyond the 200 countries. With the acquisition of a deal worth and over €100 million for a rail corridor on the college campus of the Qatar Foundation, Siemens has made a successful start in the competition with its rival for orders (Chiffey, 2022). Construction and delivery of power plants and electrical distribution networks have historically been the German company's key priorities in Qatar, however that is beginning to change. Siemens (2015) stated taking an example of Qatar's government utility, Qatar General Water & Electricity Company, has given Siemens a significant contract "KAHRAMAA". Siemens will provide 18 complete power stations as part of a larger initiative to extend Qatar's electricity distribution infrastructure, helping to meet the country's rising electricity demand. In order to achieve the nation's objectives for a victorious World Cup in 2022 and the Qatar Government's vision for 2030, Siemens' technology is assisting KAHRAMAA with continual enhancements to its infrastructure. The project is expected to be finished in 2017, and the deal is worth €470 million.

Access Low-Cost Labor, Raw Material Which Contribute to Profit and Lower Operating Expenses

Lutkevich (2022) argues that businesses may now obtain cheaper natural resources and manpower owing to globalization. They are capable of producing goods at cheaper costs and market them internationally as an outcome. Globalization's proponents contend that it has a positive impact on the globe in a variety of ways Using Siemens company as an illustration, easily accessible to less expensive raw material and labor has a favorable influence that may be linked to globalization. The firm established a few retail locations in emerging areas on many continents, including Asia, Europe, Australia, and America. The organization was able to obtain a workforce that was competent yet affordable, varied by location, and made use of a variety of easily available supplies as a consequence. To add on, Siemens has worked on acquiring C&S electric which is in India, that provides electrical and electronic equipment for infrastructure to as a low-cost supplier business. They accessed the Indian market since the labor cost is cheap as well as the raw material (Studycorgi, 2022).

Access International Key Customers and Invest in New Relationships Like Joint Venture

According to Safina (2020), Global joint ventures may be an excellent international business strategy. They give businesses access to global markets, technologies, and manpower. Companies aiming to extend their product lines into new areas may form joint ventures with partners who may make up for their limitations with complementing strengths. Due to possible ties, businesses frequently expand internationally in order to create joint ventures. Nowadays, many businesses want to establish joint ventures as a stepping stone to foreign markets since they facilitate smoother global commerce. The global partner offers expertise on the market environment, local laws, and cultural

norms. Joint ventures with internationally renowned companies have helped to consolidate Siemens position as an industry leader. For example, in 2020, Together with Macquarie, Siemens launched an energy-as-a-service business. Both businesses were able to break into the highly cutthroat business renewable industry because to their combined efforts.

Expanding Economies of Scale in Areas Including Production, Research and Development and Marketing

Economies of scale are cost reductions that a business (and, by implication, its clients) may experience as a result of effective production methods. These potential savings are often made possible by the fact that the average cost of production decreases as production volume rises. Economies of scale, which indicate the cost reductions and gain competitive advantage bigger organizations have over smaller ones, are a crucial idea for every business in any sector, especially when expanding globally (Kenton, 2022). According to the case study, in 2013, Siemens healthineers division used the approach economies of scale in India Mumbai. Thyrocare Technologies performs 100,000 screening procedures every night out of its laboratories in the suburbs of Mumbai, India, more than almost any other lab of a similar size elsewhere in the globe (Siemens, 2013).

International Business of Oman from Economic Point of View

The setting in which multinational corporations conduct their operations is referred to as an international business environment. Consequently, it is essential that those in managerial positions work on the elements that make up the global business environment (Bdc, 2022). As stated by Shaji (2017), The entirety of the elements that influence a nation's appeal to international firms is referred to as the economic environment. One country may have a substantially different economic climate than another. Frequently, nations are categorized into one of three groups: rapidly industrializing, less developed, or third world, and developing economies. Another important factor that has a direct or indirect impact on foreign trade is the nation's economic environment. The country's economy shows how well-suited the nation is to promoting international trade. A framework or any other structure that encourages international trade is less likely to be facilitated by countries with lesser GDP (Bhattacharjee, 2020).

