



# From Oil to Motion

**Oil has brought great wealth and prosperity to the Gulf state of Bahrain. To prepare the country for the challenges of the future, other sectors, such as the automotive industry, are being actively developed. Porsche Consulting is supporting the small Middle Eastern country in planning for its future.**

[📄] Christian Weiss [📍] Bahrain



Shining example: Bahrain is gearing up for the future

The Kingdom of Bahrain is on the move – and has been since as far back as June 1, 1932. That was when the Bahrainis first discovered oil in the middle of the desert of this island state of 700 square kilometers – less than the German city-state of Hamburg. This was the very first oil to be found anywhere in the Gulf region. This well has long since dried up, but a few others are still bubbling away. However, there is a definite trend toward less oil production. So while the black gold will continue to flow for another fifteen to twenty years, it will be necessary to find alternative ways to further develop the country's wealth. The government has therefore created the "Vision 2030" as a way to actively manage this change.

The Bahrain Economic Development Board (EDB) is responsible for the economic development and long-term strategic planning of the country. It has mandated Porsche Consulting with a future-oriented economic development plan in the desert kingdom: analyze and evaluate Bahrain in order to establish an automotive cluster. "This strategic project is unusual for us," says Cornelius Clauser, partner at Porsche Consulting. "Not just because of Bahrain as a location, but also because we have applied our pragmatic lean approach to developing strategies."

Hence, possible investors were involved at a very early stage in order to understand what criteria are crucial in deciding to choose this location. On this basis, the value of the country's location-specific advantages were then determined. The companies targeted were thus involved more deeply in the design of the strategy than traditionally. The result is a concept which is easy to implement.

The analysis showed that, compared with other countries, Bahrain is particularly attractive to three groups within the auto industry: companies which specialize in aluminum processing, batch and niche producers in the high-performance sector, and companies involved in customer and event management surrounding the Bahrain International Circuit (BIC) racetrack.

In a second phase, Porsche Consulting pinpointed twenty-five companies which could be interested in investing in the desert kingdom. "We contacted these companies and visited them along with representatives of the EDB to increase awareness of Bahrain among key decision-makers," says Klaus-Dieter Pannes, project manager at Porsche Consulting. The European tour was a success: seventy percent of the companies the consultants spoke to on behalf of the Gulf state have already started to focus on details for the proposed project.

The pipeline for new economic relationships has been laid. Porsche Consulting has developed six initiatives to ensure that this initial basis can yield results. The EDB is now working to implement them in order to convert this interest into real investments. The BIC, the first Formula One circuit in the Middle East, will play a crucial role here. For when the sixth Bahrain Grand Prix is held at this desert venue in April, the country wants to enter substantial discussions with the responsible managers from the relevant companies. This will transform the 5.4 kilometer circuit into a new source of further wealth and prosperity. Incidentally, it is located just a few kilometers from the place where oil was first discovered in the country. ◀

# “We Want to Find Sensible Industries for Bahrain”

**Sheikh Mohammed Bin Essa Al-Khalifa is the Chief Executive of the Economic Development Board (EDB) in Bahrain. The EDB is the public agency with an overall responsibility for driving the economic development strategy of Bahrain, and for creating the right climate to attract direct investment into the Kingdom. In the following interview, the member of the royal family talks about Bahrain’s vision, the decreasing dependence on oil and gas, and the reliability of Porsche.**

[📄] Christian Weiss [📍] Bahrain

*Sheikh Mohammed, oil and gas now account for no more than fifteen percent of Bahrain’s gross domestic product. What’s more, industry and the services sector are now more or less on an even keel. Yet the Economic Development Board is pursuing a strategy of diversifying the economy of the country even further. What is the goal of this?*

**Sheikh Mohammed:** “Although we are already relatively well diversified, it’s now all about consistency. We want to move up the value chain to create more value and above all more highly skilled jobs. It’s not a question of finding lots of new industries – we want to find sensible industries. This is what differentiates us from the other countries in the Middle East. We may be small, but we focus solely on quality and productivity. In principle, we would like to adopt the Porsche approach: we will compete not on volume but on quality. This is our goal.” ▶



Sheikh Mohammed Bin Essa Al-Khalifa wants to attract the automotive industry to Bahrain, hailing his country as the “Switzerland of the Middle East”



Tradition and the modern age: In Bahrain, mosques and industry exist in harmony alongside one another

*And the intention is that Porsche Consulting will help to turn this into reality...*

**Sheikh Mohammed:** “We came up with the idea of attracting companies from the automotive industry to Bahrain. We thought this might make sense. But is this really the case? Do possible investors see things the same way? We didn’t just want to publish some meaningless marketing literature; we wanted to have a well-rounded, convincing investment story, with the assurance that Bahrain is a great location, and not just aimlessly appeal to possible investors. This is where Porsche Consulting came into play. They had a good look at everything, analyzed the situation, and the answer that came was a resounding ‘yes.’ And the clever thing is that companies no longer have to believe us; rather, they can believe Porsche Consulting. There could be no better advocate. This concept is a very valuable asset for us.”

