

Doing favors in the Arab world

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Published version

BERGER, Ron (2019). Doing favors in the Arab world. International journal of emerging markets.

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Doing Favors in the Arab World

Journal:	<i>International Journal of Emerging Markets</i>
Manuscript ID	IJoEM-06-2018-0292.R2
Manuscript Type:	Research Article
Keywords:	wasta, guanxi, Jaan-Pechaan, Sviazi

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Examining the Effect of Wasta on Three Arab Social Groups, With a Cross-Cultural Comparison of Social Business Networks: Wasta (The Arab World), Guanxi (China), Russia (Sviazi), and India (Jaan-Pechaan)

ABSTRACT

This qualitative study analyzes the role of Wasta, a culturally based system of social networks of exchange among in-group members in the Arab world, as exemplified by three groups of Arabs in the Palestinian Authority, and then compares it to Guanxi (China), Sviazi (Russia), and Jaan-Pechaan (India). The use of social networks is a common business model around the world to accomplish business objectives and is especially relied upon in emerging economies where formal institutions are weak. It is important to understand the commonalities and differences in the use of reciprocity in various cultural contexts in order to conduct business effectively. Little research, however, has focused on the use of Wasta in the Arab world, a gap which this article addresses. We do so by analyzing the views of Wasta held by three important groups – leaders, business people, and students. While each type of reciprocity has its own unique characteristics, we focus on three interrelated constructs that have been found to underlie the use of reciprocity in various cultures. In the Arab world, these are Hamola, which incorporates reciprocity; Somah, that incorporates trust; and Mojamala, which incorporates empathy through social business networks. The aim of the paper is to illustrate the structure of Wasta and how it is perceived and constructed among three Arab social groups, and then compare and contrast it with social business models in three other high context cultures.

Examining the Effect of Wasta on Three Arab Social Groups, With a Cross-Cultural Comparison of Social Business Networks: Wasta (The Arab World), Guanxi (China), Russia (Sviazi), and India (Jaan-Pechaan)

INTRODUCTION

Despite the significance of social networks and social capital in virtually every emerging market for both local and foreign firms, there are a limited number of studies that cover the Arab world. Most research has focused on the function of social networks in China (e.g., Alston, 1989; Ahlstrom, Bruton, & Chan, 2000; Bruton and Ahlstrom, 2003; Lue, 2011; Song, Cadsby, & Bi, 2011; Chen, C.C., Chen, X-P., & Huang, 2013), Russia (e.g., Puffer, McCarthy, Jaeger, & Dunlap, 2013; Batjargal, 2003; Berger, Herstein, Silbiger, & Barnes, 2017; Puffer, McCarthy, & Boisot, 2010; Batjargal, 2007), and India (e.g., Wright, Lockett, & Pruthi, 2002; McCarthy, Puffer, Dunlap & Jaeger, 2012). Some studies such as those of Ahlstrom and Bruton (2006) and Puffer et al. (2010) have suggested that social networks can be seen as a substitute for formal institutions that influence the behaviors of business people and entrepreneurs (Wasti, et al., 2010; Chen et al., & Lu, 2009; Horak & Restel, 2016). However, little systematic research, to our knowledge, has studied such topics in Arab countries and how these compare to other similar socially based business systems. We adopted a qualitative approach to understand socially based business exchanges in an Arab setting based on the GRX Scale, a Chinese social measurement model developed for other emerging economies (Yen et al., 2011), which we utilize in this study of three distinct groups of Arabs in the Palestinian Authority - leaders, business people, and postgraduate business students.

Due to the absence of a valid measurement scale to examine Wasta development and its effect on satisfaction and performance (Berger et al., 2015), we sought a measurement scale that had previously been implemented in a different high context culture. As a result, we started with the GRX scale that effectively was used by Yen et al. (2011) to measure Guanxi in China. GRX is an abbreviation for its three constructs Ganqing, Renqing, and Xinren. We believe that

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3 the scale can be adapted in the Arab context since both China and Arab countries represent
4 high context cultures (Hofstede, 1991). The scale examines social network constructs that
5 include empathy, reciprocity, and trust.
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10 The role of Arab social capital is still a riddle for many Westerners, and is indicative of
11 the wide cultural distance (Kostova & Roth, 2002) that exists between Western firms and Arab
12 cultural practices. This cultural distance is based on the limited experience of Western MNCs
13 and other foreign managers in dealing with the structure of the Arabic system known as Wasta
14 (Hutchings & Weir, 2006). This article aims to address this gap by utilizing a qualitative study
15 of three Arab groups in the Palestinian Authority, analyzing their perceptions of and reactions
16 to the three constructs that make up Wasta: Hamola (reciprocity), Somah (trust), and Mojamola
17 (empathy).
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28 We discuss Wasta in the framework of these three interrelated constructs that play
29 critical roles in virtually every emerging and transition economy, and to a somewhat lesser
30 degree in developed economies. One very large ongoing study of such systems is Ledeneva's
31 (2018) work on such practices around the world covering nearly 200 countries. Studies
32 generally emphasize that knowledge of, and participation in, those practices is essential to the
33 successful conduct of business in those countries on the part of both national and international
34 companies and their managers (Weir, 2003). For example, a study of companies operating in
35 Russia concluded that business success had far more to do with connections through social
36 business networks than with other factors (Bjorkman, et al., 2007). This can be seen as a
37 reflection of circumstances predominant in most emerging market economies (e.g. Ahlstrom
38 & Bruton, 2006; Khakhar & Rammal, 2013). Some authors have reached similar conclusions,
39 that social business networks and connections with government institutions permeate emerging
40 economies more strongly than more developed economies, using reciprocity and even bribes
41 to promote exchange (Puffer et al., 2013; Bu & Roy, 2015; Song, et al., 2014), while others
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3 view such networks in a more positive light (Barnes et al., 2011; Berger et al., 2017). We
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5 believe that informal social networks are in many cases culturally driven, and thus may be seen
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7 as a special form of collectivism or solidarity.
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10 Our qualitative study is based on interviews with three social groups in The Palestinian
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12 Authority, a predominantly Arab area of around 4.5 million inhabitants with an economy
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14 relying heavily on government spending and foreign aid. The region's outlook depends largely
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16 on political developments, fostering greater private sector activity and investment in parallel
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18 with government and international initiatives to stimulate economic activity. The Arab region
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20 is at times erroneously referred to as the Muslim World and in some studies has encompassed
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22 the Farsi-speaking country of Iran (Abuznaid, 2006). While many Arabs are Muslims, not all
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24 Muslims are Arabs. For the rationale of this paper, the Arab League's membership principle is
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26 used to delineate the Arab world, which characterizes all the Arab speaking nations in North
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28 Africa and the Middle East (Khakhar & Rammal, 2013). Irrespective of variations, there is an
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30 agreement that the Arab states are culturally similar, forming a "cultural cluster" influenced by
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32 Islam (Hutchings & Weir, 2006).
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37 The Arab world is significant to the Western world including global scholars and
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39 managers, not only for its cultural and political impacts, but also as a potentially huge market.
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41 The region represents a large proportion of Islamic societies, accounting for over 20 percent of
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43 the world's believers (Ali & Al-Shakhis, 1990; Costello, et al., 2015). Weir (2003) claims that
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45 Western academics in areas of management and business exercise cultural myopia in their
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47 tendency to view different cultures predominantly through Western eyes. Clearly, host country
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49 effects including cultural as well as other institutional forces call upon foreign firms to respond
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51 differently to each local context (Morschett, et al., 2010). Taking the local context into account
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53 can allow MNCs to adapt strategies to the local business environment rather than follow a
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55 standardized approach (Rugman & Verbeke, 2004). Yet most models regarding investing in
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3 foreign markets have been based on theories of international expansion that do not seem to fit
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5 the operating conditions and local culture of emerging markets (Cuervo-Cazurra, et al., 2016).
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8 The present article thus analyzes Wasta, a deep-seated, fundamental cultural foundation of
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10 Arab business based on social networking. Wasta includes important characteristics that affect
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12 Arab managerial thinking and behavior, including how Arabs interact with other parties
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14 including developed country MNCs as well as EMNCs from other emerging markets. Given
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16 these characteristics, we will emphasize the similarities between the culturally based practice
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18 of Wasta and others that may be more familiar, specifically Guanxi, Sviazi, and Jaan-Pechaan.
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22 To the best of our knowledge, this article is the one of the first to examine and create a
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24 foundation for a model of Wasta development, and reflect its influence on social network
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26 relationships in business in an Arab context. Given the limited literature on the subject and the
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28 somewhat exploratory nature of developing a Wasta measurement scale, this study makes a
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30 preliminary attempt to shape and validate a multi-dimensional model from an Arab perspective.
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32 The research questions that this paper addresses are: (1) What are the building blocks or
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34 components behind the Wasta in Arab world? (2) Which of these social networks building
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36 blocks contribute the most to the efficiency of network practices? (3) Are there any differences
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38 of networking practices among three social groups in Arab world? And (4) Are there unique
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40 networking practices among Arab people compared to other emerging countries?
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45 The flow of the article is as follows. We begin by discussing cultural foundations of
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47 Wasta that are embedded in Arab societies as a result of historical and social influences. These
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49 foundations are interrelated and include the role of the family, trust within these societies, and
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51 the use of social networks as being fundamental to business interactions. The Arab constructs
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53 of Wasta identified in previous research that correspond to three general cultural constructs are
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55 then described: Mojamala, Somah, and Hamola (Berger, et al. 2014). Three distinct groups of
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57 Arab respondents are then discussed (leaders, business people, and students) to better
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3 understand the workings of Wasta among each. This section is followed by a description of the
4 qualitative interview methodology. After presenting the findings, we compare Wasta with the
5 corresponding constructs in China, Russia, and India, primarily to show the similarities among
6 them. The article concludes with implications for future research and practice, as well as
7 limitations of our study.
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17 **CULTURAL FOUNDATIONS OF WASTA AND THE CURRENT CONTEXT**