Currency Exchange Rate

According to Eastern Washington university (2022), in the context of globalization, currency exchange is a crucial component of the international economy. Governments and central banks frequently use important processes to decide how much their native currency will trade for the currencies to which it is tied. Supply and demand are likely the main drivers of changes in floating exchange rates. The exchange rate of a currency will rise if that currency is in strong demand in another nation. However, a wide range of other sociological, economical, and political variables can also influence exchange rates. Such include variations in the gross domestic product (GDP), rates of unemployment, GDP rates, degrees of peace and stability, and natural catastrophes and conflicts. In a manner similar to trading in stocks or commodities, currencies may also be exchanged. Value may be impacted through trading as well as by deliberate deception by government or central banks (Eastern Washington university, 2022).

Inflation Rate

According to studysmarter (2022) The worth of money at any given period is reflected in inflation. In any economy, it is a normal occurrence, however the government prefers to see low inflation than large inflation. The overall rise in the prices of goods and services over time is known as inflation. The Consumer Price Index can be used to measure it

(CPI). Regarding consumers, inflation can lower their real income and buying power, which will leave them with much less money to spend on products or services. Additionally, customers may pay more for items as a result of inflation. Meanwhile, inflation may affect businesses positively and negatively. Improved earnings and profits, more options for borrowing money, greater investments in business expansion and development and higher productivity and production are all advantages of inflation. Decreased demand for products and services, declining profits and output, a decline in the demand for exported commodities, increased bond payments, and the danger of company bankruptcy owing to excessive speculation are all consequences of inflation. Therefore, global business operation and consumer worries that USA's inflation rate—now at a 40-year peak continue elevated long through 2022 are growing as a result of the confluence of Russia's war of Ukraine and additional COVID-19 shut downs in China. The scenario in Ukraine increases the likelihood of price volatility related to food and energy which is in the case of Siemens company, while restrictions in China are expected to make it more difficult to address supply chain problems. Up until now, price increases have mostly been caused by certain supply chain problems that will probably be fixed over the next six to twelve months. There is cause to believe that firms can beat inflation in the meantime (Deloitte, 2022).

Tax Implications on Foreign Trade

Corporations are subject to a variety of taxes, such as company tax, insurance contributions (paid with employees), and income tax. Taxation is computed based on a firm's profitability. Therefore, a company may lower its tax burden and boost profitability by establishing an effective tax policy. As stated by Studysmarter (2022), businesses will be significantly impacted by any tax changes. For instance, a rise in income tax will make less money available to consumers. As a consequence, there will be less money available for customers to purchase products and services, which will reduce consumption and sales earnings for the company. Less money coming in might prevent the company from investing in new equipment or other financial expansion and growth plans. If demand keeps declining, the firm could not have sufficient cash to support its daily needs and close its doors.

National GDP and Per Capita Income Levels

A popular indicator for assessing a country's average earnings is GDP per capita. According to this metric, average earnings increased in a manner that was comparable to that of global markets. Because technical advancement in the prior to the industrial revolution era created more people than affluence, the global GDP per capita experienced negligible development for hundreds of years. But this significantly altered throughout the 19th century, concurrent with the first wave of globalization (Ospina, 2017). Oman is significantly reliant on its oil and natural gas reserves, especially, relying on changes in commodity prices, may produce anywhere between 68% and 85% of the country's revenue. Based on the CIA's World Factbook, Oman's budget shortfall decreased to 12% of GDP in 2017 as a result of the country cutting back on government subsidies. In 2016, lower global oil prices caused Oman's budget deficit to reach \$13.8 billion, or almost 20% of GDP. While pursuing a development strategy that concentrates on diversifying, industrialization, and privatization with the aim of lowering the proportion of the oil industry to GDP, Oman is adopting improved oil extraction methods to boost output (StatisticSouthAfrica, 2017). Healthy GDP growth enables businesses to recruit more staff and manage to offer decent wages, this encourages customers to spend more on products and services. Strong GDP growth gives businesses the confidence to invest more, and development creates the groundwork for future economic success. The converse is true when GDP growth is incredibly low or the economy enters a recession (employees may be laid off or paid less, and businesses may be unwilling to invest).

