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Overview

To accept a benefit is to sell one's freedom

Proverb

Introduction

The issue of *wasta* is like the proverbial elephant in the room—everyone knows it exists but avoids mentioning the fact due to the sensitivity of the subject. The term *wasta* is used all over the Middle East and stems from the Arabic root for "middle" or "medium". It indicates that there is a middleman or "connection" between somebody who wants a job, a license or government service and somebody who is in a position to provide it. *Wasta* describes the phenomenon of using "connections" to find jobs and obtain government services, licenses or degrees that would otherwise be out of reach or would take a long time or effort to obtain.

Although the effects of *wasta* may also be positive, they are usually considered as negative and affect decision-making on all levels of Middle Eastern societies and other societies who use social capital networking in a negative manner. The use of *wasta* causes inequality and inefficiency when people without the necessary skills get jobs or are even promoted in case their inability becomes obvious. Although *wasta* is not identical to corruption, a Western perspective would clearly regard it as an abuse of power to meet private ends. However, in traditional societies, to help members of the tribe, family or region seems to have become regarded as normal. *Wasta* is often deplored but mostly in an anecdotic manner when used by others. One frequently finds that those people who complain about *wasta* do not hesitate to use their own. *Wasta* social network concept of interpersonal connections is often rooted in family and kinship ties and is highlighted in many cultures and religions, for example, in the Islamic *Ummah* which stresses the universality of family paradigms of social order, trust, favours and its relevance for business practice. This

gives rise to a comparative perspective on social network concepts across other cultures and regions of the world such as *ubuntu*, *guanxi*, *harambee*, *piston*, *jeitinho*, *svyazi*, "*big man*" and *naoberschop*.

The volume brings together contributors from a wide variety of academics and those with professional working experience in the Middle East, Europe and Asia in the private and public sectors with firsthand knowledge on the workings of *wasta*.

Wasta has its advantages and can also be viewed in its innocence and optimality, with a strong sense of how commitments made are bound by honour as well as mutual obligation. In more atomised societies where relationships are essentially transactional amongst alienated parties, connections can be unidimensional and enforceable only through litigation. Notions of honour and equity tend to be either entirely absent or be superficially masqueraded, as the world rushes to a globally litigious basis for all relationships in the name of equity. Rather than bribes, *wasta* relies on reciprocity. This and other aspects make it difficult to measure *wasta*, which may account for the rather good performance of the Gulf Cooperation Council (GCC) states in widely used corruption rankings like the Corruption Perceptions Index (CPI). The good ratings seem to contradict qualitative assessments that regard *wasta* as widespread and pervasive in the GCC. In many countries, the phenomenon is often linked to oil wealth and the fact that some governments can afford the inefficiency resulting from *wasta* while others cannot. Furthermore, *wasta* relies heavily on tribal affiliations and is very likely to strengthen them to the detriment of the emergence of a national identity. The volume discusses the phenomenon of *wasta* from various perspectives: conceptual, social, economic and political with regard also to its effects on education and the labour market where they are particularly harmful and obvious. In other societies, the use of social networking is an accepted form of social capital which binds certain class of people together to achieve their ends. As a result, people get jobs not because of their merits or qualifications but because of their connections, family or tribal ties. In about the same vein, people with *wasta* have better and quicker access to government services than those without. Although money and bribes may at times be involved, they go beyond the key concept of *wasta*.

By its very nature, *wasta* is an area of grey or even black information and therefore—like corruption—hard to assess. The *Corruption Perceptions Index* (*CPI*), published annually by *Transparency International* (*TI*), is, as the name indicates, a rating based on the *perception* of corruption, and this perception may vary strongly according to what the observer is used to and to which layers of society he or she has access. In some societies, corruption is openly discussed in the media while it is taboo in others—at least when powerful people are concerned. Furthermore, one will frequently find that people (all over the world) blame *wasta* for all kinds of economic ills but do not hesitate to make use of their own connections when needed. "Corruption" can be briefly defined as "the abuse of entrusted power for private gain". Given that the "connection" expects to benefit from a service in return or will use his or her influence for family members, a Western perspective on *wasta* will probably consider this as a form of corruption, while it is widely perceived as something "natural" and not criminal in most Middle Eastern societies, as this volume

will explore. Perceptions of corruption and cross-country surveys based on perceptions and media have therefore several flaws that are, however, well known. According to the CPI, the GCC states rank amongst the upper (supposedly less corruption ridden) 70 countries out of a rated 175, indicating that only a modest level of corruption is perceived. In 2013, the UAE reached rank 26, which is just below Austria, while Kuwait ranked 69 found itself one rank below Italy. The other GCC countries are in between, with Qatar being ranked just behind the UAE and Bahrain, Oman and Saudi Arabia achieving similar but slightly better results than Kuwait. The same more or less holds true for the related aggregate indicator "Control of Corruption" (World Bank Governance Indicators). Here, the GCC states mostly received positive ratings (above 0), which indicate a rather good control of corruption. At times, however, Kuwait and Saudi Arabia were assigned ratings below 0. Qatar and the UAE, on the other hand, have reached values above 1 and have even approached the ranks obtained by the USA, although they are still far away from the Scandinavian states which rank above 2. For all GCC states and for the UAE and Qatar in particular, we have to assume that a high percentage of the observers are expatriates. Whether *wasta* affects the recruitment and realm of expatriate labour to the same degree as the recruitment and working place of locals is unclear but is explored in more detail in Pushki and Jones' contribution in this volume.

Wasta can be found in many spheres of life whether in education, employment, project awards and business management structures. The GCC countries have announced initiatives to combat corruption at the national level by promoting transparency in project awards to rationalise national spending and are publicly naming and shaming officials and contractors who have used *wasta* and influence to obtain projects. In April 2015, Saudi Arabia, the Arab world's largest economy, announced that all government projects and purchase contracts amounting to SR100 million ($26.7 million) can only be awarded with the approval of the Council of Ministers. The previous limit was SR 300 million ($80 million). While this might have been necessitated by government expenditure rationalisation following the 50 % drop in oil prices from $100 to $ 55–60 p/b, the intention of the Saudi government was clear: that even "small" projects (by Saudi standards) could now be scrutinised to avoid "hidden costs" and corruption.

However, some might argue that combating corruption and *wasta* in the GCC post the "Arab Spring" was more cosmetic than real. What has been the effect of post-Arab Spring appointments of royal family and non-royal family officials to senior administrative positions using the ruler's *wasta* prerogatives? And is this any different from the appointment of non-elected technocrats and advisors in other countries who are trying to meet political and economic challenges? By all indications, the combating of corruption and ensuring a level playing field, for rulers and ruled, is an issue that has been taken very seriously by the newly appointed King Salman bin Abdulaziz of Saudi Arabia, who, as Custodian of the Two Holy Mosques of Islam, stated in June 2015 to the Anti-Corruption Committee that his government would have zero tolerance for corruption in the country and that he and other members of the royal family are not above the law and that any citizen can file a lawsuit against the king, crown prince or other members of the royal family. These were

some of the strongest statements to be made by a Saudi monarch on the issue of combating corruption and nepotism.

As this volume examines, *wasta* and having the right connections are not only prevalent in the GCC but are found in many other societies like the so-called old boy networks in Western societies who assist members of the same social class, education or even region in having certain advantages over others. The use of connection or *wasta* is not necessarily harmful to society at large. From the perspective of economic institutionalism, *wasta* can lower transaction costs and reduce the problem of asymmetric information if, for example, the use of such connections can place disadvantaged groups or individuals into the workforce who might otherwise not have the same opportunity as others. *Wasta* can help people find a job in a shorter time and does not necessarily lead to mismatches of people and positions. In effect, this helps to introduce a "level playing field". This type of *positive wasta* is often characterised as providing institutions with an introduction and is done on the basis that the individual introduced is of a high calibre to successfully and professionally accomplish what is required of the position being filled by *wasta*. The extent of *positive wasta* involvement ceases with the introduction. Should the introduced person then fail at the given task, then he or she is liable to be dismissed or not promoted to other more challenging or senior managerial positions. If the introduced person is not dismissed, it is very likely that the positive effects of *wasta* turn negative. *Negative wasta* is whereby individuals are placed or promoted to positions beyond their technical, educational or professional capacities and capabilities and continue to be shielded in the organisation. In some cases, more often than not they are even promoted "upwards" to shield them, and this seems to be the case in the GCC in both the public and private sectors.

Tribal, regional and family affiliations are important drivers for *wasta* and the lack of nationwide, transparent and readily available employment data makes it difficult to tackle the problem. While there is some evidence of *positive wasta* in the GCC, such as using personal contacts and influence to place exceptional students on training programmes or introducing them to companies after graduation, the overall use of *wasta* has been negative. The result is a corrosive effect on Arab societies, whereby the use of *wasta* is now accepted as a normal way of life and the only way to get things done. Without *wasta*, good students fear that their career may soon meet a glass ceiling. The seeking and granting of *wasta* also involve a well-understood but implicit value system whereby the larger or more complicated the *wasta* requested, the more the unspoken obligation on the recipient to reciprocate in kind when the "counter *wasta*" is later called upon. If *wasta* is widespread, hence, not only "grand" but also "petty" *wasta* can make its way into decision-making at all levels of society. The difference in *wasta* giving and taking and the reciprocal obligation it places on both parties are explored further in the volume, illustrated through case studies of specific countries.