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19 One of the most compelling notions in the social sciences is that humans are embedded in dense
20 webs of social relations and interactions (Borgatti et al., 2009). The ubiquity of networking and
21 networks at the industry, firm, group, and singular levels has attracted substantial research
22 attention (Parkhe et al., 2006). According to Elfring and Hulsink (2003), networks and
23 networking are among a firm's most powerful assets. Networks and networking provide access
24 to power, information, knowledge, and capital. In network theory, markets are portrayed as a
25 system of relationships among actors including customers, suppliers, competitors, and private
26 and public support agencies (Coviello & Munro, 1995). Networking is also significant in firms'
27 internationalization, particularly for smaller organizations whose development tends to be
28 dependent on relationships with others (Bridgewater, 1992), and for Western firms that wish
29 to enter emerging markets (Hoskisson et al., 2000). In emerging and developing markets,
30 networks based mainly on informal institutions are formed in response to imperfections in the
31 formal capital, labor, and product markets. The network ties of firms in emerging markets are
32 important to provide firms with access to resources, information and knowledge, markets, and
33 technologies (Yiu & Lau, 2008). According to Boisot and Child (1996), networks in emerging
34 markets are characterized by patronage networks between the state and firms that provide firms
35 unique advantages like transaction cost and uncertainty reduction, as well as admittance to non-
36 tradable political resources and protection from the government.
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3 Despite the importance of networks in emerging markets for both local and foreign
4 firms, only small number of empirical studies have been published on the subject. Most
5 research has focused on networks in East Asia (e.g., Ahlstrom & Bruton, 2006; Bruton, et al.,
6 2002; Bruton et al., 2004; Bruton et al., 1999; Lockett et al., 2002), India (e.g., Wright et al.,
7 2002), and China (e.g., Ahlstrom et al., 2000; Bruton & Ahlstrom, 2003). These studies have
8 generally concluded that networks can become a substitute for formal institutions and influence
9 behaviors. In contrast, the role of social capital in Arab countries is still a riddle for many
10 Western firms.
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21 Countries of the Middle East and North Africa that had been assumed to be relatively
22 stable, or at least unlikely to collapse, have been shaken in ways that would have seemed
23 unthinkable just a few years before the Arab Spring (Gylfason, et al., 2015). Far from over, this
24 revolutionary movement is still unfolding, an open-ended struggle that will play out in the
25 coming years. It seems that people, especially young professionals, have lost faith in their
26 governments (Yasmeen, et al. 2014), and a sense of failure of leadership has created a gap of
27 mistrust between younger people and their governments (Gerges, 2014). Part of the explanation
28 is the growth of a “youth culture” where, in some countries, the percentage of people eighteen
29 years old or under exceeds fifty percent (Stacheli & Nagel, 2012). These young people want
30 better access to education, more job opportunities, and free choice. This is claimed to be the
31 blueprint for the ongoing political unrest or “Arab Spring” (Burson-Marsteller, 2016). The
32 recurring themes in Arab uprisings have been the public’s yearning for dignity and freedom,
33 and the desire to be free of the shackles of tyranny (Khashan, 2012). The stubborn resistance
34 of many authoritarian Arab leaders against change and the demands from the youth, coupled
35 with the threat of imperialist domination from outside, have plunged the region into a
36 depressing impasse (Benmamoun, et al., 2012), with Arab countries lagging behind countries
37 at similar levels of development (Berger et al., 2014). Arabs also tend to have a lower
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3 preference for democracy, are less civically active, respect authority, and embrace patriarchal
4 values, all in line with the relatively high level of power distance found in the region (Ali,
5 2009). This is reinforced by autocratic regimes' objectives to neutralize the modernizing
6 potential of education for the sake of their own survival, and such privileged elites will not
7 willingly reorganize education if doing so puts the survival of their individual power at risk.
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15 The Arab Spring, which began as a political uprising in Egypt in 2011, was widely
16 welcomed as providing a window of opportunity for far-reaching political and economic
17 reforms (Gylfason et al., 2015). However, the range of problems inside the Arab community
18 has compelled the younger generation to emulate and demand much more based on Western
19 culture (Snyder, 2015), modern business models and ethical standards, and from its leadership
20 (Alhyasat, 2012), resulting in an inevitable clash between generations (Hwee, 2012; Khakhar
21 & Rammal, 2013). In many ways, some argue that we may be witnessing the beginnings of the
22 unraveling and dismantling of the traditional Arab order (Pramanik, 2014; Sidani &
23 Thornberry, 2013). This tension demands a better understanding of the forces behind potential
24 change, and the prospects for new exchange models that better fit this new generation.
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38 In the past, nationalism had provided an ideological justification to legitimize autocratic
39 rule, but it has begun to be weakened by globalization and interconnectedness (Salamey, 2015).
40 Nation states are a recent political structure in the Arab world, and most modern Arab countries
41 were formed in the last 80 years (Berger et al., 2014). In many circumstances, the geographical
42 borders of these countries were delineated by departing colonial powers grounded in the latter's
43 political goals and concerns, rather than to meet the interests and needs of the local inhabitants.
44 As a result, some Arab nation states have been characterized by heterogeneous populations
45 with a limited sense of shared objectives. Many of these countries are still in the process of
46 developing national identity and national allegiance (Al-Omari, 2008). We highlight that all of
47 these characteristics apply to the Palestinian Authority, the focus of our study.
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3 Islam has made progress at becoming an integrative force in Arab countries by
4 introducing relatively universal approaches resulting in a more integrated society, in contrast
5 to traditional Arab tribalism (Simadi, 2006). The developing degree of codification and explicit
6 formulation reflect a modern character that has helped reduce transaction costs. This
7 development was one aim of Islam, to replace the particularistic structure of pre-Islamic
8 Arabia. Yet, the cultures of these emerging economies tend to remain far more particularistic
9 than those of the developed world. Furthermore, individuals within these countries are still
10 likely to identify themselves more intensely with their tribal group than with their nation state,
11 leading to nepotism and tribal clashes (Ali, 2009). Such forces amplify the role of social
12 networks that act as the foundations of Wasta.
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28 **WASTA IN THE ARAB WORLD**

29 Arab culture depicts traditional ideals based upon tribal traditions (Whiteoak et al., 2006).
30 Wasta refers to an implied social agreement, characteristically within a tribal group, which
31 obligates those within the group to offer assistance and favorable treatment to others within the
32 group (Ali, 1996). Wasta is a collective Arab social system based upon its high context culture
33 as manifested through social networks. The Arab world has a business culture based on family
34 networks, with Wasta connections sustained by Islamic ethics and ideals (Hutchings & Weir,
35 2006). Wasta is derived from the Arab word “yatwassat” that means navigating towards the
36 middle, and thus is also a dispute resolution practice founded on male-controlled kinship and
37 collective responsibility. Wasta is a process whereby one achieves goals through links with key
38 persons that could otherwise not be achieved unaided (Cunningham & Sarayrah, 1993;
39 Mohamed & Mohamed, 2011), thus involving an intervention on behalf of others. In order to
40 function well, the practice must involve one party who is structurally powerful, controls access
41 to resources, or both. The basic tenet of business in the Arab world, as in other emerging and
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3 transition economies, is the need to establish a relationship first, then to build connections, and
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5 come to the heart of the intended business activity at a later stage (Pramanik, 2014; Berger et
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7 al., 2014). Those who achieve positions of authority and power are expected to oblige their in-
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9 group members (Priyan & Rammal, 2013). Hence, a major part of a manager's position is to
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11 utilize his or her family and other Wasta social networks to establish and retain business
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13 relationships.
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17 At its root, Wasta is the Arab manifestation of social exchange theory in which
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19 respective obligations are specified and the parties are confident that each will fulfill their
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21 obligations based on social norms of exchange based on tangible and intangible resources.
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23 Exchange partners invest in the other party knowing there is some risk that the investment will
24
25 not be returned. Wasta is preserved due to weak formal institutional structures, and most
26
27 importantly, because of its inherent ties to family relationships and particularistic trust (Al
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29 Hussan, Al-Husan, & Fletcher-Chen, 2014). Cunningham, Sarayrah, and Sarayrah (1994)
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31 claim that Wasta has evolved over time and its foremost goal has moved from conflict
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33 resolution as a means of survival to the process of intercession. The latter involves a person
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35 intervening on behalf of another to gain an advantage for that person, such as a job, a
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37 government certificate, a tax discount, or admission to a respected university. In cases of many
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39 seekers of the same benefit, only applicants with the strongest Wasta are successful (Weir,
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41 2003). In order to provide a broader context for understanding the interrelated constructs of
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43 reciprocity found in Wasta, we provide a brief overview of these constructs used in three other
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45 emerging and transition economies that we see as being consistent with those of Wasta.
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WASTA AND ITS RELATIONSHIP TO GUANXI, SVIAZI, AND JAAN - PECHAAN

Practices in three other countries that also promote the use of reciprocity are Guanxi in China, Sviasi in Russia, and Jaan - Pechaan in India, all examples of culturally based systems that are utilized to circumvent formal procedures and obtain goods and services in short supply as well as access to influentials, much like Wasta. We organize these practices in accordance with the three constructs of Wasta presented later.

