FRANCHISE RELATIONS IN THE GULF REGION: THE CASE OF THE ELEGANT SHOPLIFTER

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Abstract:
The following case concerns a spare parts shoplifter in a Mercedes Benz retail franchise. The reader must determine the suitable managerial and sales person's actions, while considering legal implications, security, and cultural and gender issues. The influences of culture, nationality, and religion in the Gulf Region and how these influences effect management are discussed.

EXECUTIVE SUMMARY

This case is a real-life situation, which occurred in Kuwait. Mohammed Al-Alezemi, one of the employees, witnessed the incident at the Mercedes Benz Spare Parts Showroom. He described it to his manager, who is one of the authors. The case involves a woman shoplifting from a retail franchise showroom in Kuwait. Shoplifting is on the rise in the Gulf Region and has become a major problem for retailers. The reader must consider the given issue to make a decision about how the shoplifting by a woman would be handled by management; what are the rights and responsibilities of the companies taking into account local law, cultural and religious rights, and the utilization of trained security. The role of culture, nationality, religion and its effect on management and human resources is discussed. It is important for franchisors to understand these differences before they enter this vast region with an abundance of middle class consumers. Human resource issues are dictated by the culture including work area procedures, ethics, policies, law enforcement methods, management and employee areas of responsibility, and religious practices and norms in the workplace,

ABSTRACT

The following case concerns a spare parts shoplifter in a Mercedes Benz retail franchise. The reader must determine the suitable managerial and sales person's actions, while considering legal implications, security, and cultural and gender issues. The influences of culture, nationality, and religion in the Gulf Region and how these influences effect management are discussed.

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Introduction

Before entering the Middle East, franchisors and their headquarters staff must first understand the differences between their culture and the countries in this area. While there is a natural tendency to generalize the overall culture of this region, there exits unique differences from country to country. It is important for the franchise to examine these differences, as it will effect the relationships between the franchisor and franchisee, as well as consumer behavior and attitudes that ultimately effect the success of the franchise. The franchisor may have to adjust their systems, products, and human resource policies to reflect these mores.

The Gulf Region

Culture. Residents of the Gulf Region are not strangers to contradiction and conflict. Idiosyncrasies, both ancient and modern, have shaped this region. Since the discovery of oil in the Gulf Region in the 1970's, the region has been in transition. The subsequent increases in revenue have resulted in drastic changes and significant industrialization within these countries (Abbasi & Hollman, 1993; Ali, 1990; Ali & Al-Shakhis, 1986). Contact with Western countries and corporations improved the standard of living in the Gulf Region through better education, improved healthcare, greater mobility, and increased communication (Ali, 1990; Ali & Al-Shakhis, 1986). Western thought often conflicts with Arab culture and religion. Industrialization, while welcome complicates the duties of managers who strive to achieve modern results while maintaining their traditional values. This duality is not new to the people of the Gulf Region. Contradiction is an inherent part of Islamic culture. For centuries Muslims have upheld religious ideals that conflict with political routine (Ali, 1990, 1993).

Nationality. In addition to religion, nationality probably has the next most significant effect on the Gulf Region. Saudi Arabians tend to be more conformist and have high structure needs compared to other Gulf Region residents. Predominately authoritarian management is the norm in organizations in Saudi Arabia. Kuwaitis are more tribalistic; they are submissive to authority and tradition. In addition, the Kuwaiti people have had more exposure to new ideas and Western culture than their counterparts from other Gulf Region nations (Ali, 1988). Kuwaiti organizations were the first to hire managers based on education rather than family connections (Yasin & Stahl, 1990). The Iraqi and Qatari hold more existential values and lean toward consultative management styles (Ali, 1988, 1989a). A pseudo-consultative management style is dominant in Kuwait. Managers in this region seem to value an appearance of consensus and consultation, but often make decisions without considering the discussions they facilitate (Ali, 1989b). Gulf Region managers under 30 years of age prefer more participate management techniques regardless of nationality (Ali, 1989b; Yasin & Stahl, 1990).

