One of the world's fastest-growing cities is redefining the word boomtown. So how can businesses make the most of a global commercial centre that's quickly becoming the Middle East's go-to start-up hub? Director met the UK companies already making an impact there

Almost 50 years ago – one week after England won the World Cup, to be precise – oil was found 60 nautical miles off a coastal enclave, inhabited mainly by Bedouins, whose economy was based on fishing, date cultivation and the breeding of camels and goats. Today, Dubai is one of the world's fastest-growing cities: a glittering, cosmopolitan metropolis with a sci-fi skyline, a population of 2.5 million and a capacity for growth – four per cent in 2015 – which seems almost impervious to global slowdown. In fact, so extraordinary has the growth been in Dubai and neighbouring Abu Dhabi, oil now accounts for less than two per cent of the emirate’s GDP (Dubai recorded a non-oil foreign trade of around £247bn in 2015), with transport, communications, infrastructure, electricity, economic services and urban planning having pushed black gold down the commercial pecking order.

With unimaginable sums of money being ploughed into its development, the city’s infrastructure is advancing at breakneck speed. “When it comes to what businesses need from international cities – transport, healthcare, education and so on – Dubai is probably 10 or 15 years ahead of other cities in the region,” says Joe Hepworth, founder and inaugural CEO of the British Centres for Business (BCB). “The way I think of it is, the UAE have put in the hardware, and what they want now from places like the UK is the software – the skills, the ideas, the experience – to operate it.”

They’re not doing badly on that front so far. Those 2.5 million citizens are projected to become 5.2 million by 2030, with projects such as the £378m One at Palm Jumeirah and the £1.45bn One Central development in the central business district typifying the frantic building projects under way to try to accommodate this burgeoning population.

But it’s not just permanent residents that account for the frenzied level of development, of course. Dubai International Airport handled 78 million passengers last year, while the city state’s second airport, Al Maktoum International, which opened in 2010 to relieve the pressure on Dubai International, is expected to be handling a staggering 220 million passengers a year by 2030.

Export opportunities

Such influx is in large part made up of tourists (Dubai is now the fourth most visited city in the world, according to a recent report by MasterCard, and Forbes recently named it the seventh most influential tourist destination). These increasing hordes of visitors – growing by eight per cent a year – enhance certain sectors more than others, of course, and wholesale and retail trade account for almost 11 per cent of the UAE’s GDP (30 per cent of Dubai’s), with the latest figures indicating that in 2016 sales will top $43bn (£30bn) in that sector.

But this isn’t just a shopping

FACT Constructing Dubai’s famous Palm Islands involved importing enough sand to fill two-and-a-half Empire State Buildings
destination. Around 4,000 UK businesses operate in the UAE, and bilateral relations between the UAE and the UK are healthy – entities with substantial operations in both include Barclays Capital, HSBC, Norton Rose Fulbright and Thomson Reuters. Given that the UAE is the UK’s 12th largest trading partner, exporting opportunities are abundant: when Rolls-Royce signed a $9.2bn deal with Emirates to provide engines for its Airbus A380s in April last year, it was one of the largest ever export orders a UK-based company had ever signed. "You’ve got that kind of high-magnitude stuff, but also the small-business stuff," says Hepworth. "There’s a constant demand for British goods, services and products."

What of smaller British enterprises that have taken the plunge and set up shop in Dubai? Affiliated with UKTI, the BCB provides incubator-style support, advice and networking services for British companies of any size ("We’re a kind of landing strip," as Hepworth puts it) in several key sectors from creative to retail and technology. "Smaller entities can have two years under our aegis, and we’ll help them find traction," he says. "We’re very focused on bringing in companies that add to the mix. A widget company is OK, but what they really want here is skills transfer, knowledge transfer, technical transfer that overlays all the physical infrastructure here, and helps turn the UAE into a knowledge economy, a service economy, a value-add economy."

Hepworth’s experiences suggest strongly that patience is a massive factor towards success in Dubai. "One creative agency started with us 14 or 15 months ago," he says. "Towards the end of their first year they were seriously thinking, ‘This is not really working, should we continue?’ By month 14, they had five clients, and now it’s growing exponentially. We see this with a lot of our clients. Another one is a small family business from Staffordshire called SnagR – a kind of smart techie site inspection and defect management company. We don’t see much of them now, as they’re out and about, busy signing deals with the likes of Balfour Beatty, McCann and Carillion," he adds.

The business leaders setting up British operations in Dubai who spoke to concur with Hepworth. For example, Maek – a design and web development agency, founded in London in 2005, which counts the BBC, Microsoft and Mercedes-Benz among its clients – began scoping the Middle East for suitable locations to set up a regional office in 2010. "Dubai seemed the most stable and most opportunistic market for design and digital work," explains Ghazwan Majeed Ahmed.
Hamdan, global creative director, "so we decided to set up the agency here. It takes time to get a business rolling," he adds. "You need to invest in a lot of meetings before those conversations transform into projects which then transform into payment. We spent a lot of time on pitches that never actually became projects."

An abundance of skills, so the thumb rule goes, makes a location a more attractive business destination, yet Maek has found a dearth of talent in its sector a massive advantage. "One area that is lacking is good designers, programmers, technical developers, chief technology officers and so on," he says. "This is an advantage for us, as we have good technical and design talent in house that our clients like. Hence, we get a lot of word-of-mouth business - Dubai is a small place, so word gets around."