Nevertheless, the effects of *wasta* on the labour market are the most obvious. What is the impact on the various initiatives to create more diversified, knowledge-based economies when incumbent decision-makers are put in place by virtue of *wasta* and not through ability and are thus incapable or unwilling to take bold new

economic visions forward? What happens to well-meant government policies if they are not implemented at lower levels because decision-makers are bound by *wasta*? Fighting negative *wasta* is important for the countries that seek to truly implement a more equal opportunity and entrepreneurial knowledge-based economic base.

Recently, there has been increasing pressure from governments of less economically developed countries to employ more nationals in the private sector and to encourage nationals to become entrepreneurs. It remains to be seen whether extensive use of *wasta* will accentuate the preference for more secure, public sector jobs or whether it will promote a new breed of disgruntled self-employed entrepreneurs who are determined to make it their "own way". Given rapid population growth in some of these developing countries, it is questionable whether there will still be "enough *wasta* to go round" in the future. If the number of acceptable jobs available does not increase at the same pace as the population, many job seekers may also find that good connections will be of little help. For the Gulf countries, this, in turn, relates to the question of oil wealth: the wealthiest of the GCC states may be able to afford the inefficiencies of further public sector growth and more jobs while the "poorer" ones may not. Furthermore, the distance to the decision-makers tends to increase with population growth, and a growing group of young people may have to find jobs without the help of *wasta* as illustrated in the case of Bahrain in this volume. On a political and social level, further questions are raised whereby *wasta* potentially hampers the emergence of national identities, especially in the GCC, as it tends to make use and reinforce tribal, regional, familial and socio-ethnic ties. A serious discussion on *wasta* is no longer a luxury but a necessity for many countries.

Overview

The volume is divided into four parts to cover specific areas of focus and authors' expertise on particular areas of *wasta*. While common themes run through all the contributions to link them on the positive and negative aspects of social networking connections, the subject is approached from different socio-economic perspectives. Part I covers "*Wasta* as Social Capital" with four contributions. In Chap. 1 "*Wasta* as a Form of Social Capital? An Institutionalist Perspective" is examined by Annika Kropf and Tanya Cariina Newbury-Smith. According to the authors, social capital is a notion of considerable extensibility and has experienced ups and downs from being considered an almost necessary ingredient of a well-functioning democratic society to a barrier for social change that contributes to the benefit of certain social classes. The authors argue that the difficulty to tell good and bad forms and effects of social capital apart has given rise to some disillusionment in the field, thereby reducing definitions to the smallest common denominator. Kropf and Newbury-Smith determine that social capital and *wasta* often share the same attributes, often to an amazing extent, and even argue that *wasta* is included fully in the concept of

social capital. Thus, the main differences between detrimental or beneficial effects of networking do not seem to lie with the particular nature of the network nor the country it takes place in, but rather with the network's overall purpose. According to the authors, there is no final judgement on networking as being either bad or good as *wasta* can be found in all aspects of Arab society: education and university admissions, job applications, government services, and even in court decisions and in marriage arrangements. For the betterment of society, or to its detriment, *wasta* is a mechanism that is essential in the daily operations of the Arab world: a tradition that is deeply ingrained is not seen as universally negative, does not necessarily adversely affect society and is unlikely to disappear. Instead, it is more important for those evaluating the Arab world to understand its merits and adapt accordingly. The authors furthermore determine that *wasta* is an effective method to deal with weak institutions, a topic taken up by other contributors in the volume. The family network functions as a "state within a state". It is the first and preferred instance due to the arbitrary, weak, inefficient and authoritarian nature of the official state. However, the fact that there is so little trust for official institutions—often undermined by family institutions—also precludes them from becoming stronger. It is a vicious circle that only a long process of regulations in bureaucracy and trust building in government can hope to break. Fighting *wasta* when the institutions remain weak and unreliable would only produce stalemate and dissatisfaction—and perhaps only amplify corruption. This is a theme taken up later by Helen Lackner with her firsthand experience in Yemen. Kropf and Newbury-Smith argue that while there are a few clear negative externalities for society, it is often unclear what came first. Did weaknesses of social and political institutions make *wasta* necessary or did *wasta* cause the decline of these institutions or preclude their proper functioning? They argue that what shaped the negative assessment of *wasta* much more than any tangible difference from valuable social capital seem to be underpinned by several biases: first, the bias of neoclassical economics towards anything that may hamper perfect competition, be it of individuals or companies; second, the failure of neoclassical economics to accept that there is always asymmetric information whereby one party has information that the other does not possess; third, the failure to recognise that trust between people matters and that people are not individually maximising profit to the degree they are assumed to be in economic modelling; and finally, that there is general disdainfulness of collectivist societies, especially those that are tribal based, a theme that is also taken up by other contributors in the volume.

Chapter 2 by David Weir, Nabil Sultan and Sylvia van de Bunt, entitled "*Wasta*: A Scourge or a Useful Management and Business Practice?", assesses the effects on modernisation of society and social networking in the Arab world and how *wasta* must be positioned in the dynamics of Arab culture with a focus on the social capital networking of *wasta* in family and business relations. Core issues such as recruitment (based on nepotism, privileges, strong commitment), talent development (based on respect for seniority), performance appraisal (at group level) and disciplinary action (at individual level to avoid loss of face) are explored, and a comparative study is done on social capital networking in other parts of the world, a theme

that is taken up later when analysing how other cultures manage their particular form of social networking. The authors argue that it is important that international students and managers studying/doing business in the Arab world should understand *wasta* and similar social networks in other regions of the world such as in Africa (*ubuntu*), Germany (*nachbarschaft*) and China (*guanxi*). In these social networks, notions of trust, family and favours are also considered. Issues concerning insider business relationships in the Arab world and other aspects of international business are explored which are important elements as the key Arab economies open up to multinational joint venture companies and attract foreign direct investment, with many of these foreign organisations having to comply with national anti-corruption laws on conducting overseas business which could be in contravention of local, seemingly "acceptable" *wasta*-based business practices. The authors argue that though *wasta* pervades the culture of all Arab countries and is a force in all significant decision-making, it is not usually mentioned by most writers on business nor is it always openly discussed by Arabs themselves. This is largely due to the fact that many Arab governments often try very hard to distance themselves from being associated with *wasta* in their quest to attract international investments and become modern knowledge economies; however, the *wasta* system will continue in the Arab nations for as long as the dissatisfaction of those disadvantaged by *wasta* remains an insignificant political issue or the concern for declining societal productivity resulting from *wasta* is not regarded as a national priority. Accordingly, *wasta* can be expected to remain a major practice in Arab society and will not be "tamed" until such time as there are calls for significant social change.

In a world that is becoming increasingly connected thanks to information technology, the Internet, mobile phones and social media, the practice of *wasta* will face challenges, a theme that repeatedly crops up in other contributions in the volume. Politicians and officials of public office are likely to be more careful now than ever before when dispensing favours through *wasta*. Moreover, membership of the World Trade Organization can also put limits on the extent to which governments or rulers can (through *wasta*) favour individuals or companies involved in trade activities.

The values of "management" and business practice are presumed in most professional discourse to be universal and to be those of Western capitalism, but there is in the global world of management a great diversity of business cultures and norms of behaviour. In the Arab world, management and business are inextricably linked to the characteristics and values of Arab social organisation. These features, far from being deviant or undeveloped versions of Western business models, may provide the basis for a style of management organisation well suited to the growing requirements of a networked global society. Without negating the negative connotations of *wasta*, the authors argue that the business style of the Arab world may have something to add to existing business and management theory and practice.

This issue warrants further research, and there is potential in a blending of Eastern and Western management practices into new models of theory and practice. The emerging and evolving styles of business and management in the Arab world are currently neither "Western" in the sense of drawing all inspiration and organising principles primarily from North American/European models nor "Eastern" as

suggested by some generalisations derived from analyses of Japanese practice or values. Rather, they are reflective of the distinctive cultures and values of the Arab world, influenced increasingly by Western business models. The authors argue that there is a necessity to increase our understanding of why a social network approach to business has worked in Arab countries for hundreds of years and continues to work despite pressures of modernisation and that such discussions ought also to enhance the international business community's awareness of the benefits of socially networked societies.

In Chap. 3, "Wasta: Is It Such a Bad Thing? An Anthropological Perspective," Helen Lackner continues the discussion on whether *wasta* is really such a bad thing. Interestingly like Kropf and Newbury-Smith, Lackner notes that there is no exact English word, despite the fact that the phenomenon is widespread throughout the world. English translations include nepotism, touting, clientelism and cronyism; in French it is known as *piston*. In Western-dominated culture, it has a clear negative connotation and is something which is widely despised as being immoral and conflicting with the model of a bureaucratic system which is implemented with objectivity, efficiency and treating all equitably. Lackner argues that in other cultures, it is often seen as a positive virtue: for example, *guanxi* in China and the *big man* concept in Nigeria are both praised. In societies where it is appreciated, it is perceived as an expression of group solidarity as well as a means to increase this solidarity, be it at the level of the extended family, clan, tribe or region. This is particularly in countries where *wasta* or its equivalent is available only on the basis of long-term relationships *without cash payment*, the phenomenon being perceived as an important mechanism to develop or maintain social solidarity between different types of smaller and larger groups based on kin or other shared characteristic. It is also used to build long-term relationships of patronage. This contrast in attitudes and approaches to the phenomenon has a significant impact on daily professional life in the region and beyond. Formal procedures are rarely the most effective mechanism, leaving much scope and need for alternative approaches. Lackner provides first-hand illustration of the use and abuse of *wasta* based on her many years of experience, particularly in the Arabian Peninsula and Yemen. In Yemen, for example, where tribal structures remain the primary local level community institutions to this day, many differences and conflicts are still resolved through *wasta* by respected senior individuals and *wasta* still retains this meaning as a primary definition of the word. It was not uncommon (until the recent descent into Yemen's civil war) to see groups of men meeting in the open air in remote locations, involved in discussing and solving problems, whether of water management, land ownership or even conflicts between families within the same group or between two groups. The Yemeni setting explored by Lackner seems to mirror the findings of another contribution later in the volume by Brandstaetter, Bamber and Weir in Jordan's clan- and tribal-based society.