Guanxi in China

The practice of Guanxi in China is deeply based in the country's culture and utilizes components such as: reciprocity, empathy, and trust to build social networks (Berger et al., 2015; Jansson and Sodermans, 2015). To provide one another with Guanxi, each party needs to rely on reciprocity which is typically done through nepotism based on family and a small in-group (Puffer et al., 2010; Cherrie Jiuhua Zhu, 2014). It is based upon tradition more than on economic reality, and is generally not seen as a sort of criminal activity. Its constructs include:

Ganqing - Affective Component

Ganqing is the emotional component of Guanxi (Yen et al., 2011). It is similar to the family and nepotism construct, includes a shared bond among people, and refers to the extent of emotional understanding and the building of a frame of mind based on loyalty and harmony (Barnes et al., 2011). *Ganqing* refers to the social worth of a relationship among business people (Yen et al., 2011), and is commonly built and maintained through attending the same social events.

Xinren - Trust Component

Xinren is the cognitive component founded on the extent of mutual relationship and how business collaborations are conducted. It relates to the level of mutual credence in a relationship that one's word will be kept, such that a favor will be granted within an appropriate time frame (Berger et al., 2015). In China, trust is a precursor to a fruitful business exchange. Particularistic trust prevails, just as in the Arab countries, meaning that trust is normally prevalent only among members of one's inner circle or group, but can be extended to others through the influence of in-group members.

Renqing - Reciprocity Component

Renqing is the conative component encompassing empathy and goodwill, emerging from owing or being owed favors (Barnes et al., 2011). It creates commitment through the exchange of gifts bounded by tradition and culture (Yen et al., 2011), and is built and maintained through gift giving and providing assistance in time of need. *Renqing* is based on empathy and trust rather than coercion, and is generally seen as a relatively positive phenomenon.

Sviazi in Russia

The practice of *Sviazi* has generally replaced the long-established practice of *Blat*. *Sviazi* revolves around obtaining needed goods as well as access to favors and influence. The practice has evolved into a means of gaining access to influential people who could help in obtaining resources to further one's interests, particularly in business operations. As opposed to *Guanxi* in China, *Sviazi* can have negative ethical connotations sometimes bordering on the criminal (Puffer et al., 2013). *Sviazi* is based more on economic reality than tradition and good social behavior, and basically is opportunistic in nature (Greene, 2017).

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3 Stemming from a culture in which masses of the population faced centuries of shortage
4 and deprivation of the material necessities of life, in Soviet times Blat was a system of informal
5 agreements, exchanges of services, connections, Party contacts, or black market deals to
6 achieve results or get ahead (Hutchings and Michailova, 2006; Berger et al., 2017). In Soviet
7 times the price of consumer goods was dictated by the state rather than set by the free market
8 which resulted in a consumer goods deficit which in turn often led to corruption. Blat was used
9 to gain such benefits as a prestigious position, a rewarding job, an overseas posting, or
10 enrollment in a prestigious major in university bypassing fair and just selection processes. The
11 word *blatnoy* (блатной) refers to a member of a gang of thieves, or more broadly, a
12 professional criminal.
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16 In the 20th century, use of the word changed from Blat, that focused on survival in the
17 Communist era, to Sviasi in the post-Soviet era, which extended beyond the criminal world,
18 thus allowing researchers to apply the concept to analyze Soviet society at large (Michailova
19 & Worm, 2003; Rehn & Taalas, 2004; Ledeneva, 2009). The Sviasi model of exchange was
20 based on an ability to exploit governmental resources or connections to provide privileged
21 access and resolve problems. Today, where Russia's commodity and capital markets function
22 at least somewhat efficiently and access to services and goods is readily available, Sviasi is
23 often considered as an unethical or illegal access route to state property, cash, or even a well-
24 paid job (Ledeneva, 2009). In some respects, Sviasi refers to activity in which one might
25 engage to compensate for the institutional void left as a result of the rapid transition from a
26 centrally planned to a market economy. Sviasi is also utilized in areas such as creative
27 accounting and tax evasion.
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3 The constructs of Sviazi are:
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5 *Naiti obshij yazik - Affective Component*
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7 *Naiti obshij yazik* (find a common language) is based on a social or emotional bond, rather than
8 dispassionate business interests. One party feels confident in the other's ability as a result of
9 familiarity, knowledge, and a common language. It is therefore something that is founded on
10 emotions rather than ideology. It is likely to develop when interactions between business
11 partners occur on an ongoing basis, including family members, that are viewed as positive and
12 even enjoyable by both sides (Puffer et al., 2010). One study found that "the social and
13 economic situation in today's Russia predetermines opportunities for favoritism and
14 nepotism's intensive development" (Safina, 2015: 630).
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28 *Doverat' s zakritimi glazami - Trust Component*
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30 *Doverat' s zakritimi glazami*, (trust with closed eyes) involves trust based on mutual
31 understanding that is built over time. It is grounded in perceptions based on previous
32 interactions surrounding the competence and credibility of the business partner, meaning that
33 he or she will honor agreements and keep his or her word. This trust forms as a result of
34 investment in building and maintaining a relationship, and grows as a relationship becomes
35 more firmly established with positive outcomes for both sides (McCarthy & Puffer, 2008).
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47 *Podmazivanie - Reciprocity Component*
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49 *Podmazivanie* (greasing the palm) involves the reciprocal exchange of gifts or favors, usually
50 between members of an in-group, but also with one in-group member interceding on behalf of
51 another with an outsider such as a government official. The more frequent the positive
52 outcomes of giving and receiving gifts or other favors, the closer two business partners are
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likely to become. This process was found to be the basis of business transactions in a Russian context (Berger et al., 2017).

Jaan - Pechaan in India

Indian societal culture is characterized by a high level of spiritualization leading to the notion that life is outside of one's control. India is a high context culture in which relationships are personalized rather than contractual (Sinha, 1997). This has led to the formation of the caste system and the belief that behavior in the present life will affect one's reincarnation prospects for a better after-life (Wright et al., 2002). This perspective leads to a view that work is considered more of a duty than a mere task and is performed with a certain degree of detachment as directed in many Indian scripts, such as Dharma (Berger, 2015). The Hindi term Jaan - Pechaan loosely means "getting something done through someone you know". As with Guanxi, nepotism is a foundation of Jaan - Pechaan, and both rely on it more so in business than Sviasi in Russia (Puffer et al, 2013). In India, authoritarian practices within the family focus on a structured and rigorous educational system, and religious institutions act to create a strong sense of interdependence. Caste, religion, and culture all strengthen the notion of the need for Jaan - Pechaan as a type of "bonded solidarity". Jaan – Pechaan's constructs include:

Pechaan - Affective Component

Indian culture is influenced heavily by the extended family, caste, religion, and linguistic affiliations, which can also lead to the establishment of out-group relationship orientations. This forms the basis of pechaan, which is manifested as social ties within overlapping social networks. It emphasizes the relationship with someone of influential status in society that exists by virtue of social capital. It is seen as the sum of resources derived by belonging to a social system of institutionalized relationships of mutual acquaintances (Lockett et al., 2002).

Bharosa - Trust Component

India is a collectivist, high-context, strong uncertainty avoidance and high power distance culture. This creates a need for trust when undertaking business transactions where conflict is resolved not through challenging the status quo, or notions of fairness as in individualistic societies, but through the display of concern for continuing harmony, peace, and continuity (Sinha, 1997). Communication is often characterized by non-verbal cues, being implicit rather than explicit, maintaining harmony and more focused on avoiding the loss of face in public. Social ties that increase connectedness and intimacy among actors tend to help facilitate business. As with Guanxi, Jaan - Pechaan is based on mutual trust with its foundation generally being nepotism among family members or a limited group of close network members.

