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## ENVIRONMENTAL SPECIFICS FOR STARTING-UP A BUSINESS IN DUBAI

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**Abstract:** The paper discusses environmental specifics for starting-up a business in Dubai. An analysis of the business environment and a study of previous research in Dubai show that sustainable competitive advantage can be achieved if the strategy encourages entrepreneurship and innovation. For the past ten years, the Emirate of Dubai has been considered one of the best locations to start a business and develop it in the long run. The reasons for such an understanding can be found in the built infrastructure, security, government regulations that promote business development, digitalization of the economy. The tax policy in the emirate is also an exceptional factor in starting and developing a business in Dubai. These, of course, are just some of the factors of the business environment. The analysis requires consideration of other prerequisites, specifics, conditions for starting and developing a business. The impact of Covid-19 pandemic was taken into account, given the understanding that the most influencing factor of 2020 was the Covid-19 pandemic which changed the whole real and business life. The purpose of the paper is to analyze the specifics of the business environment in Dubai and related opportunities to start a successful business. The report is part of a planned larger investigation of business development and strategic planning opportunities in Dubai in the frame of a dissertation study.

**Keywords:** Business Environment, Start-ups, Management, Business Economics

### INTRODUCTION

The business environment is essential for start-up and development of an enterprise in any country. This paper discusses the specifics of the business environment in Dubai and its impact on start-ups. The integrated division of the Department of Economic Development (DED), established in 2002, addresses the issues of start-up and growing small and medium sized enterprises (SMEs) in Dubai (Dubai SME, 2022) and plays a significant role in this regard. Its task is to support SMEs, provide them with market information, and guide them towards new business opportunities. For start-up SMEs in Dubai, the market orientation, i.e. the specificity of products and services offered, production volumes, delivery times, etc. proves to be the most challenging. Supporting entrepreneurs in all phases of their development is therefore essential. One of the main objectives of the SME support division in Dubai is to promote innovation and leadership of this group of enterprises in all market segments. Dubai's policy towards start-ups, especially in the SME community, is aimed at holistic support, from the strategic planning stage, to securing financing, and assisting in simplifying formal procedures involved in operation.

The analysis of the business environment and the study of previous research in Dubai show that a sustainable competitive advantage can be obtained if a strategy is followed in which entrepreneurial capabilities and innovation are encouraged (Rodrigues, 2010). In any economy, corporate entrepreneurship plays a major role in business expansion and diversification. Therefore, it is important to create an intra-entrepreneurial climate in the enterprises of the country. The internal entrepreneur concentrates on improving the financial and market performance by improving the competitiveness of the enterprise based on innovation. For SMEs,

this process is more difficult given that internal entrepreneurship is mainly associated with large enterprises (Todorov, 2011).

The specific features of the business environment in Dubai and starting a successful business are presented in the next paragraph of the paper. The impact of the Covid-19 pandemic is of course considered, given the understanding that the most influencing factor of 2020 was the Covid-19 pandemic which changed whole real and business life (Pepur, Laca & Basic, 2021). The purpose of this paper is to analyze the specifics of the business environment in Dubai and the associated opportunities for starting a successful business. The report is part of a planned large-scale study of business development opportunities and strategic planning in Dubai and precedes a dissertation study.

## **ANALYSIS OF THE SPECIFICS OF THE BUSINESS ENVIRONMENT IN DUBAI AND STARTING A SUCCESSFUL BUSINESS**

Over the last ten years, the Emirate of Dubai has been considered one of the best locations for starting a business and its long-term development. The reasons for such a perception can be sought in the established infrastructure, security, government regulations that encourage business development, digitalization of the economy. Tax policy in the emirate is also an outstanding factor for starting and developing a business in Dubai.

The above are of course only some of the business environment factors. The analysis requires that other prerequisites, specificities and conditions for starting up and developing a business are also considered. In this regard, it can be noted, for example, that the licensing regime is facilitated if it does not apply to activities that require additional regulation and special procedures for registration and performance. The registration of business organisations is fast, convenient and facilitated in terms of procedures. Numerous associations and consultancy companies have been set up to assist the process.

An advantage of the business environment when starting a business in Dubai is the access to assets and resources. Sourcing equipment when starting a business in Dubai is relatively easy, quick and well organised as a process. There are a number of suitably equipped premises available for business activities – offices, warehouses, manufacturing facilities, retail space and more. The cost of energy for business clients is relatively low, which is essential, especially for entrepreneurial organisations. This makes it much easier to forecast the cost and quantity of products and services to be created and to link them to the chosen strategy.

When analyzing the business environment, the controlling of the business or the specifics of the so-called control environment also deserves attention (Mihaylova & Papazov, 2021; Umutlu, Gultekin & Özkaya, 2020). The level of control by the regulatory authorities in the emirate of Dubai regarding business activities is very high. The external controlling bodies monitor compliance with regulations, standards, and rules adopted in the country, but do not in any way hinder business or create difficulties. The control system put in place is rigorous and at the same time facilitated in terms of procedures.