With the introduction of administrations based on "modern northern" models, new political, economic and social relations were built at the state level, intended to operate according to entirely different, largely imported, rules, as community-based leaders, whether tribal or other, now became subgroups within larger entities.

Moreover, employment and other benefits were no longer directly dependent on community leaders or on inheritance but were transferred to the larger entity, particularly for roles which did not previously exist, such as jobs in government service or large private companies or scholarships. However, to gain or retain political support, centralised states' political elites need to maintain good relations with the local leadership, and one of the mechanisms used is to channel access to jobs and services through these leaders, thus creating a mutual institutional dependence, again with strong similarity to the Jordan setting. Lackner argues that it is in the interest of these rulers to ensure continuation of a mediation role for local leaders to successfully process both legitimate and illegitimate interactions with the administration. As for local leaders, whether established or aspiring, mediating with private and public authorities to provide benefits to followers is a prime mechanism to develop a clientele, increase power and influence, as a producer of votes for national elections, to improve one's reputation, or even to gain an income. It is a mistake to equate *wasta* with corruption. As explored above, *wasta* is a mechanism of interaction between local communities or tribes and the centralised state or large modern private institutions. It is mostly not based on a cash relationship and always involves three parties rather than two: in corruption, you have the payer and the payee; in *wasta*, you have the person in need, the provider and the intermediary, and the nature of the relationship is very different.

As pointed out earlier, governments in the Gulf are taking the issue of public sector corruption seriously especially following the 2011 "Arab Spring" events and widespread use of social media by youth to name and shame perceived errant officials. Ikhlaas Gurrib explores this further in Chap. 4 entitled "The Relationship Between the Inequality-Adjusted Human Development Index and the Corruption Perceptions Index in GCC Major Economies". Gurrib argues that human development should always be inhibited and exhibited in all government policy agendas, whether the country is developing or developed. While emerging economies such as the UAE, Qatar and Saudi Arabia have clearly stated their vision goals about the development of human conditions in the areas of setting a legal framework, education, health and income distributions, the issue of accountability and transparency remains a grey area that needs the attention of policy makers. Gurrib's chapter investigates the relationship between the three inequality-adjusted *human development indices*: components of life expectancy, education and income distribution with the CPI data. The analysis is made on nine countries which include the top three countries ranked globally by the United Nations in terms of their human development indices, the top three GCC countries and the last three countries. The time window under analysis is the 2012–2014 period. A priori findings would suggest if any of the three core areas of the HDI are correlated with the CPI; this would indicate appropriate anti-corruption policy actions in the respective areas of education, health and income distributions.

Part II of the book covers "*Wasta* in the Work Environment" with the first contribution by Thomas Brandstaetter, David Bamber and David Weir in Chap. 5 entitled "*Wasta*: Triadic Trust in Jordanian Business". Once again, the authors who have many years of practical and academic experience in the Arab world, particularly in

Jordan, argue that *wasta* is a widespread form of behaviour throughout the Arab Middle East and that it is endemic and rooted in central cultural understandings in Islam and in Arab society. In most developing and underdeveloped countries, *wasetah* or intermediation becomes the primary mechanism for resource allocation in public institutions, replacing fair competition and meritocracy. The focus of the research is on Jordan, which reflects many of the hopes and ambitions of the emerging, non-oil-based economies of the Arab world to try to move from being a "traditional"-based economy to one that embraces modern, knowledge-based initiatives. According to the authors' Jordan-based field research, aspects of cronyism and nepotism dominate the modern perception of *wasta* in Jordan as well as in most other countries of the Arab world. Despite its traditional function as a mediation institution, *wasta* is mostly reduced to an indigenous form of corruption. Approaching *wasta* from a perspective of new institutional economics and social capital theory, the research analyses the multidimensionality of *wasta* and assesses its trust building function in collective action situations and the implications for management practices in Jordan. Focussing on the role of middlepersons, or *waseets*, in the *wasta* process, this analysis outlines the benevolent aspects of a highly ambiguous social phenomenon. The expectation of middlepersons serving a mediating function in case of a dispute allows trust to emerge between individuals in an environment lacking sufficient confidence in formal institutions. The cultural norms of black and white middleperson to refrain from power abuse in gatekeeper positions and are considered vital to avoid *wasta* turning into cronyism. While demonstrating the trust building function, the culturally embedded narrative of the *wasta* process is outlined. The outcome of the authors' analysis enabled them to propose some understandings and practices that could make Western and Jordanian business etiquette and ethics more compatible, seeking to clarify the possible outcomes for business and management through considering concepts of "compromise" with and "respect" for the philosophical and cultural expectations of the other, a point that was made earlier by Weir, Sultan and de Bunt in the volume.

Continuing with the analysis of *wasta* on business performance, especially the "hidden" cost, in Chap. 6 Marcus Marktanner and Maureen Wilson address the "The Economic Cost of *Wasta* in the Arab World: An Empirical Approach" from an empirical perspective and note that assessing the economic cost of *wasta* is a challenge. There is a scarcity of quantitative research on the economic cost of wasta, and their contribution is the first attempt to empirically trace the existence of *wasta* using real-world data. Quantitative studies attempt to measure the effect of corruption and *wasta* on various economic performance indicators. According to the authors, quantitative studies do not tend to stress any differences between the terms corruption and *wasta*. To overcome this, Marktanner and Wilson use the *World Values Survey's* indicator "Justifiable: Someone accepting a bribe in the course of their duties". This indicator can be used to answer a first question by comparing country and regional averages. In order to answer a second question, the authors link the *World Values Survey's* bribe tolerance indicator to the *World Bank's Control of Corruption* score. From this comparison, the authors derive a measure for the weight that a given socially accepted bribe tolerance exercises on the control of

corruption and compare this weight amongst countries and regions. The authors' findings suggest that while Arab countries do not have a statistically significant greater bribe tolerance, they have a higher bribe tolerance weight on corruption control. *In other words*, *the control of corruption relative to bribe tolerance is less effective amongst Arab countries*. According to Marktanner and Wilson, statistically, this effect is particularly strong amongst Arab republics where the use of *wasta* seems to be prevalent in daily practice. In a final step, the authors conduct an empirical analysis of the *economic cost* associated with the use of *wasta* and provide strong evidence for the fact that the presence of *wasta* is "sand not grease" in the wheels of Arab economic development. Their preliminary estimates suggest that these costs are substantial for Arab countries and explain an economic output gap of almost 40 %. Arab republics are on average economically more diversified than the monarchies, which rely more on hydrocarbon industries. Therefore, if bribe tolerance and the use of bribery are naturally ingrained into Arab societies, then governments of the Arab monarchies have isolated themselves much more from it than the republics. Thus, *wasta* seems to be a phenomenon largely associated with Arab republics. The authors' novel findings suggest that Arab countries do not have a greater social acceptance level of bribes than countries in other regions of the world. However, Arab countries do have, on average, much lower control-of-corruption scores relative to their bribery tolerance levels than other regions.

In some Middle East societies, and particularly in Saudi Arabia, females are at a disadvantage to try and obtain work compared with men in what is seen as a male prerogative. These sociocultural barriers most often ensure that *wasta* is used to place females in jobs that they might not necessarily have access to without the use of social connections. A field-based research by two Saudi working professionals, Fatin Al Hussain and Abdulkareem Al Marzooq, attempts to shed some light by assessing in Chap. 7 "Saudi Men and Women Work Participation: The Use of *Wasta* to Overcome Sociocultural Barriers", with the contribution representing a first such survey of its kind for Saudi Arabia, especially considering their respondents worked in a mixed gender environment, which is a rarity in the Kingdom. Al-Hussain and Marzooq examine the role *wasta* plays in the career progression of Saudi men and women. Using quantitative primary data collected and analysed by the authors, perceptions about *wasta* in the workplace are examined to assess whether *wasta* is perceived as a fair practice or as corruption by respondents of both genders. The association between *wasta* users and the level of their competencies and morality is also considered. The research provides a general overview of perceptions about working Saudi women in an attempt to put *wasta* and its definition and utilisation into context. Over the past decade, Saudi Arabia has witnessed a significant participation of women in the workforce. As a result, the number of Saudi women working in the private sector has drastically increased from around 50,000 in 2009 to around 400,000 in 2013, representing approximately 30 % of the total workforce. Being in a patriarchal society, men are not only expected to accept women in the workplace but also to accept, however reluctantly, their aspirations to progress and hold leading positions. Thus, common perceptions about women in relation to their competencies, work demands and competitive skills are discussed from the per-

spective of both genders. As *wasta* is a deeply ingrained practice in Saudi society, it is assumed that both men and women use *wasta* to overcome various barriers and progress in their careers regardless of their perceptions about it. Such barriers include obtaining approval of father or spouse to a work position, achieving work-life balance and dealing with cultural perceptions about working women in non-traditional sectors. Likewise, the authors explain the extent to which *wasta* is used to achieve professional and career development goals like training and assignments as well as organisational support to progress into leadership positions. The authors also dwell on general perceptions about women at work in relation to their utilisation of *wasta* and find out that while *wasta* is disdained socially, it is still widely used for the benefits users reap when *wasta* is exercised. Being promoted in a male-dominated organisation that operates in a patriarchal society is a significant reward for Saudi women. The barriers they face in their careers encourage them to utilise *wasta* although it contradicts their attitudes towards it. The differences between those holding senior and other managerial positions on the use of *wasta* is also examined for both genders.