Len-den - Reciprocity Component

Len-den is a way of “oiling” the system and bypassing many of the bureaucratic systems in place (Bhattacharjee, & Zhang, 2011). It manifests itself in the form of the reciprocal use of favors in an institutional arrangement that is different from Western societies, where this can be perceived as bribery. Individuals with high Pechaan are likely to be centrally positioned in several influential business or social networks. These can help overcome the difficulties associated with doing business in India because such individuals are able to obtain favors like privileged information, as well as financing from others. Receiving gifts or favors from others elicits the emotion of gratitude and respect, resulting in the feeling of indebtedness or gratefulness. It is believed that offering a gift is both a tacit acceptance of one’s lower position and a symbol of the need to integrate oneself with a higher spiritual being, in order to fuel prosperity and sustenance. This forms the core of the Hindu belief in Karma (Berger, 2015), which refers to a spiritual belief of cause and effect, whereby the intent and actions of a person impact the future for that individual. In India, favors, gifts, and hospitality must be reciprocated

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3 at a comparable level and on appropriate occasions. Table 1 summarizes the foundational
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5 constructs of the four types of reciprocity in four cultures.
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12 **INSERT TABLE 1 ABOUT HERE**
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19 **Wasta in Arab Countries**

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21 *Mojamala* (مجاملة), the affective element of Wasta, is inherently connected to family and
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23 nepotism, and forms the social bond between two parties in a business or social network. It
24
25 refers to the extent of emotional understanding and feelings of loyalty. It is an Arabic
26
27 expression that is used to depict the desire of Arabs to be obliging for the sake of maintaining
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29 harmony and avoiding conflict during business discussions (Al-Omari, 2003; Balakrishnan,
30
31 2013). There is ample evidence to suggest that nepotism brings with it many problems
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33 illustrated in the Arab awakening (Stewart, 2003). A major problem for the Arab world is that
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35 the practice of nepotism has become so widespread that a whole set of norms has been set in
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37 place to justify it.
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42 Kin selection or favoring family members is considered a natural human instinct that
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44 occurs most frequently in societies in which traditional ties and relations are strong (Osler &
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46 Buyukarslan, 2011). Nepotism, which is derived from the Latin word, nepot, meaning nephew,
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48 acquired a negative connotation during the Renaissance when popes sought prestigious
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50 positions for their nephews regardless of their qualifications. Thus, nepotism is based on the
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52 nonobjective measure of family or kinship rather than an objective measure such as skills or
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54 professionalism (Yeung, 2000). Nepotism has come to refer to employing or promoting people
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56 based on kinship regardless of their educational qualifications or experience related to the role
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3 or position under consideration. Nepotistic practices have led to poor performance in many
4 Arab firms (Al-Hussan et al., 2014). Nepotism works contrary to hiring skilled management,
5 thus limiting the size and complexity of the firm and the ability to manage it effectively (Sidani
6 & Thornberry, 2013). Nepotism is also a mechanism for families to hoard power and resources
7 over time (Steier et al., 2004).
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11 Solidarity (Asabiyya) is another motivator of nepotism in Arab culture. Ibn Khaldun
12 (1967) defines asabiyya as a type of solidarity among the group that is grounded on blood or a
13 robust bond of reciprocated affections among its members, which make individuals willing to
14 “fight and die” for one another. Solidarity in the Arab world has thus been passed down from
15 generation to generation, and as a result the Arab world is seen as being highly collectivistic
16 (Hofstede, 1984), with in-group collectivism (Ali et al., 2013), where concerns for the group
17 override the interests of the individual. The key to saving face is the assiduous avoidance of
18 shame (Abuznaid, 2006). All of these aspects of nepotism play importantly into reliance on
19 social networks.
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35 The family, which includes extended members and to a point, even the tribe, plays a
36 dominant role in Arab societies, and in the practice of Wasta (Khalaf & Khalaf, 2008). In the
37 family, gender relations and roles are clearly delineated early, and expected behaviors are
38 transferred from one generation to the next (Kafaji, 2011). Early on, individuals learn to depend
39 on their families and discover their duties to them (Joseph, 2008). An individual's honor cannot
40 be separated from family honor, and nepotism thus becomes a tool to raise the status of one's
41 family. Niblock (1982) indicated that in the Arab mindset a person's first loyalty is to his or
42 her family, then tribe, then country. Consistent with in-group collectivism (Ali et al., 2013),
43 there is often hesitancy to rely on non-family members in responsible positions because of
44 unwillingness to trust strangers, complemented by the social safety net function of the extended
45 family. Family members are selected to insure family control of a business, and not so much
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3 for adding to effective operations (Sidani & Thornberry, 2013). Nepotistic practices in the area
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5 are joined with unproductive family arrangements or power distribution norms leading to
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7 negative performance. This nepotism is referred to in the Arab community as Mojamala.
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10 11 12 **Somah: Low General Trust – Trust Component**

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14 **Somah** (سمعة), the cognitive component of Wasta, is intricately entwined with trust. Within the
15
16 Arab context, trust needs to be established before any business relationship can progress, and
17
18 that trust is usually established at the personal level (Al Hussan et al., 2014) in which Wasta
19
20 connections play a primary role (Al-Omari, 2008). It is centered on the length of the mutual
21
22 relationship and how business is conducted, as well as how disputes are resolved (Alhyasat,
23
24 2012). The process of socialization in the Arab world is very time consuming, yet once a
25
26 rapport has been established, unwritten contracts are absolute and one's word is one's bond.
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28 Failure to meet orally agreed upon obligations will lead to termination of a business
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30 relationship and loss of face (Weir, 1998).
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35 Trust is an expectancy held by an individual or an institution that the word of another
36
37 individual or institution can be relied on (Abosag & Lee, 2013). Trust measures the degree of
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39 mutual commitment in a relationship and denotes responsibility to the tribe, where one applies
40
41 personal power to make the right and rational resolution, and balance among competing needs
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43 (Sidani & Thornberry, 2013). Abosag and Lee (2013) claim that the chief stumbling block to
44
45 the effectiveness of social networks and alliances is the absence of trust.
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50 We point out that some so-called low-trust societies are in part misnamed and are better
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52 characterized as exhibiting high levels of context-related particularistic trust. Throughout much
53
54 of the Arab Middle East, general social trust is severely limited (Sidani & Thornberry, 2013).
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56 Relationships in the Arab world are based on particularistic trust where there is confidence that
57
58 the trustworthy member is dependable and has strong integrity (Berger et al., 2014). Such trust
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3 is founded on qualities like consistency, commitment, competency, truthfulness, being fair,
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5 accountability, respectfulness, helpfulness, and compassion (Altman et al., 1979). Thus, Arab
6
7 societies are generally considered to be low general trust and high particularistic trust societies
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9 (Kafaji, 2011). Social interactions are generally limited to family, close friends, and members
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11 of one's own in-groups such as those based on religion or ethnicity. People have faith in others
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13 as long as those others are part of their own social network, and most tend to believe they have
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15 little control over what happens in society at large (Hassine, 2015). Fukuyama (1995) claims
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17 that a cultural heritage of low general trust puts people at a competitive handicap in global
18
19 markets because they are less able to exchange with those outside their trusted social networks.
20
21 High general trust societies can form large social networks and can thus act in more powerful
22
23 and productive ways, while low general trust, familial societies incur high transaction costs and
24
25 thus can only form social networks with limited capacity. The latter type of trust is referred to
26
27 as Somah in the Arab community.
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33 An important distinction is particularistic trust and general trust, the first being limited
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35 to a narrow circle of familiar others and the second extending to a wider circle of unfamiliar
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37 others (Luo, 2005; Delhey et al., 2011). Those with high particularistic trust tend to associate
38
39 predominantly with those they know and shun strangers. Those with high general trust believe
40
41 that most people share universal values, and are willing to trust outsiders who may on the
42
43 surface seem quite unlike themselves (Fukuyama, 1995). An illustration of such different types
44
45 of trust is provided in a study of Israeli and Jordanian managers working together. It found that
46
47 each group had repertoires of trust, and applied different forms of trust to demarcate the
48
49 boundaries of their social relationships (Mizrachi, et al., 2007). Authors of a multi-country
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51 study concluded that "a high level of trust within a small entrenched economic and political
52
53 elite makes political rent seeking by that elite highly profitable, and that this retards economic
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55 growth and other dimensions of development" (Morck & Yeung, 2004: 405).
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Hamola: Reliance on Social Networks – Reciprocity Component

Hamola (حمولة) is the conative component of Wasta, referring to the level of human empathy, benevolence and favoritism one has with another through owing or being owed favors (Abosag & Lee, 2013). In order to reduce uncertainty and create value, Hamola is needed. It is expected to lead to positive outcomes in business interactions (Mohamed & Mohamad, 2011). A Hamola (tribe) is considered the largest politico-administrative unit, and belonging to a tribe involves more than merely successive generations of genetic relationships. That belongingness depends upon a person's identification with his or her tribe that involves thinking the same way, believing in the same principles, assimilating the same values and ethos, acting according to the same rules and laws, respecting the same hereditary sheikh (an honorific title for an Arab tribe or religious leader), living together, defending each other, and even fighting together. The Hamola is based on the infrastructure of the tribe, but the software that maintains it is the reciprocity among its members. Given the cultural context described above regarding the importance of family and nepotism, we look to social networks that can be influenced by such factors, and thus view the practice of Wasta and its reciprocal elements through the lens of social business networks. Arab business social networks have been described as familial or tribal such that business is done with family, friends or fools, and if you are not family or friend, then you must be a fool (Mahroum, 2016). These social networks, based on family and nepotism, are generally referred to as Hamola (Al-Omari, 2003) in the Arab context and breed particularistic trust manifested through such social networks.