In order to start an enterprise in Dubai and in the United Arab Emirates in general, it is a priority to know the nature of the business. It is not good practice to start a business whose specifics are not known in detail or lack experience in such an activity. For this reason, it is difficult to say what kind of business is best to start in Dubai. The answer depends as much as possible on the knowledge, skills, and experience of the entrepreneur.

In Dubai and in the UAE as a whole, it is possible to develop businesses in a variety of areas, from restaurants and small services to large logistics centres and manufacturing in various innovative sectors of the economy. In each of the areas, examples can be seen of successfully starting up and reaching a leadership position in the industry or region. The start-up and development of economic activity in a region can be initiated as a result of different accumulations. These can be related, on the one hand, to specific knowledge and acquired skills,

qualifications, experience, and contacts in a specific field (Papazov, 2011) and, on the other hand, to the assessment of risks (Zagorcheva & Pavlov, 2020; Stoencheva, 2020; Iliev & Ilieva, 2014). The contribution of different business activities to Dubai's GDP for 2019 and 2020 and its change can be represented in the following Figure 1:

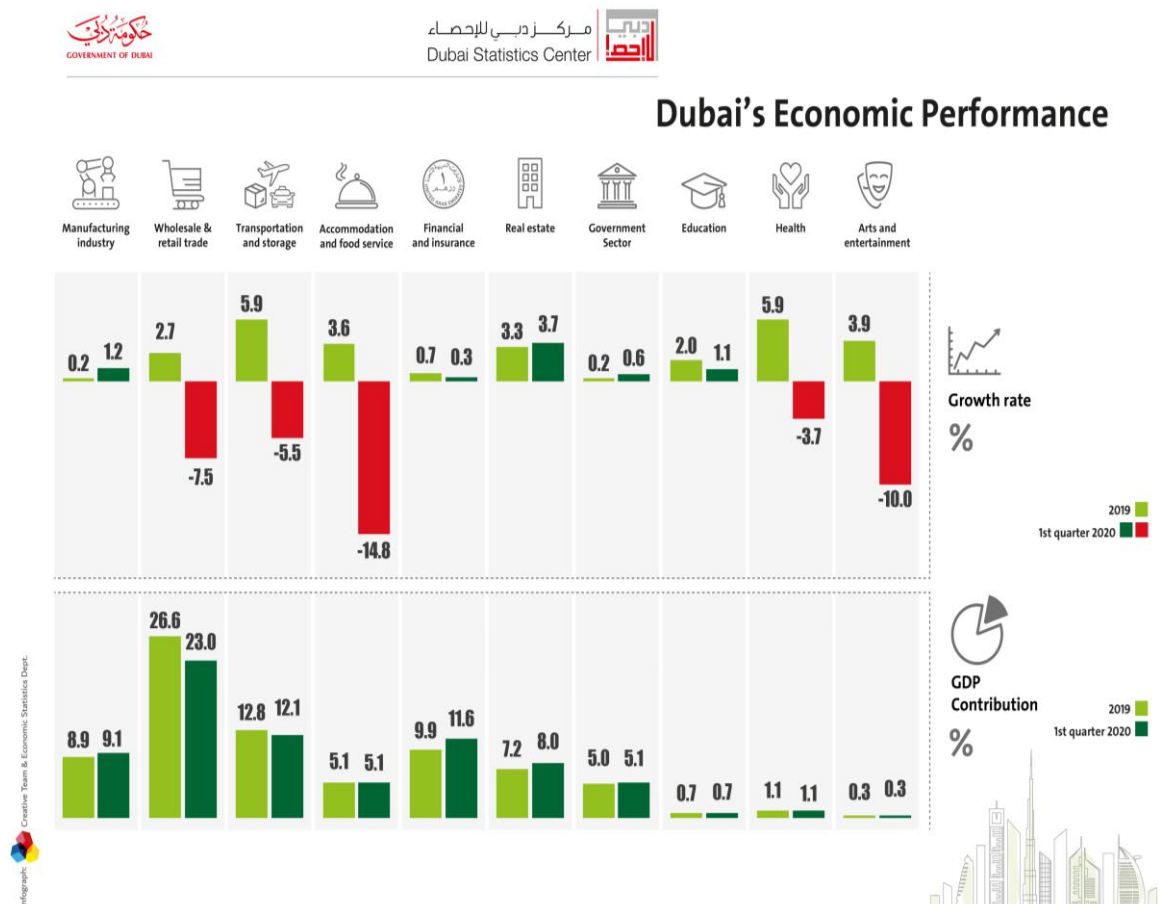


Figure 1. Dubai's Economic Performance, 2019-2020

Source:

<https://www.dsc.gov.ae/Public%20Documents/GDP%20Infographics%202020%20En.jpg>

Observations on the business environment in Dubai and the stratification of a successful business show that, first of all, regardless of the nature of the activity, there must be a concept worked out. A sound concept is almost a prerequisite for starting and growing a business. It is usually developed before the business entity is registered in Dubai and is part of the strategic documentation of the enterprise. Based on the concept, the mission, vision and strategy of the organization are developed, which are elements of the so-called strategic direction of an organization (Papazov, 2014). The marketing orientation of the organization is also related to the mentioned elements (Stoycheva, 2015).