Hussein and Marzooq note that more women in the professional track hold negative views about *wasta* than women in the leadership track. This means that women leaders understand the importance of *wasta* in their career progression as some might not have progressed without it. Similarly, more women leaders than professionals perceive *wasta* a tool to overcome many of the barriers they face in the workplace. Regardless of professional rank, the majority of Saudi men hold negative perceptions about *wasta* as an unfair practice and a form of corruption that impacts morale and motivation amongst employees but also agree of the importance of *wasta* to facilitate career advancement. In line with the cognitive dissonance theory, *wasta* plays a great role in men's career progression. It helps them progress in a highly competitive work environment, and thus men use *wasta* despite their negative views. According to this Saudi research, which probably mirrors the viewpoint of other GCC societies, the power of *wasta* will override all qualifications and influence the selection decision. Therefore, disadvantaged candidates would consider their peers promoted through *wasta* as less competent and moral. Despite that variance, Saudi men and women agree that the Saudi culture is neither considerate nor ready for women in leadership positions. According to the authors, professional interaction is a challenge to men and women because of the segregation on social and educational levels; as a result, the personal characteristics of women are perceived to make life at work difficult. Although many organisations in non-traditional sectors are hiring women, their policies, procedures and practices are still male oriented.

Radhika Punshi and David Barrie Jones, both experienced practitioners in the field of using education to foster *localisation* and productivity, examine *wasta* from a different perspective—its impact on national policies—in Chap. 8: "The Psychology of *Wasta* and Its Impact on Nationalization and Expatriation". The authors argue that *wasta* is the hidden force in Arab society, and two institutions have become enshrined at the core of the region's workplaces: *expatriation* and *nationalisation*. According to the authors, both need to be eradicated in their current forms in order to unfreeze the region's sclerotic labour markets. Expatriation, with

its foundation built on the exclusive *iqama* and temporary/renewable sponsorship system, stymies productivity and discourages part-time working and flexibility in general. *Nationalisation*, and its current focus on achieving higher proportions of GCC nationals within the workforce, encourages a sense of tokenism and reduces the incentives for individuals, employers and the state to invest in developing more sustainable productivity and human capital. Both expatriation and nationalisation in their current forms are built on the operation of rent-seeking behaviour and *wasta*, as a non-competitive, non-meritocratic means of securing opportunities within the workplace. The structure of these two promotes the pursuit and operation of *wasta* in the workplace, wasteful competition within the segments of the highly segmented labour markets rather than between them. At the same time, those groups that are largely excluded from this nexus are increasingly frustrated—namely, women and youth—although most employers would claim that their organisational cultures and current workplace practices are extremely modern and contemporary.

According to Punshi and Jones, the truth remains that this perception of modernity is equally balanced with the realities of extremely traditional practices, "below the surface" cultural norms, and unstated rules and expectations. There is a constant and visible dichotomy between a quest for modernity and a reliance on tradition, on how "things are always done around here". This could relate to aspects such as decision-making, leadership, employee engagement and performance management. Primary amongst these traditional mechanisms for getting things done is *wasta*. From a sociological perspective, *wasta* can be argued to have a social function. In traditional societies, where family, kinship and tribal ties between relatively small populations were critical in terms of establishing identity, loyalty and trust, *wasta* could serve as a positive force for social cohesion and interaction, a sentiment echoed in previous contributions in the volume. This positive *wasta* served as an efficient and effective means to distribute resources from a centralised authority across the social structure more broadly, thereby promoting leadership legitimacy, favouring excessive concern with preserving hierarchy and conserving social stability at all costs. With the drive towards unleashing the full economic potential of a highly educated and growing workforce, with increasing numbers of young men and women entering the workplace, providing jobs and not privilege is increasingly important. However, within the rapidly growing and changing societies of the GCC, social dynamism and development can mean that key constituencies, in particular the growing numbers of youth, women and expatriates operating in the region's workplaces, can experience heightened exclusion from the established distribution channels. In particular, the concurrent focus on both modernism and traditionalism in GCC societies noted by other authors means that *wasta* becomes an inconsistent and incomplete social mechanism which competes with other "alien" imports, such as open markets, democracy, meritocracy, class or caste systems, etc. Thus, the operation of *wasta* in the workplace is not exclusive and can cause significant challenges in perceptions of fairness, managing expectations, promoting productivity and achieving greater levels of employee (and social) engagement. According to the authors, and confirming the Saudi-based research of Hussein and Marzooq, females are less likely to build up useful networks of contacts, which in their world

would impact their dependence on *wasta* to get things done or get ahead in their careers. Hence, sadly, young women in the region who enter white-collar jobs tend to stay in the labour force for less time, and there is still a complete dearth of women at senior levels. Building formal and informal opportunities to engage in these networks is thus highly necessary for female talent to succeed within their organisational hierarchies. To negate some of the negative impact of *wasta* at the workplace, females would benefit greatly from structured coaching, mentoring and sponsorship programmes.

The operation of *wasta* in the workplace represents a major facet of this dichotomy between the traditional and the modern. The fundamental question here is whose interests are served by the persistence and pervasiveness of *wasta* in the workplace? Traditional forms of nationalisation, along with *wasta*, both serve to cement dependence on patronage for advancing personal interests in all aspects of life, including at work. The question remains how sustainable current modes of production are in the region when the rents start to run out, when environmental degradation accelerates and when those more marginal social groups grow further and continue to be excluded from the centre of existing *wasta* networks. According to Punshi and Jones, global forces and people policies are changing rapidly across the GCC, and those companies which transcend the mere legal minima and embrace standards of diversity, development and inclusion will prevail in the continuing war for talent in the region.

Part III of the volume covers contributions on *Wasta*, Development and Career Aspirations. The first contribution, Chap. 9, is by M-Said Oukil, who assesses "*Wasta* and Development in Arab and Muslim Coutries". In many countries today, the prevailing difficult socio-economic and political conditions create a lot of pressure and constraints on people to secure jobs and maintain at least normal or ordinary ways of living. Given limitations in job offerings, satisfaction of needs and achieving quick higher standards of living, temptations push individuals to take recourse to *wasta*. According to Oukil, the case of Muslim and Arab countries is particularly interesting. This is because positive ethics are profoundly rooted in their religion, education and customs, and any deviation is considered as morally wrong, topics which are explored in more detail in Part IV of the book dealing with *wasta*, ethics and culture and in particular the influence of Islam on the use of *wasta*. Even though not all types of *wasta* are necessarily bad, negative *wasta* could easily lead to injustice, discrimination and unfairness. A major and dangerous consequence is political or social instability due to loss of confidence in the State as well as in decision-makers at both macro- and micro-levels. The contribution sheds some light on this societal and cultural phenomenon and describes how it affects development in its broad sense in Muslim and Arab countries and the Middle East and North Africa region, in particular. Differences in types of culture and practices are highlighted. However, the use of *wasta* these days has a more significant resonance, especially in social relationships of Muslim and Arab people, referring to rather imposed recourse to anyone who can "decode nodes" or influence in a way to ease things, such as going around a common law or practice in favour of someone. The benefiting individual could be a relative, a close friend or a recommended person with whom one shares a relationship of trust, reliance and interest.

According to Oukil, and in contradiction to some of the other contributors who set *wasta* in a broader social setting, generally where there is corruption, there is *wasta*, with a possible predisposition or tendency to solicit others to act in their favour. In general, individuals who may intervene in *wasta* cases would belong to one of the three following main sectors: the administration, the army or the business world. In Muslim, Arab and Middle East and North Africa (MENA) countries, influential power is mainly held by members, groups or families from these sectors. The type of culture dominating in these sectors leads members to rely on preserved connections as a normal way of life. Oukil argues that *wasta* in itself is not always problematic. A number of aspects render it either "good" or "bad", acceptable or unacceptable, harmful or not harmful, ethical or unethical. According to the author, another important element concerns its frequency, which, when it is high in an organisation or a country, could point at major weaknesses or shortcomings in the legal, social, economic, organisational and cultural systems that govern them. The real problem with *wasta* is that it is practically impossible to guarantee that negative aspects will be only few and rare. However, the fundamental trouble with *wasta* in Muslim, Arab and MENA countries concerns *its incompatibility with Islamic principles*, with more and more people admitting its existence and highlighting its importance. This is taken up by other contributors in Part IV of this volume where the incompatibility of *wasta* with Islamic ethics is discussed. The basic case is of centralised regimes with little capacity to efficiently manage the labour market as also highlighted by Punshi and Jones. This shortcoming or inability may be severe in these countries to the point that a psychological state is created in the minds of young people that makes them believe that without *wasta* there can be no jobs or even no future. This has a profound effect, resulting in a diminishing of piety, citizenship, civism and democracy. According to Oukil, Islamic principles are clearly against any form of unethical conduct, be it corruption, *wasta*, harassment, etc. Refuting or neglecting these principles leaves Muslims and Arab-Muslims spiritually under criticism for incompatibility between the body and soul and between good and bad. Muslim and Arab societies will lose much more than benefit from *wasta* as the positive effects are felt to be overwhelmed by the negative ones, particularly in those countries where power is centralised, transparency is an exception and governors rule for life. Dynamism and change are therefore needed to evolve towards societies that are seen as good to live in and work for. Having inefficient formal institutions without corruption and *wasta* is not better than efficient formal institutions with detrimental *wasta*.