Management. Islamic culture shapes the region, and therefore the organizations that operate there. Passages in the Quran, the Islamic holy book, specifically address business transactions from spending habits to financial and management concepts. Different interpretations of the Quran are yet another source of contradiction and are the basis of differences in the culture (Ali, 1990).

Management style is one contradiction, which finds roots in differing Muslim sects. Authoritarian management is predominant in large organizations while consultative methods prevail in other arenas. Some Islamic sects prefer consultative methods of management, which is more consistent with tribalistic traditions (Ali, 1989; Ali & Al-Shakhis, 1986) while others prefer religious interpretations that promote authoritarian styles and encourage absolute authority of rulers (Ali, 1990). Early colonial possession of the region also set a precedent of authoritarian management (Abbasi & Hollman, 1993; Ali, 1990). These patterns find additional roots in the fundamental precepts of the Islamic religion, which encourage respect of elder family members and stress a father's authority within a family. Family members usually hold management and other key positions within organizations (Abbasi & Hollman, 1993). Additionally, family members often collect regular pay but are not required to work (Ali, 1990). Tribal-family traditions can further reinforce authoritarian management styles but often support consultative management techniques as well (Ali, 1989, 1990). Tradition dictates that a sheik follows rather than leads tribal-family opinion (Ali, 1993). Furthermore, consultative methods are proven to be more effective with multicultural workforces such as those that predominate in the Gulf Region (Enshassi & Burgess, 1991). However, management style in organizations located in the Gulf Region is in transition. Younger managers who have been educated at Western universities or those who work primarily with foreign corporations use participate management. They tend to encourage decentralization and teamwork. Participate management is not alien to the Gulf Region, but is more common among managers who work with Western organizations (Ali, 1993).

Tribal-family relations and religion effect other aspects of management. Managers from the Gulf Region tend to disregard rules and procedures as man-made prefects (Ali, 1993). They prefer flexibility, but are by no means risk-takers. Tribal-family norms and values encourage conformity and discourage creativity (Ali, 1990, 1993). Stability is highly valued in Islamic culture (Ali, 1990). Managers from the Gulf Region are rarely innovative; they prefer implementing someone else's plan to developing creative strategy (Ali, 1989, 1990). Other characteristics of Gulf Region managers include a tendency to avoid delegation and an inherent belief that centralization encourages respect (Ali, 1989). Understanding the culture, nationality, and management styles of this region are important for franchisors as it can effect all aspects of the franchising system, from product offerings and training.

The Country

Kuwait is a country the area of 6880 square miles, with a population of 1.9 million. Over 1.2 million live in the capital city (Russell, 2000). The neighboring countries are Saudi Arabia to the south and Iraq to the north. The official language is Arabic but English and Persian is very common. The country became independent of England in 1961. The government structure consists of the Emir as the chief executive of government and assisted by a Prime Minister and twenty men that are members of the royal family that serve on the Council of Ministers. An elected National Assembly makes recommendations and serves as a forum for discussion.

On August 2, 1990, Iraq invaded Kuwait. Seven months later, the war was over due to the United States, the United Kingdom, and other allies supporting the Kuwaiti troops. Today, there are few signs that the country had ever been invaded. The 700-plus oil wells that were torched by Iraqi troops have all been repaired. Almost everything has been rebuilt. For the most part, Kuwait City, the capital, is a picture of wealth (North, 2000). Kuwait has the fourth-largest oil reserves in the world, plus an estimated $45 billion in public savings invested abroad (Lynch, 1999). The people of Kuwait depend heavily on the income from oil. However, of the Persian Gulf states, Kuwait is the best positioned finally. It is commonplace to see Jaguars, Range Rovers, and Mercedes on the road. Upscale shopping malls offer Swiss watches, Italian suits, and other luxuries.