A review of statistics related to business activities in Dubai, and in particular, one of the most important indicators – licenses issued, cancelled and renewed by the Department of Economic Development (DED) for business activities, is presented in Table 1. The Department of Economic Development is one of the largest licensing authorities in the emirate. Licenses are classified according to the purpose of the license as commercial, industrial, tourism or professional license. There is also a specific group of licenses, i.e. Intelqa – a license for residents of Dubai, to run a business from home in various fields, for a minimal fee paid annually (DED, 2022). A fee of AED 1,050 will be charged for issuing and renewing annually this licence. Fees does not include obligations and guarantees for federal government agencies and some other entities.

Table 1. Licences issued by DED in Dubai for the period 2017-2019

| Title / Year                 |                  | 2017   | 2018   | 2019   |
|------------------------------|------------------|--------|--------|--------|
| <b>Commercial Licenses</b>   | <b>New</b>       | 12600  | 12803  | 14931  |
|                              | <b>Renewed</b>   | 99889  | 98347  | 97795  |
|                              | <b>Cancelled</b> | 2776   | 3348   | 3183   |
| <b>Professional Licenses</b> | <b>New</b>       | 5532   | 6484   | 22261  |
|                              | <b>Renewed</b>   | 27645  | 28861  | 30188  |
|                              | <b>Cancelled</b> | 871    | 1073   | 1057   |
| <b>Industrial Licenses</b>   | <b>New</b>       | 226    | 248    | 212    |
|                              | <b>Renewed</b>   | 2946   | 2957   | 2944   |
|                              | <b>Cancelled</b> | 57     | 60     | 66     |
| <b>Tourist Licenses</b>      | <b>New</b>       | 170    | 231    | 594    |
|                              | <b>Renewed</b>   | 2249   | 2172   | 2167   |
|                              | <b>Cancelled</b> | 70     | 81     | 64     |
| <b>Intellectual Licenses</b> | <b>New</b>       | 369    | 363    | 380    |
|                              | <b>Renewed</b>   | 411    | 521    | 594    |
|                              | <b>Cancelled</b> | 113    | 94     | 95     |
| <b>TOTAL</b>                 | <b>New</b>       | 18897  | 20129  | 38378  |
|                              | <b>Renewed</b>   | 133140 | 132858 | 133688 |
|                              | <b>Cancelled</b> | 3887   | 4656   | 4465   |

Source: Department Economic Development, Emirate of Dubai, UAE, <https://www.dsc.gov.ae/Report>, 2022.

Detailed analysis of the statistics shows that every year more and more women are starting their own business in Dubai. Activities range from restaurants and cafes, clothing shops to high-end consultancy services. One of the main reasons for this is easier access to finance and advice for women business start-ups. From the data presented in Table 1, Intellectual licenses were predominantly issued to women working from home.

Very often, starting up a business activity in Dubai was related to the fact that the entrepreneur was in the role of a consumer of a given product or service. This is a very common case, for example, in the fashion business or the fashion trade. A careful study of the market shows that starting a venture in this way is easy and has rapid growth. All start-ups by women are supported by associations. They provide mentors in cash flow management and investment decisions. This is important because raising funds to start a business is still not an easy activity and requires a lot of knowledge and information.

A specific factor in starting a business in Dubai is the Dubai Post Expo 2020 start-up platform. Recent analyses suggest that Expo 2020 with over 192 countries participating in the event provides a huge opportunity for businesses in finding customers and market orientation. Many start-ups are taking advantage of this opportunity and are rapidly gaining popularity.

Analysis of the business environment also requires attention to the tax environment in the United Arab Emirates. The United Arab Emirates intends to introduce a corporate tax from mid-2023. This is a major change in the country's business environment, which is seeking to diversify

revenues. Very often the UAE is identified as a financial hub in the Gulf region. The UAE has an attractive tax policy for business and therefore attracts many multinational companies. Business profits of more than 375,000 dirhams (\$102,000) are scheduled to be taxed at 9% from June 2023. Nevertheless, the UAE's corporate tax regime remains among the most competitive in the world as 9% corporate tax rate appears to be one of the lower end rates in the world. There are no plans to introduce personal income tax or capital gains tax on real estate or other investments in the country. Tax incentives in the UAE's free trade zones remain in place for future periods.

## **FINDINGS**

The analysis of the specifics of the business environment in Dubai shows that the country can successfully develop businesses in different areas, i.e. from restaurants and small services to large logistics centers and manufacturing in various innovative sectors of the economy. Very often, starting a business activity in Dubai is linked to the finding that the entrepreneur has been in the role of a consumer of a given product or service and knows its specifics.

One of the most important indicators of starting and developing a business in Dubai is the business licenses issued or renewed by the Department of Economic Development (DED).

The analysis of the strategic aspects of enterprise management in Dubai in the context of a specific business environment provides an opportunity to outline a methodological framework that, combined with the appropriate toolkit, will be practically useful for enterprises of different socio-economic orientation and size.

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