In Chap. 10, Magdalena Karolak provides an in-depth analysis on "Quality-Oriented Education and Workforce Reform: The Impact of *Wasta* (Case Study of Bahrain)". The aim of the chapter is to assess the perceptions about the phenomenon of *wasta* defined as "using networks and connections for favorable outcomes" amongst the university student population in the Kingdom of Bahrain. According to the author, no study has so far assessed its impact on educational achievement and outcomes, although the contribution by Pushkin and Jones indicates that there is serious interest in this area of research. The author examines how such connections impact the educational process in Bahrain. The question is very important as Bahrain

began a holistic socio-economic reform to promote a shift from an oil-based to a knowledge-based economy. It was not surprising that within the reform, branded as Bahraini Vision 2030, "education was targeted as the area of primary importance. The reform program sets a number of goals within the field. It emphasizes, among others, 'highest possible quality standards (by setting) standards for quality across the education sector, regularly review the performance of (…) educational and training institutions', and it aims at encouraging research as basis for development of knowledge-based economy". In line with these goals, Bahrain has begun the review of tertiary education institutions. Nonetheless, research reports by the World Bank stress the fact that the MENA region achieved minimal results in the education sector and that the region's human capital falls significantly behind the world average according to the UNDP's Arab Human Development Reports and Arab World Competitiveness Reports. Karolak's study examines how *wasta* functions within the educational system and whether it may constitute an impediment to achieving quality. The study was based on in-depth interviews with a sample of 15 Bahraini students (11 males and 4 females) and also explores students' perceptions about the role that *wasta* plays in graduates gaining a job and what impact it may have on the economy and public services of Bahrain. Her analysis confirms that the use of *wasta* remains very common in Bahrain. However, from the findings it is also clear that the use of *wasta* is limited in terms of education and achieving positive educational outcomes. The use of *wasta* seems far more prevalent in gaining employment and promotion, particularly in the public sector, and the interviewees confirmed that its use has become more prominent in recent years. It seems that gaining employment and promotion in the public sector was almost solely dependent on *wasta*.

This situation is further compounded by the economic problems that Bahrain has faced in recent years, which meant that fewer jobs have been created in the private sector. Normally those without jobs would be absorbed into the public sector. However, budget cuts due to a significant national debt it has meant that this absorption was no longer possible on a large scale; thus, *wasta* secures access to the sought-after employment for the selected few. The impact of *wasta* on the public sector is significant. Through the interviews conducted, it was clear that people are hired and promoted without having the relevant skills, knowledge and experience for that post. Often those individuals are underqualified for the positions, and the impact of this is significant. It means that due to *wasta* people in decision-making posts are ill qualified to make decisions, formulate policy and lead teams; as a result, the public sector, which should be the driving force of a country, is not delivering high-quality services to its population as its workforce is ill qualified.

According to the author, a further impact of *wasta* is that people who are qualified are not getting promoted. This disenfranchisement leads to a further worsening of civil service performance and worsening of morale. The effects of *wasta* can spread far and wide with poorly qualified people in senior civil service posts often meeting delegations from other countries or going to conferences abroad. Their lack of knowledge or skills can reflect poorly on Bahrain with other countries being witness to senior public sector leaders with little credibility. Through Karolak's research, it

is clear that *wasta* also exists within the private sector, although less prevalent, and there is a key distinction to be made between domestic and international firms. *Wasta* will improve a person's chances of finding employment in Bahrain although more attention is given to the person's qualifications and skills than in the public sector. Often the use of *wasta* ensures a position is taken before being advertised, and in tougher economic times, *wasta* is still prevalent with domestic firms when hiring. However, international companies still hire predominantly based on skills and experience rather than *wasta*. The fact that private sector companies are profit driven ensures that *wasta* is less prevalent than in the public sector. Although it may be less prevalent within international companies, the use of *wasta* does exist, however, on a more strategic level to enhance the chances of winning contracts and opening new markets. Within the private sector, particularly domestic firms, the use of *wasta* is still an important factor for career advancement and promotion, especially for men. Again, the notion of *wasta* in the workplace intertwined with family connections go hand in hand, with the end result probably being the award of new contracts. The author finds a glimmer of hope whereby from her study it was clear that *wasta* is prominent in the recruitment and promotion process, especially for men in employment, and that there was little evidence of the use of *wasta* in *education*. It was especially clear in light of the recently implemented holistic reform of Bahrain's educational system that the effects of the reform will be limited overall due to job appointments mainly based on *wasta*. Thus, according to the author, the country will not fully reap the benefits of the improved educational system offering graduates better skills since the latter do not guarantee employment and job promotion. This misalignment will have serious consequences on job performance, economic development and the morale of Bahraini graduates.

The situation is also prevalent in other GCC countries. The widespread news, reported on social media, that many of the CVs of some of the 15,000 members of the 2015 batch of Saudi graduates in the USA who attended a job fair manned by leading Saudi companies in Washington, USA, in June 2015, were found dumped on the floor caused outrage in the Kingdom. This led to accusations that vacancies had already been allocated on the basis of *wasta* and that the company representatives had no real desire to seek out talented Saudi graduates under the King Abdullah Scholarship programme, thereby casting doubts on the programme's objectives. According to Karolak, in the public sector, the hiring and promotion of Bahraini staff should become a centralised process controlled by the *Civil Service Bureau* (*CSB*) rather than ministries on an individual basis. A clear process should be made available with transparent recruitment and promotion guidelines based on qualification, experience and relevant skills. This whole process should be managed by the independent *CSB* who should be given the autonomy to make decisions and operate independently. In further recommendations, the author suggests that those who are in senior positions due to *wasta* should be surrounded as much as possible by skilled, capable people who can influence and reduce the risk of poor decision-making. The key to this is to implement strong governance and management structures so that Human Resource (HR) managers recruit and promote people on criteria and performance. HR managers should have policies that are transparent and that should be adhered to as much as possible, something that was obviously in short

supply as the Saudi graduates in the USA found out. The potential negative damage to staff morale and career development through *wasta* cannot, according to the author, be underestimated, and by introducing previously mentioned policies, it may act as a catalyst to prevent frustrated staff from being disenfranchised. Society needs to see progress and action; otherwise, the effect on those aged 25 and below could be significantly negative.

The last part of the book, Part IV, examines the issue of *wasta* from the viewpoint of "Wasta, Ethics and Culture". Moving from the Middle East and focusing on the Muslim world's largest country, Indonesia, Azyumardi Azra brings further insights in Chap. 11 on Indonesia's experience of *wasta* in bureaucracy in his contribution entitled, "Koneski, Kolusi and Nepotisme (KKN): Culturally Embedded? The Indonesian Experience in Combating *Wasta*". According to Azra, the Arabic term *wasta* is not common in Indonesia—the country with the largest Muslim population in the world. But a related term *wasatiyyah* is very popular in the country referring to the kind of distinctive Indonesian Islam which is "a middle path Islam" or "justly balanced Islam", or even a form of "moderate Islam". Despite the absence of the term *wasta* in Indonesia, the third largest democracy in the world, according to the author, it is clear that the practice of *wasta* is quite common in the country. In Indonesia, the terms used that carry the same meaning and substance as *wasta* are *koneksi* (connection), *kolusi* (collusion) and *nepotisme* (nepotism)—abbreviated as *KKN*. As the author notes, all terms are of the English language as it seems there are no particular terms in local languages that have the same meaning with *wasta*, *koneksi*, *kolusi* and *nepotisme*. Azra argues that one of the ways to address the problem of *KKN* is through the creation of good governance. The momentum for this came when Indonesia became a democracy in 1999 following the resignation of President Suharto from his more than three-decade rule. At the same time, Indonesia needed a vibrant and dynamic civil society that could play a crucial role in the creation and empowerment of good governance with Azra pointing out that Indonesia as a majority Muslim country is blessed with the rich and vibrant existence of a good number of *Islamic-based civil societies*.

Despite the absence of the very term *wasta* in Indonesia, its practices—both "positive" and "negative"—are widespread amongst various ethnic groups, each of which has its own cultural tradition. But, according to the author, it is perhaps quite surprising for some that ethnicity together with religion, particularly Islam as the single largest religion adhered to by the Indonesian population, has never been the strongest identity that can be assumed to create a favourable atmosphere for *wasta* practice. These kinds of *wasta* are practised by different ethnic groups in Indonesia. Positive *wasta*, different from the one in Arab countries, is not based on tribalism (*qaba'il*) since basically there is no *qabalah* or tribalism in the Indonesian archipelago. According to Azra, ethnic identity is in continuous decline; with improved transportation and communication, the process of "becoming Indonesian" has been accelerated in the last two decades at the expense of ethnic attachment and solidarity.

To overcome *KKN*, the author advocates some key initiatives, whereby there are four kinds of policies that can be taken by government policy makers in order to effectively minimise—if not wholly eradicate—various kinds of negative *wasta*: first, reforming policies that in one way or another could be abused by public officials

for *KKN*; second, reforming the structure of salary and other material incentives that apply in bureaucracy and other public institutions; third, reforming law enforcement agencies and expanding their capacity to enforce law and order; and, lastly, strengthening the rule of law. According to the author, there is little doubt that the success of *KKN* eradication depends very much on the ability to carry out the three reforms in a simultaneous, comprehensive and consistent way, but goes on to argue that, in addition to emphasising the role of government and civil society in combating *KKN*, it is important to be reminded of the teaching of religion—in this respect Islam—relating to ethics that support the efforts to eradicate corruption as well as to create good governance, a theme previously taken up by Oukil in his contribution.