The Environment of International Business of Oman from Political, Social and Cultural Perspectives

The term "international business" describes the exchange of products and services on a global scale. Additionally, it is known as the "globalization of trade." The surroundings in which multinational corporations do their business are referred to as an international business environment (IBE). It is essential to the growth and advancement of a country (Bhattacharjee, 2020). A variety of factors are involved in an international business environment (IBE), including political concerns, cultural differences, and legal and taxes concerns. As the international business environment is vital to a nation's economy, it is imperative that those in managerial positions focus on its components (Shaji, 2017).

Political

As stated by Allianz trade (2021), The political environment in international and global business refers to a variety of political variables and governmental operations in a global market that can help or harm a company's capability to carry out its operations there. When doing business internationally, there is frequently a significant level of uncertainty; this risk is repeatedly alluded to as political risk. Depending on the country, in this example Oman and Siemens, there are several common political issues that may have an impact on the company's worldwide business operations. The foundational prerequisites for fostering the creation and expansion of successful firms include peace and political stability. Under Sultan Qaboos bin Said al-Said's leadership, Oman's political structure maintained comparably steady, creating a favorable business environment for both domestic and foreign companies for more than 30 years. Despite the absence of a democratic system, the Sultan has kept the risk of political upheaval low by steering the nation down a sound economic path with an emphasis on developing strong infrastructure and offering respectable public services (Rynhart & Buckley, 2011). The uncertainty surrounding the long-serving previous Sultan's successor is perhaps the greatest issue that could undermine the political stability of a nation that has long been regarded to be one of the most stable Gulf States. The Sultan had no clear successor, and the procedure for choosing a replacement is unorthodox and obviously untried. However, when the past sultan passed away, the choosing of the new sultan of Oman Haitham bin Tariq Al-Said was so steady and stable which kept the nation in peace. According to the global economy indicator, the political stability index, since 1996 till 2021 Oman is one of the top 20 countries that is politically stable in Asia with rank of 12 and globally 64 with a percentage of 60.85 % (Trading economics, 2022).

Social and Cultural

As mentioned by Salacuse (2005), Cultural awareness is necessary in today's globalized market. Multinational and cross-cultural groups have become increasingly prevalent as more organizations expand and the global economy opens to small enterprises. This implies that if businesses want to flourish globally, it is more important than ever for them to comprehend the culture of their foreign market. Deals made globally span not just political boundaries but also cultural boundaries. Culture has a significant impact on how individuals think, interact, and act. Additionally, it influences the nature of their transactions and how they are negotiated. When doing business globally communication is crucial, and is considered to be the distinction between success and failure of the company. When assessing communication, any linguistic hurdles that can obstruct communication with the business should be taken into account initially. Speakers are also exposed to many cultures and behavioral norms because to their language abilities. Learning another language helps multinational firms like Siemens that work with customers, vendors, and workers all over the world overcome cultural divides and strengthen the human bonds that are the foundation of successful commercial relationships (ElSayad, 2018).

Conclusion and Recommendations

To conclude, the international business environment (IBE) is concerned with the framework of the international trading activity as a result of the globalization of business, regardless of size or industry. Due to the fact that global organization are not able to operate in recognizable surroundings but instead in the context of an international business

environment, there are numerous issues in international business and the impact of on how firms are doing their global operations, such as the economic policies of for example tax rate of a specific nation, linguistic barriers, cultural barriers such as religion and holiday timing (Christmas and Ramadhan), and higher complexity of uncertainty. Despite numerous problems, the global business environment offers many advantages, including the development of new technologies, infrastructure, management skills, the creation of employment, the provision of improved services, and the ability to attract foreign investment capital by exporting goods. Therefore, in the case of siemens, in order to adapt to the global business environment and identify susceptible regions, siemens and global corporations should get engaged in information collecting on all environmental aspects worldwide. It should anticipate a better setting and the use of best practices economically, politically and socially.

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