According to Borgatti and Halgin (2011), social network theory discusses the mechanisms and methods that interact with network structures to produce assured outcomes for entities and groups. It is well recognized that people are embedded in dense webs of social relations and interactions (Borgatti et al., 2009). The ubiquity of social networks and

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3 networking at the industry, firm, group, and individual echelons has attracted substantial
4 research attention (Parkhe et al., 2006). According to Elfring and Hulsink (2003), social
5 networks and networking are among the most powerful assets for firms in emerging markets.
6
7 Networks and networking provide access to power, information, knowledge, and capital. A
8 major concept utilized in the literature is patterns of interaction in exchange and relationships.
9
10 These include lateral or horizontal patterns of exchange, mutual lines of communication
11 (Powell, 1990), and long-term, frequent exchanges that create interdependencies (Larson,
12 1992). According to Granovetter (1973, 1982, 2017), the differences between strong and weak
13 ties can be explained by three factors: the frequency of contacts, the reciprocal commitments
14 between the actors involved, and the degree of intimacy, factors that align well with the three
15 constructs of our framework.
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28 In emerging and developing markets, social networks are based mainly on informal
29 institutions formed in response to imperfections in the formal capital, labor, and product
30 markets (Khanna & Palepu, 1997). Network ties in emerging markets are important in that they
31 provide firms with access to resources, information and knowledge, markets, and technologies
32 (Yiu & Lau, 2008). According to Boisot and Child (1996), the importance of clans and social
33 networks in emerging markets is due to patronage social networks between the state and firms
34 that provide firms with unique advantages like lower transaction costs and uncertainty
35 reduction, as well as access to nontradable political resources and protection from the
36 government.
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51 **THREE GROUPS EXAMINED**

52 For our qualitative study, we interviewed three groups of Arabs in the Palestinian Authority
53 since we expected them to differ considerably in their views of Wasta and its three constructs
54 due to the differing social circumstances in which each group finds itself. Business people as
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3 practitioners, leaders as regulators and influencers, and students as aspirers, has created a
4 situation that has often boiled over into outright conflict. Understanding the source of this
5 conflict in Wasta relationships is crucial to understanding the dynamics of doing business in
6 an Arab setting. Key characteristics of the three groups are discussed below.
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14 **Business People**

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16 Arabs tend to show intense loyalty to their own families, tribes, or regional groups, but at this
17 time do not appear to find it easy to develop mutually beneficial affiliations with larger entities,
18 as sometimes was done during the early years of Islam (Abosag & Lee, 2013). The Islamic
19 tribal family orientation induces managers to ascribe to what is termed outer-directed values
20 that are conformist and sociocentric, rather than democratic beliefs. Outer-directed Arab
21 managers, for example, tend to adapt to their situations in life and thus do not “rock the boat.”
22 They tend to prefer structured situations and adherence to policies and group norms.
23 Furthermore, they tend to prefer stable work environments and do not set goals or engage in
24 innovative behavior (Khakhar & Rammal, 2013). The tribal mentality and rivalry among tribes
25 encourages authoritarian approaches to dealings with non-kin, such as other tribes or other
26 segments of society. Arabs are consultative by nature following the teachings of Islam, but
27 their open-door policy is very restrictive. Only a few carefully chosen individuals are consulted.
28 Generally, managers experience little resistance from their juniors, leading to a static
29 environment (Bealer & Bhanugopan, 2014). Hall (1966) classified the cultures of Arab
30 countries as high context where a manager conceals desires, wants, needs, and goals during
31 interactions that reflect “musayara”, an Arabic expression referring to the desire to be
32 cooperative for the sake of coherence and avoidance of confrontation (Weir, 2003). As a result,
33 Arab managers are expected to rely on complex nonverbal communication to convey meaning.
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3 Thus, an investment in relationship building is considered vital to the negotiation
4 process, and can increase the amount of time required to complete a transaction. Such
5 relationships provide a type of “social glue” in times of political uncertainty and social
6 upheaval, reflecting weaknesses in formal institutions. It can help companies sustain their
7 activities through these social networks, even though at times its ethicality may be
8 questionable. Khakhar and Rammal (2013) claim that those who come from politically volatile
9 countries display behaviors that are more commonly associated with monochromic cultures in
10 which people do just one thing at a time, in contrast to polychromic cultures in which people
11 do multiple things at the same time.
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24 Hofstede et al., (2010) found that the Arab world scores high on the power distance and
25 collectivism dimensions, is moderately masculine, and scores low on the long-term orientation
26 and indulgence dimensions. These scores indicate that managers in the Arab world respect and
27 follow the instructions of superiors, focus on relationship building, and follow traditional
28 morals that may be seen as conservative from the Western perspective. Business people we
29 interviewed acknowledged their use of referent and legitimate power in negotiations, which is
30 also associated with trust, relationship formation, and commitment. They also indicated that
31 Arab negotiators almost always implied the prospect of future business with the foreign parties
32 with whom they were negotiating, or made explicit their connections and local knowledge
33 within the Arab countries. From the interviews conducted, we found that the Arab managers
34 had much experience and at one point or another were disappointed with the legal system
35 leading them to a pragmatic view of their business environment. As a result we expected to
36 find little emotional understanding (Mojamala) and an extensive implementation of nepotism
37 as a safety net for one’s position. We expected that there would be no trust (Somah) but that it
38 would be offset with social network reciprocity (Hamola), leading to a win-win situation if the
39 status quo was maintained.
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Leaders (Politicians and University Professors)

In recent years the subject of leadership has been given serious attention in Arab countries for four primary reasons: (1) there is a deeply held belief among Arab scholars that leaders are instrumental in safeguarding the community and building prosperous societies; (2) effective leaders and quality leadership are considered important for sustaining faith and spiritual conduct; (3) the downfall of Arab states and tragic events that have occurred with Arabs since the eleventh century are attributed largely to the absence of leadership (Ali et al., 2013); and (4) the 2011 Arab Spring awakening is a result of the disillusionment of young Arabs with the established leadership.

In this article, we define leaders in the Arab business community as politicians and business professors as they influence business dealings even when not directly involved. Politicians clearly affect business transactions through legislation and oversight, while business professors impart knowledge about business and also often their own views in addition to, or in place of, generally accepted information. Universities function as key centers of education, knowledge, ethics, and in many instances have a significant role in the establishment of nations. Higher education is a key factor in the formation of personal and group identity (Yasmeen et al., 2014), and is often used to serve political goals. Palestinian universities took upon themselves the important role of constructing the Palestinian national identity and laid the groundwork for the establishment of a Palestinian state (Zelkovitz, 2014). This outlook inspired many prominent academics to adopt diplomatic roles in negotiations. For example, Hanan Ashrawi was the spokesperson of the Palestinian delegation to the Madrid Peace Conference in December 1991, alongside Saib Arikat, at the time a senior lecturer at al-Najah University.

Lack of institutional accountability and absence of transparency, complicated by weak legislatures that mostly serve as rubberstamps for executive dictates, have been the norm in

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3 Arab communities. Arab rulers have remained largely inattentive to the democratic changes
4 that occurred in Eastern Europe, Latin America, and elsewhere over the past few decades. The
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6 leaders of Arab countries have differentiated the state from society, and understood politics in
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8 terms of maintaining the security of the regime, at the expense of the needs of the young
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10 population or the business community. Arab political and business school leaders have not
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12 participated fully in the drive to liberalize trade and so have not derived the benefit they and
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14 their societies might have gained by doing so. Ali (1995: 16) calls it ‘sheikocracy,’ the
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16 characteristics of which are hierarchical authority, and rules and regulations conditional on the
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18 personality and power of those who make them. Thus, we expect that political and business
19
20 school Arab leaders are likely to view Wasta as being important and strongly grounded in its
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22 three constructs. These Arab leaders appear to mirror the members of governmental
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24 bureaucracies in China, Russia, and India, as all function in emerging economies that remain
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26 dependent on informal institutions of social networks and their cultural foundations.
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35 **Business Students**