According to Azra, Islam puts very strong emphasis on moral and ethics (*akhlaq al-karimah*) both in personal and communal life. In fact, Prophet Muhammad was sent in order for human beings to achieve noble morality and ethics (*innama bu`ithtu li utammima makarim al-akhlaq*). Therefore, Islam is opposed to any kind of transgression of noble ethics, such as corruption and injustice among others. Islam forbids Muslims to steal private and public funds and wealth and teaches that powerful and public positions held by leaders are *amanah* (trusteeship) endowed by God to human beings. Holders of public offices are accountable to both God and the community. As *khalifah*, representatives of God on earth, they are also responsible for the enforcement of justice (*al-àdalah*) not only on the people but also on themselves. Otherwise they will be responsible for instigating corruption (*al-fasad*) in life, and as such, Islam is against the excessive accumulation of wealth by way of unlawful or illegal means such as corruption.

Azra highlights that the accumulation of wealth is allowed only through *halal* (lawful) and *tayyib* (good) means, and a certain amount of the *halal* wealth should be donated to the poor and the weak and other disadvantaged people as almsgiving (*zakah*, *infaq*, *sadaqah*) and that Muslims are obliged to conduct *jihad* against their greed. According to the author, this is in fact the greater *jihad* as opposed to the lesser *jihad* of waging war against an aggressive enemy of Islam. Islam also appeals to believers to continually remind others (*tawsiyyah*) to refrain themselves from any wrongdoing in a wise way (*bi al-hikmah*), set a good example (*maw`izah hasanah*) and have civilised discussion (*mujadalah*). If necessary, Islam allows Muslims to enforce prohibition of corruption in a forceful manner based on the principle of *al-amr bi al-ma`ruf wa alnahy àn al-munkar*, or the propagation of good and forbidding of evil.

According to the author, local cultures in Indonesia regard corruption as a shameful act that must be avoided, but with the penetration and intrusion of “materialistic and hedonistic life-styles”, these local cultural values have eroded significantly. Like other contributors to the volume, the author believes that education could play an important role in developing future leaders who have strong commitment to public ethics and morality and that the teaching of ethics, morality and noble religious values should be empowered. The author highlights that in 2005 the *Syarif Hidayatullah* State Islamic University, Jakarta, began to prepare a new course in the curriculum called *Pendidikan Anti Korupsi* (Anti-Corruption Education) in cooperation with the UNDP and Partnership for Governance Reform. The author notes that according to a nationwide research conducted in preparation of the new course,

many professors and lecturers believed that the anti-*KKN* course can give students a better perspective of many aspects of *KKN* and ways to combat them.

In the final chapter, Chap. 12 by Yuan Li, Jingshu Du and Sylvia van de Bunt entitled "Social Capital Networking in China and the Traditional Values of Guanxi", the authors highlight Chinese core values, in particular the role of *guanxi* in interpersonal relations and beyond, with the concept of *guanxi* introduced in the broader context of Chinese traditional values for more than 2000 years. The authors show how trust and commitment play a key role in *guanxi*, a kind of reciprocal obligation and mutual assurance. Related concepts rooted in traditional Chinese culture are examined, such as *renqing*, which is the chain and glue of social relationships—having sympathy and understanding for the other person. The authors explore how Chinese *guanxi* and *wasta* social networking differ and at the same time share some basic characteristics such as favours, cooperative behaviour, trust, family and reciprocal exchange. The authors also provide an outlook on how the rapid economic growth of China may continue to impact Chinese traditional values such as *guanxi* for future generations in a globalised world. Individuals belonging to a *guanxi* network are expected to fulfil their *guanxi* responsibilities. Failure to do so will result in damaged prestige, "loss of face" and subsequent loss of trust by other members of the *guanxi* circle, something that was also highlighted in other contributions in the volume dealing with tribal-based Middle East societies.

According to the authors, *renqing* indicates a resource that can be used as gift in the course of social exchange. It is extremely difficult for Chinese to calculate and be able to pay off debts of *renqing* to others as it could be material as well as invisible and abstract, such as giving spiritual support. This kind of *renqing* gift reinforces the sense of obligation of friendship and kinship, the affective sentiments, and *guanxi* ties. Therefore, according to Li, Du and de Bunt, *renqing* connotes certain *guanxi* rules which should be obeyed when people associate with each other, and it provides the leverage in interpersonal exchange of favour. For Confucians, things in the world vary in nature, so people should also admit the differences, including social status, talents, characters, and so forth, between each other. As a result, different reactions in interpersonal relations should be based on the relative degrees of natural affection and the relative grades of honour one has towards each other.

According to the authors, in organisations the overlap between the formal relationship and informal relationship (*guanxi*) is much more pervasive in the Chinese context than in the West. Organisations often meet business needs such as recruitment of employees through the socio-economic network based on *guanxi*, again something that was highlighted as a practice in the wider Middle East. For instance, in recruitment, whether a person has a personal relationship with the employer counts much more than whether he/she is qualified for the job. For the relationships between organisations, the normal way to enter a *guanxi* network is to be introduced by friends or business partners who have the same background (birth place, status, education and so on) who like you because of your ethical personality, who shared the same experience or who have sympathy towards your past experience. In business, whether prior ties exist between organisations is also important. Typically, when two organisations share prior working relationship, their mutual understand-

ing and appreciation will help boost and reinforce *guanxi* because people know each other in the network and thus reduce collaboration risks. The authors also highlight the issue of ethics and religion in China. As in the previous contributions on the role of Islam, Confucianism plays an important role in China. As an ancient Chinese form of networking, the concept of *guanxi* comes from Confucianism, which has been codifying social rules, values and structures in Chinese society since the sixth century BC. Confucianism and traditional Chinese philosophy in general are "relationship based". The ultimate concern of Confucianism was to establish a harmonious order in society.

Chinese businessmen believe that interpersonal trust minimises fraud and ensures certainty and order (like the assessment made on business practice in Jordan), and informal contract based on *guanxi* is more reliable than formal legal ones. Long-term business cooperations are more likely to be established and maintained through *guanxi* and *xinyong* rather than through impersonal and formal laws. Li, Du and de Bunt then discuss what *wasta* and *guanxi* have in common. Similar to *guanxi* in China, *wasta* in the Arab world is about building social relationships in daily life and in doing business. Both regions of the world are considered as communitarian cultures where building a trustful relationship is top priority before starting business or friendship. These relations are embedded in a rich history of traditional values for many centuries and are based on friendship, familiarity and/or intimacy. Building these *guanxi* and *wasta* relationships is time consuming and has a long-term perspective. In both *wasta* and *guanxi*, the interpersonal connections facilitate favour between people. You treat your colleagues and friends as your brother or sister. There is a strong commitment to each other where awards and experiences are shared. In both *wasta* and *guanxi*, familiarity is important. Therefore, in the process of job recruitment, direct friends or family members may be employed.

In the Internet age, new types of domestic and international information sharing platforms have become common in interpersonal relationships in China. According to the authors, online social platforms such as *Blog*, *Renren*, *WeChat* and *Facebook* are prevalent in Chinese society, which helps shape *guanxi* in new and more often disruptive ways. Previously, a tie between two persons was required before *guanxi* could get started, either through social proximity or through a common third party. Now, facilitated through disruptive Internet innovations, it is possible to (virtually) start a conversation with anyone anywhere in the world, at any time. Hence, the investment costs of building up and maintaining *guanxi* is tremendously reduced. According to the authors, the potential scope of *guanxi* is largely broadened, and multiple interpersonal channels start to emerge. At the same time, however, because of the ease and the low investment costs of building one's *guanxi* network online, the potential long-term stability and the strength of the ties of *guanxi* are at stake, as *guanxi* online can collapse easily. According to the authors, these new online features of *guanxi*, together with the new social, economic and institutional development of emerging countries like China, are likely to affect the future development of *guanxi* in a more profound way, something that is also echoed in the wider Arab and Muslim Asian countries like Indonesia as pointed out by other contributors.

Conclusion and Afterthoughts

In conclusion, this volume on *wasta* and social networking connections has illustrated that the terminology used is immaterial, whether *kolusi*, *koneksi*, *guanxi*, *ubuntu*, *harambee*, *blat*, *nachbarschaft* or *naoberschop*. It is *how* this phenomenon is used by different segments of society to ensure that "good *wasta*" prevails over "bad *wasta*" to avoid a corrosive practice to take root in society that promotes the worst excesses of nepotism and corruption. Fully eradicating such worst excesses might seem too difficult to achieve, especially in societies where it has now become very firmly embedded as a way of life, and those that oppose the practice are the ones seen as being the exceptions. However, it may not be impossible, as the volume highlighted, for religion, whether it be Islam, Christianity or Confucianism, to provide a moral compass in one's dealings with others and in business, whereby individuals may be guided by ethical commandments such as the "Golden Rule" (*behave in the manner each would want the other to behave*) or "God's Rule" (*justice shall you pursue*).