*Why did you come up with the idea of attracting an increasing number of companies from the automotive sector, thereby creating a cluster specifically from this sector?*

**Sheikh Mohammed:** “With Alba, Aluminium Bahrain, we have the world’s largest aluminum smelter in our country. The idea was to attract downstream industry. Our wish is that the aluminum should not just be exported, but instead the metal should be used to manufacture something here. But we don’t want just any company to invest with us. Any investment should make sense – from a purely economic perspective. If aluminum can be processed fluidly and very cheap energy costs can also be offered, this is a tangible advantage offered by Bahrain as a location. The automotive industry provides a very good overall fit with our own value chain. In addition to Alba, we have an attractive racetrack in the form of the Bahrain International Circuit, and we are an oil-producing country.”

*So the plan is to have production facilities in the kingdom. Yet you can make good money from exporting aluminum. Is that not sufficient anymore?*

**Sheikh Mohammed:** “Bahrain has potential, and we have a great investment story. It’s also important for our



Landmark: The Sakhir Tower at the Bahrain International Circuit

economy to be balanced. A country needs a good mix of different sectors. A straight service-based economy will not develop over the long term. As we are a small country, we will always have a bigger presence in the service sector, but we can't simply ignore the manufacturing sector! We want to think long term and develop the standard of knowledge among our population."

*Why was this strategic project awarded to Porsche Consulting, what makes the consultants here different?*

**Sheikh Mohammed:** "You always have to look at what you ultimately want to achieve and what is at stake. A consulting firm like McKinsey has an impressive level of resources and data all over the world. This is very useful if you want to compare different countries, for example. But if you want to examine a particular sector, the consulting firm needs to know the sector inside out. And that's why in this particular case we were convinced that Porsche Consulting was the right partner for us. Thanks to the company's pragmatic approach, we can very quickly

obtain forward-looking concepts and measures which can be implemented in practice."

*What advantages does Bahrain offer companies from the automotive sector?*

**Sheikh Mohammed:** "First of all, Bahrain provides access to markets: we have free trade agreements with the USA, Singapore, lots of other countries in Asia, and hopefully soon with the EU too. This facilitates trade. The costs of setting up and maintaining a company are comparatively low. We don't have any commercial tax, income tax or value-added tax. In addition, we have a young labor force and highly skilled workers. All this creates stability and long-term capacity. Another important factor is that energy costs are low in Bahrain. Of course, this applies to the whole Gulf region. But bottom-line, Bahrain offers the best value for money."



Headline: Porsche Consulting's work in the media

*Are there any other, soft factors which favor the kingdom – compared with other countries in the Middle East?*

**Sheikh Mohammed:** "There are lots of countries with similar aspirations. Some of them regularly cause a stir and make big headlines. But when it comes to jobs, we are ▶



Built on sand: Bahrain will once again proudly welcome the spectacular Formula 1 circus at the Middle East's first racing circuit

quite a way out in front: we have the best trained workers and they are Bahrainis. Other Gulf states often just buy in the know-how they need for a short period of time; we acquire it for ourselves. Anything we do is for the long run. This fundamentally sets us apart from everyone else. For example, we have developed a vision for the future. For 2030!”

*What sort of place will the desert kingdom of Bahrain develop into?*

**Sheikh Mohammed:**  
“It will be much more European. We will be much, much closer and more similar to Europe





than is the case today. Families will live happy and contented lives, earn good money, enjoy a high standard of living, and drive good cars. Ultimately, it's all about raising the level of development in our society."

*Drive good cars ... give us an example.*

**Sheikh Mohammed:** "A friend once asked me what

vehicle I would choose if I had to choose just one car. I told him it would be a 911 – regardless of whether it's one of the current models, a 1970s model or a 1980s model. With an old 911, you still have respect out on the road, even when other cars have long since gone out of fashion. It has character, power and, most importantly, it's reliable! We are striving for many of these qualities too."

*So what car do you drive then?*

**Sheikh Mohammed:** "My vehicles need to be practical because of my job. This is why I prefer four-door limousines. Porsche does not yet make a model that fits the bill here. I'm looking forward to seeing the Panamera. We'll have to see what comes then. But on weekends, I do of course enjoy getting a sports car out of the garage."

*Did the idea of the automotive cluster perhaps come about because of your special relationship with automobiles?*

**Sheikh Mohammed:** "Not at all. We didn't look at this because I like cars. But does this make it all more fun? Absolutely. It's always an advantage if you can combine your work and your hobbies, because then you're not looking at your watch the whole time, and you can make sure that everything's done with the utmost care. But much more important is that this project allows us to create jobs and real added value for our people."

*Europeans often think of the Middle East as a fairly exotic place. What would you say in response to that?*

**Sheikh Mohammed:** "Come to Bahrain! We still have our feet on the ground, and there is plenty of rationality and balance here. It's not about having the tallest building in the world. The important thing is what goes in the building, what it actually contains. This is why, for example, we devote a great deal of attention to our education system. We consider ourselves to be the Switzerland of the Middle East. Anyone who visits us will get this impression." ◀