The Case

Al-Bisher, Inc. owns the Mercedes Benz franchise in Kuwait. The two largest dealerships are located in Kuwait City and Shuwaikh, Kuwait. The case in question describes events at the Mercedes spare parts dealership and showroom in Shuwaikh. Shuwaikh is a large port city, approximately 3.2 million square meters, which has just been modernized. Many new buildings have been built in the last few years, and the port has been enlarged greatly. This means that there are many more visitors and business people coming to Kuwait through the port of Shuwaikh. There are about 57,000 people living in this city.

The dealership itself is located in a large building on Al-Fares Street, with five other automobile dealerships located in the same neighborhood. The building is modern, with large glass windows, and is blue and gray. The sales force consists of 14 men, ranging from 25 to 55 years of age, and two managers, Mr. Mahmood and Mr. Fahimi. All salesmen and managers are required to wear gray suits with blue ties deemed Mercedes colors.

The inventory of the spare parts retail showroom in Shuwaikh had been experiencing shortages of expensive accessories. In light of this, the management had instructed the salesmen to be alert regarding suspicious customers. The specific instructions were if the sales people saw anyone who seemed to be acting strangely, who appeared nervous or asked for unusual requests, then they should be reported to management. In Kuwait, security alarm facilities are usually installed in the jewelry shops, but closed circuit television systems are not typically used in Kuwait, except in banks, as shoplifting and other forms of theft have traditionally been rare.

However, after the liberation of Kuwait from the Iraqi forces, shoplifting incidents and even armed robberies are on the increase.

One day Nora, an elegant-looking lady and regular visitor of the spare parts and accessories facility at the Mercedes showroom, visited with her child, aged about 5 years. She asked to look at a number of accessories, including some models of a Becker car stereo, one of the most often sought after consumer brands. The salesman brought the stereos and displayed them as she had requested. The showroom was unusually busy, and the salesmen were having a difficult time attending all the customers. Mr. Mahmood, who was the supervisor on duty, was also unavailable because he was managing the showroom. The lady examined the stereo, and then requested the salesman, Mr. Ahmed, to bring out some other parts, which required him to leave the counter for a short period of time. The other salesmen were busy attending to numerous other customers. However, Mr. Mahmood, while completing his routine customer checks, spotted Nora slipping the car stereo into her large bag. Mr. D'Souza, a salesman, also noticed the incident. He was warned by his manager to be on alert for potential shoplifters.

After selecting some minor spare parts for her stereo, the woman approached the register to pay the bill. Mr. Mahmood followed her to the cash counter to see if she was paying for the stereo and was surprised to note that she did not even mention the item to the clerk.

Mr. Mahmood confronted her, saying he knew she had a stereo in her bag, but she vehemently denied it. When Mr. Mahmood insisted that he check her bag, the woman started shouting at him and told him that he had no right to check a woman's personal bag. At this point, Mr. D'Souza, came and told her that he too had noticed her slipping the stereo into her bag, but Nora, the suspected shoplifter, was adamant and refused to allow her bag to be checked. The security officer hired by Mercedes was also present but was not able to do anything because in Islamic countries, the law does not allow a male to freely talk to a woman or to touch her belongings. This law is respected and followed in Kuwait. Breaking this law is a crime and a person can be arrested. However, the seriousness of the situation caused the cashier, Mr. Fadel, to call the police.

As the commotion grew, the other customers gathered around the area, some taking the woman's side and others just observing the commotion. Some of the customers were yelling that the woman in question was not a thief. Soon, the police arrived on the scene, and after hearing both sides of the story, decided to have the woman's bag checked.

The stereo was found in her bag. Nora strongly defended her innocence. She implied that her child without her knowledge might have put the stereo in her bag. The testimony of Mr. Mahmood and Mr. D'Souza that they had seen the woman slipping the stereo in her bag was sufficient for the police to take her to the police station. Upon interrogation, it was revealed that she had regularly been lifting valuable items, which she took back with her to Pakistan, her home. She could get a very good price for the items in Pakistan. Knowing Islamic religious laws, women are aware they usually cannot be stopped, checked and held by authorities very easily. It is relatively easy to shoplift at shopping malls, and other retail outlets. These shoplifters leave the country when their visa expires with their booty, which will fetch them large amounts of money in their home countries.