Human traits may be "hard-wired" in some societies, as a result of long evolutionary processes leading to "pro-social" behaviours, whereby individuals may be guided by personality traits and cultural norms of cooperation, thus causing feelings of remorse, guilt or embarrassment in the event of an individual's "defection" from the societal norm. As highlighted in the volume, individuals may seek to build a public reputation for cooperation rather than defection in order to obtain esteem and respect in society and to elicit reciprocal cooperation from others in the future. Some hypothesise that voluntary association is key to social capital, especially in tribal societies, but while this type of voluntarism can lead to strong "within-group" trust, it may actually exacerbate the divide *between* groups according to ethnic, racial, ideological and tribal identities. As the volume also identifies, Arab business models tend to be socially based, where people and relationship are valued more than what is exchanged, but the more "distant" such relationships become, the value of what is exchanged becomes more important than the personal relationship element. This in contrast with Western business models which appear to be more "distant" and less relationship oriented. The Eastern social structure is based on Bedouin or tribal and, in urban areas, on clan and sub-clan relationships. Such relationships rely on blood kinship and members are bound by ties based on patrilineal, matrilineal and affinity relationships. Under such a system, especially tribal, every member is under obligation to take care of the interests of fellow members, clans and the family. In the broader Middle East and other decolonised countries where "nation states" have evolved, these tended to include inhabitants who share a sense of ethnic, historical and cultural identity. However, more often than not, these nation states are characterised by heterogeneous populations with little shared identity and national goals, with many of these countries still in the process of developing their own national identity, exemplified by exuberant commemoration of "national days" in the Arab Gulf states.

Despite efforts at nation building and the creation of a common identity, individuals within these heterogeneous nation states are more likely to identify with their tribal groupings than with their state nation-building, leading to a *lack of trust* in one another and in the legal infrastructure. The result is that a social principle like *wasta* that favours the interests of tribal, family or clan rather than national interests is considered necessary, logical and ethical. Given such strong tribal and family feelings, it was not surprising that the new head of the Saudi National Anti-Corruption Commission (*Nazaha*) appealed in 2015 to a *higher* code of ethics and religion, when he stated that he hoped that "Saudi Arabia will be an example of integrity that its religion has emphasized in its teachings" and that *Nazaha* will seek to spread a culture of protecting integrity by introducing "integrity clubs" in educational institutions. With an estimated $658 billion in current and planned project expenditure over the period 2014–2018, the Saudi Arabian economy and its well-being is not only of importance to the Kingdom but to the many regional countries that depend on Saudi grants and development aid. How efficiently these Saudi projects are managed has a knock-on effect on other dependent Arab economies. By all accounts, the head of *Nazaha* was "alarmed" that over 672 out of 1526 government projects were running behind schedule and that *Nazaha* found that delays were due to "suspected corruption and nepotism, including lack of follow-up on project implementation". The above puts into perspective the work explored in the volume on the corrosive effect of corruption in business practices. In an attempt to try and reduce the effect of *wasta* and nepotism, a study conducted by a Saudi researcher at the University of Sussex, Saleh Al Jubair, has suggested that making all governmental procedures electronic and offering online services will cut instances of *wasta* in Saudi Arabia by 86 %, but that a quarter of those who participated in the survey rejected the idea of e-government completely, instead putting faith in interpersonal relations.

As the volume explored, the debate on the positive and negative aspects of social capital will continue, with possibly no consensus in sight. Part of the problem is that *high-trust*, *high-social capital* societies tend to have certain key features in common, with the "highest social" capital region in the world—the Scandinavian countries of Denmark, Norway and Sweden and other Nordic countries (Finland and Ireland)—all possessing the attributes that researchers say are required, such as high civic participation, high ethnic homogeneity, high social and economic equality and low public corruption, which result in a very high level of *social trust* not matched almost anywhere in the world and in contrast to the somewhat "artificial" nation building noted earlier.

Such a "high-trust" society gives rise to questions as to what kind of *political constitution* is most conducive to "good society", or one that produces *eudaimonia* (thriving) amongst its citizens. According to Greek philosophers, forging a "good society" involves not only selecting the right constitution (social-political institutions) but also fostering the right kind of citizenry, specifically the *polis* or the city state, which strives to develop the virtues of its citizens, and citizens have the purpose (*telos*) of pursuing life plans to develop their virtues. Political institutions and

individual virtues are then the two sides of the same coin. This is a far cry from modern Anglo-Saxon political economy liberal foundations which view the purpose of the "good state" as to protect the liberty of the citizens, including their rights to property, while for the ancient Greek philosophers, the purpose of the good state was to forge the virtues of the citizenry, something which subconsciously the Saudi *Nazaha* "integrity" clubs are meant to achieve.

What practical recommendations can be made to ensure that a "good state" evolves that *reduces* the need for *wasta* and nepotism? The following arise from the various conclusions of this volume:

- *Education matters*: moral training at schools that teach about social dilemmas and the potential gains of cooperation creates a fertile ground by raising awareness of social dilemmas, reducing social and economic inequalities, and creates an educated citizenry that can keep government in check.
- *Forge virtues of citizenry*: return to fundamental questions asked by all the prophets and religions on how best to achieve "pro-sociality" through interpersonal trust, moral codes, education, compassion and effective public governance.
- *Reduce public sector corruption*: this undoubtedly could assist to reduce *wasta* and help to rebuild social capital whereby "high-trust" societies are also low-corruption societies.
- *Encourage ethical leadership*: leading stakeholders in societies that suffer from pervasive corruption and lack of public generalised trust should recognise that their societies and economies, *on which they are ultimately dependent*, are likely to be caught in a self-reinforcing social trap. Ethical leaders can voice their rejection of corruption and celebrate those leaders who defend programmes of integrity and equality-based corporate social responsible business practices.

To conclude, the volume raises diverse issues on an important topic that has become known by many names, but which also has many unintended consequences on the well-being of society and a desire to achieve positive social capital outcomes.

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The idea for the topic germinated from discussions arising during a track session on "Employment and Career Motivation in the Gulf States—the Rentier Mentality Revisited" held at Cambridge University in 2014, under the sponsorship of the Gulf Research Centre. *Wasta*, or social capital networking, and its use and abuse in education, career motivation, various facets of life, as well as in ethics and Islam repeatedly cropped up as an important issue that needed to be addressed as a topic in its own right, as *wasta* is not a phenomenon particular to the Arab world but has many names such as *ubuntu*, *guanxi*, *harambee*, *piston*, *jeitinho*, *old boy network*, *svyazi*, *big man* and *naoberschop*.

This volume builds upon earlier research but extends it to assess the issue of *wasta* in a more global setting by drawing upon contributions from an extensive network of academics and those with first-hand practical experience in observing how *wasta* operates. Given its very nature, the contributors agree on some aspects of *wasta* and differ on others, making it an area of enduring fascination and research. The effects of *wasta* are far reaching, as the volume highlights, making the topic an important one for decision makers, politicians, human resource specialists and local and international companies operating in different cultural settings to their own.

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The original version of the preface was revised. An erratum can be found at DOI 10.1007/978-3-319-22201-1_13

Part I
Wasta as Social Capital

Chapter 1
Wasta as a Form of Social Capital? An Institutional Perspective

Annika Kropf and Tanya Cariina Newbury-Smith

Introduction

When *wasta* is called social capital, it is usually not without a touch of irony, based on a tacit assumption that the use of personal ties is divided into negatives and positives, or an honest and dishonest version of the practice. The less-than-noble system assumed has many names, usually in a local and often euphemistic jargon: *blat* in Russian, *Vitamin-B* in German, or *wasta* in Arabic.

The underlying assumption is that the utilization and employment of personal connections gives certain people advantages that they would not otherwise merit, thereby creating an unjust and inefficient allocation of funds, services, and/or positions.

Berger et al. (2014, pp. 3–4) summarized the scarce literature on *wasta* as follows:

- The intercession of a patron in support of another in an attempt to obtain privileges or resources from a third party (Cunningham and Sarayrah 1993; Loewe et al. 2008).
- *Wasta* is a type of favoritism that grants one with advantages, not because of merit, but because of the tribe they belong to. *Wasta* is personalistic and most often originates from family, tribal relationships, or close friendship (Smith et al. 2012b).
- *Wasta* entails social networks of interpersonal relations entrenched in family and kinship attachments. It implicates the exercise of control, influence, and information distribution through political, business, and social networks (Hutchings and Weir 2006b).
- In Arab countries, "succeeding or failing may depend heavily on the scale and scope" of *wasta*.

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Unsurprisingly, the more positive version of connection usage in order to get ahead, be successful, or avoid retribution is universally defined as professional networking. While still focused on human relationships and (mainly) career networks, such networking is widely considered a beneficial form of social capital. Its connotation is of being meritocratic and fair, justly honoring a person's abilities and efforts. Moreover, its importance appears to have grown exponentially in a globalized digitized world that can otherwise render an individual lacking in orientation and quite full of uncertainty, providing more choices and options that he or she can optimally manage. Social media platforms (*LinkedIn, Xing, Glassdoor, Bayt*) have been specifically launched to meet this online career networking need. Universities now routinely offer alumni programs that promise graduates a network of professional contacts and mentors upon graduation. Additionally, programs that foster entrepreneurship consider not only the necessity of connections and networking abilities but also the importance of mentoring to further enable entrepreneurial success.

Hence, there is a growing awareness of the importance of human interaction vis-à-vis professional success and stronger career pathways. Until relatively recently, the notion that strict individualism—and the illusion that gains made due to a successful career—stems from an individual's efforts alone has been modified to include the importance of rediscovered connections introduced into economic theory through the back door. Pure meritocracy has been tempered and given way to the recognition that connections do matter—and matter a lot. Thus far the perspective on traditional networking appears to have remained constant, economic theory having failed to alter this advantage. With few noteworthy exceptions (Tlaiss and Kauser 2011), *wasta* has kept its negative image and is rather studied as a specific Middle Eastern phenomenon than as part of networking theory or social capital literature.