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37 Far reaching changes have occurred in recent years influencing the younger Arab generation
38 that have made the recent uprisings increasingly important in political and socio-demographic
39 terms. The main ones are the “youth bulge,” unemployment, and social media. Over the last
40
41 few decades, an unprecedented youth boom has dramatically altered the demographic structure
42
43 in Arab countries (Costello et al., 2015). In Egypt and Syria, nearly 70% of the populations are
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45 under the age of 25, and in Yemen, 75%. A significant proportion of the working age
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47 population in Arab states (about 34%) involves young people from ages 15 to 24 (Malik &
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49 Awadallah, 2013). Over time, the Arab population has not only grown younger, it has also
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51 become better educated and aware of global economic and social trends (Momani, 2015). A
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53 large percentage of unemployed youth are university graduates who are no longer
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3 automatically employed by the government due to the structural adjustment policies
4 implemented since the 1970s, and who are not absorbed into the private sector as they lack
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6 Wasta with its social connections including influential family social networks (Hwee, 2012).
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8 For example, young people are more likely to be unemployed in Egypt, with 9 out of 10 of
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10 those known to be unemployed being under the age of 30 (Osman, 2012). This is instigating
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12 great restlessness among youth creating what is dubbed a “crisis of belonging”.
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17 Throughout the Middle East, North Africa, and the Palestinian Authority young people
18 are mobilizing for social justice, democracy, and regime change (Staeheli & Nagel, 2012). A
19
20 central cause of this problem is the overall “democracy deficit” and nepotism that create
21
22 frustrations for the young people. Singerman (2013) claims that this “youth bulge” and
23
24 subsequent youth unemployment has fashioned a crisis of “waithood” in which young people
25
26 are obstructed from making the evolution to marriage and adulthood, thus turning to protest to
27
28 vent their frustrations. Young Arabs have thus undergone an important psychological
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30 transformation, from being passive actors in society, to more active participants of self-
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32 expression and social change (Yasmeen et al., 2014). Despite this dramatic change, however,
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34 their generation suffers from a lack of participation in powerful social networks established by
35
36 the older generation to retain business relationships in the Arab world and outside (Berger et
37
38 al., 2014). Thus, we expect that students will perceive Wasta as undesirable though presently
39
40 necessary, but they seek a middle ground approach reflecting both traditional values of
41
42 tribalism as reflected in Hamola, and Western views based on general trust and free
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44 competition, which is counter to Somah. Students thus might be seen as resembling social
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46 network outsiders in China, Russia, and India in that they are not privy to the benefits of
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48 influential social network membership and suffer relative disadvantages compared to insiders
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50 like business people as well as leaders including politicians and business school professors.
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52 From the interviews, we expected the students to be anti-nepotism and not utilize social
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3 networks to a large extent as a result of their educational base and hence the rejection of
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5 Mojamala and Somah from the exchange model. As tribal culture is strongly ingrained, we
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7 expected to see Hamola as still being an important factor in how they see business transactions.
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11 12 **METHODOLOGY**

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14 We adopted a qualitative approach to explore Wasta since such research designs are viewed as
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16 especially appropriate for studying evolutionary phenomena such as social networks (Guo &
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18 Millar, 2010). Qualitative research is based in grounded theory (Glaser & Strauss, 1967;
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20 Strauss & Corbin, 1990) that requires a detailed description of the methodology (Suddaby,
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22 2006), which we provide here to give the reader insights into the steps involved in our research
23
24 process. A qualitative approach is appropriate since the hidden nature of informal practices
25
26 makes it challenging to measure, and such practices can have different meanings in different
27
28 contexts. We view this approach as fitting with the recent call for “a pluralist, contextual
29
30 approach, reflecting the inherent characteristics of international business as a field in qualitative
31
32 research” (Welch & Piekkari, 2017: 714).
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38 Obtaining information is challenging in the Arab context because of respondents’
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40 hesitation to discuss such a highly sensitive topic as Wasta. We applied the GRX scale of
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42 international business trust that was originally created for the Chinese context (Yen et al.,
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44 2011). The model is comprehensive in its coverage and scope of concerns that affect
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46 international business (Barnes et al., 2011), and its three interrelated constructs Xinren,
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48 Renqing, and Ganqing appear to fit well with the constructs of Wasta – Mojamala, Somah, and
49
50 Hamola, respectively. Collectively, the constructs are considered to mirror the quality of social
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52 networks and have been developed into a multidimensional scale (Yen et al., 2011). The model
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54 has been used to study Guanxi in China (Barnes et al., 2011; Berger et al., 2015) and Svizi in
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Russia (Berger et al., 2017). We used this model in its qualitative format to examine its fit to the Arab context and hence create a measuring scale for future research in the area.

Pretesting the Interview Questions

As a pretest, we interviewed five business people, two Palestinian politicians, four postgraduate business school professors, and 15 students in an MBA class, all located in the Palestinian Authority, in order to examine their understanding of and the validity of the research instrument. Based on these interviews and the questions posed, the research items were modified to fit each group, keeping in mind not to change the core meaning of the questions. Three sets of similar questionnaires were prepared with adapted wordings. The changes involved using words that fit each group's language and context of their environment. The aim was to make the questionnaire more understandable and current for each group without losing basic context. The customized questionnaire for the business respondents is provided in the Appendix to provide a flavor of the questions asked of the three groups, each of which had its own tailored set of questions. The original measurement items were first translated into Arabic and then back translated by an Arabic speaking professor to verify their content and linguistic equivalence. As the Arab community is a low general trust culture and, as such, people are wary of questions from strangers related to business and political issues, it was important to notify respondents that their comments would remain anonymous, with the aim of the study being solely for academic purposes. Each interview was conducted in Arabic and later transcribed into English, and each lasted for about an hour. The second aim of the qualitative study was to better understand the business context and views of each group on how business is conducted. In this case a free discussion was conducted around the three constructs of Wasta in order to gain a richer perspective on the different views of the business environment in which each group participated. Recognizing the cultural reluctance among Arabs to engage in

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3 surveys, potential interviewees from the business and leaders groups were telephoned to clarify
4 the academic purpose of the study, ensure anonymity, and build rapport to increase their
5 willingness to complete the survey.
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10 In total, 891 individuals from the three groups completed the interview within a 12-
11 month period in individual meetings with the research team. The interviews began by collecting
12 general information on the nature and use of business social networks which was then followed
13 by an open discussion of the constructs making up Wasta - Mojamala, Somah, and Hamola -
14 and how the interviewees felt about them. The researchers coded the qualitative data according
15 to the Mojamala, Somah, and Hamola constructs in each group (business people, leaders, and
16 students). All interviews were recorded, transcribed, checked for quality, and imported into a
17 software for content analysis (Atlas.ti, 2018, Version 8.3, Berlin, Scientific Software
18 Development) based on a grounded theory approach. In parallel, 2 researchers reviewed the
19 interview transcripts and developed first level codes. First level codes were then collapsed into
20 advanced categories. Categories were analyzed for the identification of key themes.
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35 The data base of business people was constructed from the Wahat al-Salam – Neve
36 Shalom data base. The goal of that initiative, which means Oasis of Peace in Arabic and
37 Hebrew, is to connect Arabs from the Palestinian Authority to Israelis at all societal levels, to
38 promote peace and tolerance of the other through mutual dialogue and business
39 (<http://wasns.org/nswas.org/rubrique22.html>). We interviewed 356 business people
40 representing 40 percent of the sample: 44 from Jericho, 89 from Nablus, 178 from Ramalla,
41 and 45 from Hebron. The business people sampled consisted of managers of SMEs who are
42 active in import and export activities from the Palestinian Authority and use Wahat al-Salam –
43 Neve Shalom services as a bridge to export their products and services outside of the
44 Palestinian Authority.
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3 The leader group, representing 18 percent of the sample (156 people), consisted of
4 politicians and business professors. The politicians were from the regional level and worked
5 closely with the Wahat al-Salam – Neve Shalom project (واحه السلام), and the business professors
6 were from the Palestinian universities sampled. Sixteen respondents came from Jericho, 62
7 from Nablus, and 78 from Ramallah. No politician contacted from Hebron was willing to be
8 interviewed.
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11 The student sample, comprising 42 percent of the total sample, consisted of 379
12 graduate business students from four of the 12 major universities in the Palestinian Authority:
13 47 from Bir Zait University in Ramallah, 47 from University of Hebron, 95 from Schem
14 University Alnajilm, and 190 from Alquads University. Two graduate business classes were
15 sampled from each university.
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18 After coding all transcripts individually, they were given to an industry expert to review
19 and resolve with the researchers any discrepancies through extensive discussions. The
20 researchers then compared and contrasted the lists obtained for each group to identify
21 similarities and differences between them in order to build the three Wasta models.
22 Respondents were asked to define trust and the constructs of building socially based business
23 exchange. They were subsequently asked to discuss which factors affected their trust
24 development in the business relationship.
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47 **FINDINGS**

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49 This study focused on the views of Wasta for three different groups: business people, leaders,
50 and students. We examined how each group saw Wasta and its constructs in order to better
51 understand the dynamics involved and develop a future quantitative measurement scale.
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Business People Group

Regarding the business people interviewed, family-oriented empathy (Mojamala) and particularistic trust (Somah) were not found to be important to facilitate exchange. This is surprising as it implies that Wasta in this context is not built on trust but on tribal relations only. Thus it seems that Arab business people transact on an arm's length basis without relying on trust, but still incorporating the importance of tribal relations or social networks (Hamola). We found that Arab managers spent a considerable amount of time during the pre-negotiation stage communicating information between the managers to create a relatively informal atmosphere before beginning the actual negotiations in order to better be acquainted and lower transactional related risks. Figure 1 is a conceptualization of the exchange model found in this group:



Figure 1: The business people exchange model

	Hamola	Mojamala	Somah
agreement	66%	21%	16%
undecided	13%	45%	44%
disagreement	21%	34%	40%

Table 2: Distribution of Wasta constructs among business people

The views of Wasta by Arab business people is illustrated by the following interview excerpt:

“In business there are no friends ... I do not trust my business partners not to exploit a weakness or be there for me when I need them ... Today it’s all about money and power not about friendship ... my safety net is the Hamola (tribe) – my extended family that can be trusted ... it’s because our past, present, and future are intertwined, it’s a kind of win-win that works ... there is always one’s reputation in the Hamola to upkeep, without this you are nothing ...”