The police proceeded to search her house and recovered a variety of expensive items, such as jewelry and small electronic devices like the stereo. They were packed in suitcases, as the woman was going to leave for her country in a couple of days. She was immediately arrested and booked for larceny. She later was found guilty, served her sentence in jail, and permanently extradited from Kuwait.

Relevant Issues

There are a number of questions that are relevant for the reader to know the answers to that could effect franchising and the relationship between the franchisor and the franchisee. They are embedded throughout the case. The most obvious is the laws governing contact with women. Should the law be changed when the accused is a female? Should a female police officer be used when a woman is accused of a crime in Kuwait? Kuwait is an Islamic country where the culture is very well established and understood. Islamic law is the only governing law and civil law interfaces with Islamic law. Cultural norms are respected. However, there is a new generation that believes in equal treatment of women. Women, in general, are more educated than in the past. Many possess higher education degrees. A liberation movement is underway. A department in the police force could be established where female police officers could answer calls dealing with women criminal suspects. This would open up new professions for women in Kuwait.

Was there another approach that the staff could have adopted in dealing with the shoplifter? Is there any training that the franchise headquarters provides to the franchisee and their employees? The staff of the showroom, after having seen that the woman was slipping the stereo in her bag, should have responded in a manner that would not have exposed the woman in public. Mr. Mahmood, the supervisor, could have, along with Mr. Ahmed, the salesman, and a female employee of the showroom, taken her to his office and asked her to remove the stereo. This would be a reasonable solution in Kuwait given the social and cultural norms in relation to the religious values of country. Then the pride of the woman would not have been hurt and she would have given him the stereo. Also, the salesmen have to be trained not to leave expensive items with customers who are unattended. If the dealership were busy, then the customer would have to wait. Perhaps a customer number waiting system could be devised. The showroom could track the number of customers by the hour to determine the busiest times of the day. They could add more sales representatives during these times. Also, the dealership might want to consider the employment of female sales representatives since the number of female shoppers in Kuwait is rising. Although in this case the franchise does not provide specific training on shoplifting, it might be wise to develop a training video that could address the issue specifically for the Middle East, given with the cultural and religious norms. The video could be made available to all franchises to assist in employee training.

A question also arises in the case concerning visas. Three-day visas are granted almost automatically. Many Kuwaitis have close relatives in nearby countries that enjoy visiting. It is estimated that only 40 percent of the population are native Kuwaitis (Russell, 2000). Should the residency laws be changed to allow only eligible foreign employees with a substantial salary level to bring their families and make the visa requirements more strict to better screen those entering the country? Currently, the authorities allow all working visa holders to bring their families to Kuwait, regardless of financial status. Because of the good financial standing in Kuwait, many foreign workers and their families are hoping to live in Kuwait to raise their standard of living. Many come from poor countries like India, Pakistan, and Bangladesh. .

The residency law which has permitted every foreign employee to bring his family regardless of financial status is creating social problems, such as robberies, thefts, shoplifting, and many other antisocial activities previously not encountered to much of a degree before -- factors which this country was unaware of before. Kuwait enjoys a good economy. Many expatriates are employed in Kuwait because of the high standard of living. Unfortunately, many of the jobs are low paying in a country that is among the ten most wealthy in the world. This creates two social societies, the rich and the poor, which can lead the people to find antisocial ways to survive and to support families here. If the law is amended to allow only people who can afford to shoulder the financial responsibilities of a family, it will decrease the antisocial acts, but could also have other, unintended consequences. For instance, many of these expatriates work in service jobs, such retail franchise outlets. This could cause a labor shortage and related human resource problems for franchises.

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