Estate agency Ivy Gate, meanwhile, has had a presence in Dubai for five years, having arrived to take advantage of the city's ultra-vibrant property market. "It's probably one of the most important things in the city after tourism and aviation," says Ryan Dougan, managing director, Middle East. When it comes to infrastructure, Dougan agrees with Hepworth. "It's almost as if the attitude is, 'Let's build the infrastructure, and then worry about the city afterwards'," says Ryan Dougan, managing director, Middle East. When it comes to infrastructure, Dougan agrees with Hepworth. "It's almost as if the attitude is, 'Let's build the infrastructure, and then worry about the city afterwards'."

But a climate where the mercury regularly pushes 50° isn't for everyone from northern Europe, Dougan points out, adding that the city's lack of red tape can have its downsides: "The government can change anything at any time," he says. "Whereas in the UK there are processes such as parliament and so on before rules and regulations can change; here if they decide to change something tomorrow, they can."

On the subject of sudden law changes, the UAE government last year drew up plans to introduce a federal sales tax (akin to VAT) and a corporation tax.

Building relationships
When it comes to advice for UK business leaders considering setting up shop in Dubai, Dougan — like all the experts we spoke to — insists that seeing the venture as a long-term project is paramount. "They're building the city for the future as well as now, and really trying to traffic business in. Get as much information and advice as possible from different people at different levels of business, and in different industries."

Robin Abraham, managing partner, Middle East, at Clifford Chance — a law firm that has been in Dubai for four decades and employs 70 lawyers there — adds: "The individuals we engage with come from all over the world, so you need to be sensitive to lots of different cultures. For an emerging market it is relatively easy to set up a business here. There are certain requirements that restrict foreign ownership in some sectors and some companies, but these do not apply to the legal profession. In Dubai, the local regulator for lawyers is active and accessible."

"That said, in terms of dealing with businessmen who are from the region, and without wishing to make sweeping generalisations, people need to be prepared to invest time in building trusted relationships. If you're not planning on setting up shop here you will at least need to be a regular visitor. Trust is
important – probably more than the documentation.” Hamdan agrees. “Some British companies think the streets are paved with gold, and there are great opportunities here, but it requires commitment, permanence and visibility,” he says. “People often come on a shiny plane, arrive at a shiny airport, stay in a shiny hotel and think, ‘Great, this is going to be just like doing business in the UK or Germany or America. Good corporate practice and governance can be forgotten in a dash for profits and results, which can lead to sticky situations.”

Whatever the challenges though, Dubai’s extraordinary growth looks unlikely to slow anytime soon. The city hosting Expo 2020, a six-month-long global mega-event, will no doubt further cement its vast importance on the global business stage. Part of all this, of course, is Dubai’s advantageous geographical position – one third of the global population lives within four hours’ flying time from it, 70 per cent within eight hours. “As a place it feels very connected to the rest of the world,” Abraham points out. “For example, we are seeing more and more African investment work being led out of Dubai, whether because the financiers are here or the investors are here – or just because it is a convenient place for everyone to meet.”

Dubai’s proximity to emerging markets in Africa and India is another major draw as far as Hepworth is concerned. “It’s just part of a broader phenomenon whereby Dubai is undergoing a massive snowball effect,” he explains. “What you have here is a virtuous circle in that this draws in more talent, which causes more investment, which grows the economy. And therein lies the success of the Dubai model.”

Case study

Vital Certificates

Founded in West Yorkshire in 2005, Vital Certificates – which takes critical documents in one country and makes them legally valid in another via a process of attestation – set up in Dubai a year ago. “We already had 5,500 clients in the city before we set up,” explains managing director Matt Lawless (above), “and the idea was to improve support for them, but also to be on the ground, meeting with the influencers in that country, to try to drum up more business. We tend to do well in places where you have untrusting governments, and the Arabic world definitely fits into that mould. Plus, there’s over 100,000 British expats in the UAE, so we can get involved whenever someone wants to move or set up a branch out there.”

What have the major challenges been? “It’s a very different entity: it’s a cultural melting pot. Processes always take longer than you expect them to. There are lots of little things – every company has to provide audited accounts; you’ve got different working days and hours to the UK; everything has to be done in triplicate; everything has to be submitted in Arabic and stamped. So being on the ground makes a massive difference.”

Lawless says that patience is key – “You might need to invest in the country for a year or more before you start to see returns” – so has it been worth it? The Dubai branch of Vital Certificates recouped all of the capital outlay channelled into it within nine months of trading, and now accounts for around 20 per cent of the company’s 50 per cent year-on-year growth in global sales.

FACT Dubai is referred to as the City of Gold, serving as home to around 250 retail gold shops

Flight info

British Airways flies non-stop to Dubai from Heathrow. Return fares start at £351. Visit ba.com for more details. Other airlines with direct flights from the UK include Emirates, Virgin Atlantic, Qantas and Royal Brunei Airlines.

The IoD is planning a trade mission to Dubai in the autumn for IoD Policy Voice members. Places are limited but if you would like to register your interest, please go to iod.com/policyvoice
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