Leaders Group

The leaders group seemed to combine Mojamala, Hamola, and Somah into the construction of social networking, illustrating the importance of all three constructs. It was found that tribal relations and social networking (Hamola), family-based empathy (Mojamala), and particularistic trust (Somah) are seen by this group as being important in creating social networks. Figure 2 is a conceptualization of the exchange model found in this group:

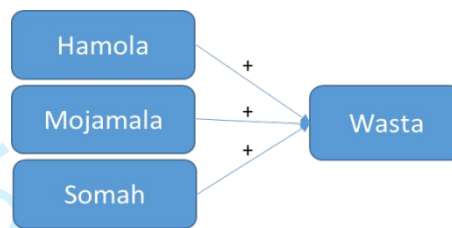


Figure 2: The leaders exchange model

	Hamola	Mojamala	Somah
agreement	65%	64%	60%
undecided	12%	12%	16%
disagreement	23%	24%	24%

Table 3: Distribution of Wasta constructs among leaders

The views of Wasta by Arab leaders is illustrated by the following interview excerpts:

“...Wasta is permanently going to be used here as it is a part of our country culture ... we are friendly people ... you see we come from tribal backgrounds, we use it every day in life to get things done for the people we help. It can be in the form of favors or presents ... *To be trusted in politics you have to come from the same tribe, it makes you closer, it just makes things simpler. I know your family and in the event of a problem, I know who to approach ... I invest much time in building social networks, it just helps in politics ... you just do not know what can happen in the future ... I must get to know him as the legal system is non-existent.*”

Student Group

Looking at the student interviewees, we found that greater family-oriented empathy (Mojamala) increases Wasta as well as tribal connections or social networking based on reciprocity (Hamola), rather than particularistic trust (Somah). The student managerial ideology appears to be a hybrid - one that combines both domestic and imported ideas that have been learned through education and interaction. The students' view of management in the Arab context involves a style that blends the best elements of both their native and foreign cultures.

Figure 3 is a conceptualization of the exchange model found in this group:

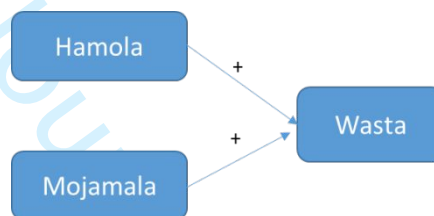


Figure 3: The student exchange model

	Hamola	Mojamala	Somah
agreement	60%	52%	25%
undecided	14%	16%	19%
disagreement	26%	32%	56%

Table 4: Distribution of Wasta constructs among students

The views of Wasta by Arab students is illustrated by the following interview excerpts:

“It is very important to establish good Wasta ties with government officials and business people as they have power over resources and jobs ... they have the final say on who can do the business or get a job, or get priority in any government related project ... if you are not connected and work only on your abilities you won't get anywhere ... This is done through family ties (Hamola) or through buying your way in ... this is life, I know it's not fair, it's frustrating, but this is reality in our world.”

Summary of Findings

In summary, the business people appeared to approach Wasta from a very pragmatic point of view, while the leader group seemed imbued with the full range of the traditional constructs of Wasta. The student group, although expressing somewhat the same views as the business group, saw family-oriented empathy (Mojamala) as being more important than did the business group. In their overall view they expressed ties to the traditional views of Wasta while also showing exhibiting the influence of outside forces like education and exposure to Western ideas and values.

MANAGERIAL AND BUSINESS IMPLICATIONS

Our findings provide the foundation for a number of important insights for non-Arab managers seeking to do business in the Arab world. For international managers to conduct business successfully, it is essential to understand how Wasta works, and establish relationships with members of influential social networks by building trust over time such that they create Wasta for themselves and indirectly for their firms. Using Wasta in the Arab world, as noted above, has similarities to doing business successfully in other emerging economies such as using Sviazi in Russia (McCarthy & Puffer, 2008; Berger et al., 2017), Guanxi in China (Yen et al., 2011), and Jaan - Pechaan in India (Bhattacharjee & Zhang, 2011). We feel more confident in stating this view after comparing Wasta with these other three concepts, and noting that all four are built upon the same fundamental constructs as shown in Table 1.

Institutions that dominate social structure can vary according to their degree of formalism and may be either strictly formal or remain embedded in personally based procedures (Alon et al., 2016). Organizations like universities, government agencies, and corporations are presumably based on formal principles, but the social environment in which they operate is heavily shaped by informal culturally embedded institutions. Since Wasta is

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3 such a pervasive informal institution based upon reciprocal favors among in-group members
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5 in the Arab world, it is important for managers to gain an understanding of Wasta and the need
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7 to establish a method for creating their own Wasta. This might well require the services of an
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9 intermediary who is in a position to introduce such managers to appropriate influential social
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11 networks that could help accomplish their business objectives.
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15 Foreign managers must also understand the differing perceptions of Wasta by various
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17 societal groups such as we studied. For many, and particularly Arab youth, Wasta is seen as
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19 being dominated by power abuse and practices like nepotism and cronyism that provide access
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21 to jobs for people who are not qualified but have the right connections. Such outcomes of
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23 Wasta, however, seem to fit the needs and modus operandi of leaders and, to a lesser degree,
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25 business persons, as seen in our study results. So depending upon a foreign firm's business
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27 objectives in the Arab world, and the parties with whom they would become most involved,
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29 they will have to deal with the different prevailing perspectives on Wasta. In dealing with Arab
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31 leaders, they can expect that Wasta will be an integral part of any interaction such as entering
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33 into a contract or obtaining permits to conduct business. Arab managers, in contrast, will often
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35 conduct arms' length transactions with well positioned and ethical foreign managers and their
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37 firms. Yet, they will likely transact in a socially based fashion with Arab in-group firms,
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39 leading to a two tier model of exchange for them.
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45 Clearly, MNC and other foreign managers will have to decide, as they do in many
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47 emerging markets, how to react to overtures to become involved in Wasta, generally meaning
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49 providing some preferential benefit to the official, business person or influential academic, or
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51 to transact transparently in an arm's length manner. At times it may be difficult for business
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53 people, including MNC managers, to act ethically or even interpret the ethicality of a practice,
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55 even if it is legal. In this fluid context, those operating or planning to do so in the Arab world
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57 should take note of differences between the Western and Arab mentalities relating to business
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3 practices. Much the same can be said of culturally based practices in other emerging and
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5 transition economies as discussed in this article.
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8 Patience and a willingness to build mutual trust that could provide entry into an
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10 influential social network could be the most desirable approach to gaining Wasta since it could
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12 avoid the worst experiences of Wasta. One potential point of entry to such social networks is
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14 persons in the local context who are part of a “global values cluster”, i.e., a group which shares
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16 global managerial values, and can facilitate interaction with their local values cluster
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18 compatriots with whom they share socio-cultural values. Managers of MNCs would more
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20 likely be able to successfully enter social networks with members of global values clusters with
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22 whom they share managerial values, due to the principal of homophily (Granovetter, 1994).
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24 The same potential could apply in other countries with similar culturally based practices.
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28 If these same foreign managers wanted to hire younger Arabs who view Wasta through
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30 a substantially different lens, seeing it as generally undesirable but potentially necessary, those
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32 managers might well be successful in establishing an arm’s-length relationship with these
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34 younger Arabs who seem to prefer avoiding using Wasta as they pursue their career and other
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36 business objectives.
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40 In summary, Wasta is seen differently by different groups in Arab society, and foreign
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42 firm managers operating there will have to develop a solid understanding of the practice and
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44 its different perceptions among varying Arab groups with which they might become involved.
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46 As such, they must be informed and aware in practice of the networked system of reciprocal
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48 favors in that environment, just as they would in other emerging economies like China, Russia,
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50 and India, countries in which these practices have been more widely studied (Sardy et al.,
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52 2010). In fact, managers from these countries would likely find it far easier to adapt to the
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54 practice of Wasta in the Arab world because of their experience in their home markets, in
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3 contrast to Western managers with different experiences due to the prevalence of strong formal
4 institutions and less reliance on informal ones in their home countries (Puffer et al., 2013).
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10 **FUTURE RESEARCH AND LIMITATIONS OF OUR STUDY**

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12 The topics covered in the discussion above should provide fruitful guides to research directions
13 not only in the Arab world, but also in other emerging and transition economies that share so
14 many culturally based characteristics. Wasta in the Middle East can be seen as being similar to
15 the concept of Guanxi in the Chinese business culture, Sviazi in the Russian culture or Jaan -
16 Pechaan in India. All are based on the same three constructs of family and nepotism, low
17 general trust, and the use of favors and reciprocity within social networks based on the first
18 two constructs. We claim that the GRX scale, with the adaptations presented in this paper, is a
19 good scale for measuring Wasta and hence paves the way to quantitative research in this area.
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21 In such countries, foreign business people have been cautioned about neglecting to understand
22 the importance of these culturally based social networks and how they are seen differently
23 within different groups, as well as the need to work with them in a legal and ethical manner in
24 the conduct of their business (McCarthy & Puffer, 2008). Just as Guanxi, Sviazi, and Jaan -
25 Pechaan are recognized as critical elements for doing business in those contexts, the findings
26 of this study suggest that business managers should recognize that working relationships in the
27 Arab world can be facilitated by understanding how to operate within relevant powerful social
28 networks. This includes understanding the pervasive practice of Wasta, and finding vehicles to
29 use it to their own advantage by developing their own form of Wasta. This necessity in itself
30 could be a focus for future study, including the use of various vehicles that might be employed
31 in the process.
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56 The findings of this study provide an explanation for the behaviors and strategies used
57 by Arab managers during business negotiations, including the three constructs culminating in
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3 the use of social networks to reduce uncertainty. In doing so, this study has laid the foundation
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5 for future studies to test our findings and to apply them in other Arab countries and regions,
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7 and perhaps other emerging economies. Our research also provides a base for comparative
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9 studies conducted in other Arab countries and in non-Arab countries with similar uncertain
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11 environments. Economic instability is not confined to the Middle East and the changing
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13 institutional, cultural and socio-economic conditions in that region can provide examples for
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15 other countries facing similar challenges. A beginning point could be a quantitative empirical
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17 study in the Arab world of groups such as those we studied utilizing a qualitative interview
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19 methodology. Another fruitful area of research could be comparing reactions to the use of
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21 informal institutions such as Wasta among different generational groups, not only among
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23 Arabs, but in other informal institution-based societies such as China, Russia, and India.
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29 Social capital is not static, but evolving. Social capital is fundamentally concerned with
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31 resources located within certain environmental structures. As a result, the impact of social
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33 capital is significantly affected by relevant environmental factors shaping the evolution of
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35 social relationships (Nahapiet & Ghoshal, 1998). Scholars have examined social networks such
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37 as Guanxi and its role in the structure of Chinese society as its economic transition progresses
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39 (Li et al., 2004). While many China scholars view Guanxi as a deep-seated cultural fact of
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41 Chinese society, Li (2013) and Guthrie (1998) view Guanxi as an institutionally defined system
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43 - i.e., a system that depends on the institutional structure of society rather than on culture. As
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45 a result, they claim that guanxi declines with the rationalization of the Chinese legal and
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47 economic system. Can the same be said about Wasta in the Arab world? Theoretically, yes. We
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49 call upon scholars to examine the effect of Wasta on different Arab countries at different stages
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51 of economic and legal transition, a point that can shed light on social network theory and
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53 illustrate where socially based transactions have value and where they limit firm success.
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3 We recognize that our study is limited in terms of the geographical sample since it does
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5 not include any non-Palestinians, although the managers we sampled came from various
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7 regions in the Palestinian Authority. Furthermore, we recognize the limitations to generalize
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9 from a qualitative study to a larger sample. This limitation to our research was necessary in
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11 order to understand the constructs of Wasta and create a measurement scale for future research.
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13 Still, Palestinian managers are highly educated and mobile, and can be found in many other
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15 Arab countries working in managerial positions (Zineldin, 2002), thus potentially broadening
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17 the generalizability of our findings. Nonetheless, our samples would be called ones of
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19 convenience rather than randomly drawn from the three groups, since the latter would be
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21 extremely difficult to execute not only in the Palestinian Authority but in most of the Arab
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23 world due to the culturally based reluctance to provide sensitive information to those outside
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25 one's social network. Despite the difficulties that might be involved in exploring such
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27 culturally sensitive issues as we did in this study, the benefits in knowledge gained can be of
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29 significant importance to the study of international business in emerging and transition
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31 economies.
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Appendix. Interview Items for Business People Sample

8	Mojamala (Affective Component)	انا غالبا اتفاعل مع الزبون على اساس اجتماعية خارج نطاق العمل .
9	My supplier's representative and I are able to talk openly as friends.	انا ومندوب المبيعات نستطيع ان نتحدث بانفتاح كأصدقاء .
10	If I were to change this business supplier, I would lose a good friend.	اذا كان علي ان اغير مندوب المبيعات فسوف اخسر صديق جيد.
11	I consider my supplier's representative as being almost as close to me as family.	اعتبر مندوب المبيعات كأحد افراد العائلة .
12	I would consider whether my supplier representative's feelings would be hurt before I made an important decision.	سأخذ بعين الاعتبار مدى الضرر الذي سيلحق بمندوب المبيعات عند اتخاذ اي قرار .
14	I have a brotherly feeling towards this supplier's representative.	اشعر بأن مندوب المبيعات بمقام اخي
15	I would try my best to help out this supplier's representative when he/she is in need because he/she is a friend of mine.	أبذل قصارى جهدي لمساعدة هذا المندوب في حالة وقوعه في مشكلة لأنه صديقي
17	Somah (Trust Component)	
18	This supplier's representative has been frank in dealing with us.	أفضل التعامل مع مندوب المبيعات لمصداقيته في العمل.
19	This supplier's representative does not make false claims.	مندوب المبيعات هذا لا يدعي ادعاءات كاذبة.
20	We think this supplier's representative is completely open in dealing with us.	اعتقد ان مندوب المبيعات يتحدث بانفتاح معنا
21	This supplier's representative is only concerned about himself/herself.	هذا المندوب مهتم فقط بمصالحه او بنفسه.
22	This supplier's representative seems to be concerned with our needs.	هذا المندوب يبدو انه مهتم باحتياجات العمل
23	The people at my firm do not trust this supplier's representative.	الأشخاص في شركتي لا يتقون في مندوب المبيعات هذا.
24	This supplier's representative is not trustworthy.	مندوب المبيعات هذا غير جدير بالثقة.
26	Hamola (Reciprocity Component)	
27	I feel a sense of obligation to this supplier's representative for doing him/her a favor.	اشعر بالالتزام بتقديم بعض الخدمات لمندوب المبيعات
28	I think that "calling in" favors is part of doing business with this supplier's representative.	انا اعتقد ان تقديم بعض الخدمات لمندوب المبيعات هي جزء من طبيعة العمل
29	The "give and take" of favors is a key part of the relationship between my supplier's representative and me.	بعض الخدمات يبني وبين مندوب المبيعات هي جزء لا يتجزأ من العلاقة .
30	I would feel embarrassed if I was unable to provide a requested favor to my supplier's representative.	في حالة عدم المقدرة على تقديم بعض الخدمات لمندوب المبيعات اشعر بالحرج
31	I know that it is bad business not to return favors to this supplier's representative.	عدم تقديم خدمة لمندوب المبيعات قد يؤثر بشكل سلبي على طبيعة العمل خصوصا اذا كان مندوب المبيعات قد قام بتقديم بعض الخدمات سابقا .
32	I am happy to do a favor for this supplier's representative, when he/she requests one.	اشعر بالسعادة عند تقديم خدمات لمندوب المبيعات .

	Business Relationship	Affective – liking the other side	Trusting the other side	Reciprocity – trading through favors
English Explanation	Social business networks, “old boys club”	Mutual emotions	Trust (generalized versus particularized trust)	Reliance on social networks for exchange of favors i.e reciprocity
Name in Arab Countries	Wasta	Mojamala	Somah	Hamola
Name in China	Guanxi	Ganqing	Xinren	Renqing
Name in Russia	Sviazi	Najti obshij yazik	Doverat’ s zakritimi glazami	Podmazivanie
Name in India	Jaan – Pechaan	Pechaan	Bharosa	Len-den

Table 1: Comparison of Socially Based Business Networks in Arab Countries, China, Russia, and India



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Microsoft Partner



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ד.ג. עמק יזרעאל
צומת מזרע
ISRAEL
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הנחה 0.01%

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מע"מ 17.00%

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