This chapter aims to show that rather than being antithetical, social capital and *wasta* actually overlap quite considerably, and more than Western proponents of professional networking who chaff at their understanding of *wasta* might care to admit. The authors have determined that social capital and *wasta* often share the same attributes, often to an amazing extent, and even argue that *wasta* is included fully in the concept of social capital. Thus, the main differences between detrimental or beneficial effects of networking do not seem to lie with the particular nature of the network nor the country it takes place in, but rather with the network's overall purpose.

Rather than focusing on the all too frequent idea of counteracting *wasta* to strive for an illusionary society of pure meritocracy (which, it ought to be noted, has basically been eradicated in Western democracies anyway), the awareness of the positive potentials of *wasta* may help to address its latent concepts in a more focused and precise manner. At times it is necessary to subtly modify the practice of *wasta* and channel it towards a more beneficial direction when astray, by addressing its intent and specific circumstances. With such a more precise grasp of purpose, *wasta* could even help address current employment problems in the

Arab—particularly Gulf—world without a need to drastically alter the social fabric of a society in its stead.

This chapter will contrast two entirely different concepts: first, the academic concept—which largely focuses upon social capital—is well studied and densely theorized at the *expense* of addressing *wasta* and, second, the vague and more popular received wisdom that tends to embrace the misunderstood ill-defined notions of *wasta*. There are, in the end, no definitive theories of *wasta*. Comparing the two requires common sense to fossick behind the academic nimbus that may be a hindrance to understanding their similarities. Nevertheless, theory can prove helpful in removing this mantle: by its sheer ambiguity, it often betrays the context and intention of the author. This chapter will therefore mostly develop the perspective of economic institutionalism on networks, social capital, and related topics such as collectivism and individualism. It will become clear that this academic approach to developing a theory of social networking is highly dependent on the context of the author's topic. There is no final judgment on networking as being either bad or good. Therefore, accepting the vagueness of the concept and the multiple underlying trajectories, it becomes extremely difficult to find a clear-cut differentiation between social capital and *wasta.*

Backgrounds, Contexts, and Definitions

Social Contexts: Individualism Versus Collectivism

To contrast *wasta* and social capital to find out where they coincide, it is crucial to understand the type of societies they are usually attributed to and set them in their proper perspectives (Allik and Anu Realo 2004; Triandis 1995). Although *wasta*, like other types of negatively classified networking systems, is attributed to collectivist societies, social capital has mostly been studied in the context of Western, more individualist societies. Putnam, for example, makes clear that his findings rely on evidence solely from the USA and that they may not be applicable to other countries (Putnam 2000). Bourdieu approached his assumptions from his years in Algeria, which may have resulted in a vision of social capital that was a more complex concept that might have otherwise been observed (Calhoun 2006).

Durkheim, who shaped the notion of individualism, never considered it as an ideal, but a consequence of the need to handle population growth. To Durkheim, growing individualism also came with the risk of a loss of solidarity (Durkheim 1893). However, individualism seems to have grown with modernization and has come to be regarded as a condition that less-developed countries are bound to reach if they aim to develop viable economies and more stable democratic political systems. In Europe, Scandinavian societies rank very highly on common assessments of individualist values. They are also considered role models for many policies wherein women's rights, environmental protection, immigration, and human rights are concerned (The Economist 2013-02-02).

Table 1.1 Individualism and power distance according to Hofstede

Country	Individualism	Power distance
Egypt	25	70
Iran	41	58
Iraq	30	95
Jordan	30	70
Kuwait	25	90
Lebanon	40	75
Morocco	46	70
Syria	35	80
Saudi Arabia	25	95
UAE	25	90
UK	89	35
Norway	69	31

The index only covers these Middle Eastern countries and Turkey.
Source: http://geert-hofstede.com; accessed 2015-04-02

Table 1.1 shows that, according to Hofstede's research, Middle Eastern countries have a tendency towards collectivism. Their rates for individualism are extremely low, especially in the GCC states. By contrast, the UK and Norway rank very highly on individualism. Hofstede defines this category as:

> The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people's self-image is defined in terms of "I" or "We". In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist societies people belong to 'in groups' that take care of them in exchange for loyalty. (http://geert-hofstede.com; accessed 2015-04-02)

The ratings for individualism have furthermore been contrasted with the ratings for power distance, which seems to be indirectly proportional to individualism. In a nutshell, power distance measures the readiness of individuals to accept hierarchies and to comply with decisions made by others. Hofstede summarizes it as follows:

> This dimension deals with the fact that all individuals in societies are not equal—it expresses the attitude of the culture towards these inequalities amongst us. Power distance is defined as *the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.* (http://geert-hofstede.com; accessed 2015-04-02)

In a way, the connectivity of the two measures does not come as a surprise. The acceptance that life is defined by adherence to a group will most likely also entail that hierarchies within a group or between groups have consequences. By contrast, individualistic societies provide the individual the freedom to choose a way of life they personally deem to be good, as opposed to a life that is shaped by an adherence to a certain group. Being regarded as cultures where status and hierarchies matter less, they seem to give the individual the chance to demonstrate his or her abilities and gain success on the basis of educational achievements and enthusiasm.

Rather than being confined to the fate of a certain group due to family lineage, individualistic societies encourage the possibility of fostering chosen ties based more upon their interests rather than their blood ties. This is, we must agree, a historically new phenomenon. These optional ties, in turn, are the basis for professional networking. Based on the assumption that chosen ties link people with similar interests, abilities, and professional profiles, strengthening and using those ties is likely to cause positive synergies (while positive means first and foremost a beneficial link for those part of these networks). In the case of job recruitment, for example, a personal recommendation of candidates is likely to result in a smaller and more concise set of suitable potential employees, whereas an open call entails much more of a selection process that must be worked through before reaching satisfaction. This may be good for a company but not necessarily for the skilled applicant who spent time and effort applying, without knowing that only those with personal ties would in reality be considered.

The degree of individualism in societies has furthermore been suspected as correlating with increased psychological problems, loneliness (especially of the elderly), high degrees of competition among peers, and increased costs in health care and social security (Ogihara 2014). Although other research has shown that the degree of life satisfaction is not necessarily lower (Veenhoven 1999), it is hard to deny that work previously managed by family members now must be provided by other institutions—a challenge for the state and welfare system. Dependence on the family is replaced by a dependency on the society and the state. "How does it come about that the individual, whilst becoming more autonomous, depends ever more closely upon society? How can he become at the same time more of an individual and yet more linked to society?" asked Durkheim in *De la division du travail* (Durkheim 1893/2007). The freedom of the individual is not free and in fact leaves many behind.

In collectivist societies, on the other hand, life of the individual is shaped considerably by his or her adherence to a group and often further enhanced by status within the group—if it is strongly hierarchical (vertical collectivism). This adherence is rarely chosen or deserved, however, but defined by birth, and into a family or society where the politics, culture, and leaders promote a certain ideology. While personal preferences and goals are often subordinate to what is regarded as the well-being of the family or state, rebellion against these institutionalized values, although possible, can be punished—by ostracization, exclusion, or sometimes imprisonment or worse.

It must be said that purely collectivist and individualistic societies are ideals that hardly ever manifest in reality. In the individualistic society, an individual still remains belonging to certain groups having been born into a family that shapes his or her upbringing, health, education, and career opportunities. Whereas this is normally assumed as typified by European dynastic families, a tendency that has lessened sovereign power in these states, we have seen an unexpected rise in dynastic family power in the USA. This is evidenced by the Bush-Clinton political prominence born from an ever-growing plutocratic system at the expense of democratic opportunities: political power cannot be won without substantial wealth

and name recognition. The fact that family background, gender, and race affect career, income, and even health continues to be proved even within the most "advanced" Western societies. To argue that individual effort is all that counts in an individualist society would be an undue simplification of a complex interplay of factors that is often the precondition of economic modeling (Coleman 1988, p. 95).

As mentioned, these concepts are often used normatively. Collectivism, also called communalism, is often seen as traditional or backward and as inferior to individualism. An individualistic society may have groups with collectivist features (often considered "remnants"), whereas a collectivist society may have individualistic tendencies (usually considered "progressive"). As this relates to the Arab world, economists who have examined how and why the Islamic world fell behind the West economically have often blamed the constraints of communalistic societies for stagnation: "The essence of communalism is that one's rights and duties spring from one's status in the community; the 'good' is the common good of society, which is generally small and considered largely self-contained" (Kuran 2004, p. 139). By contrast, an individualistic society "provides broad personal freedoms concerning activities, occupations, beliefs, and responsibilities; and, in approving of self-determined thought and conduct, it seeks to create the conditions that maximize the enjoyment of such freedom" (Kuran 2004, p. 139).

Today most of the developing countries, many of which are predominantly Muslim, are considered collectivist, whereas the developed West is thought of as individualistic. In the former, self-expression and secular rational values are rated considerably lower than in Western countries. Inglehart also finds that wealthier Muslim countries show a higher propensity towards self-expression values, which, however, still remain much below the same propensity in developed countries (Inglehart 2007). This is not the case for the GCC states that are covered by Hofstede's index. On the contrary, the rich GCC states show the lowest scores of individualism. For instance, Saudi Arabia has one of the highest GDPs and high per capita income in the world, yet it is routinely noted for being the least accepting of individual expression, human rights, and personal demands for greater freedom. Other research (Gorodnichenko and Roland 2011) has found empirical evidence for the hypothesis that individualistic societies offer more incentives for personal achievements, thus demonstrating higher rates of innovation and economic growth. Within the GCC states, the difficulties in creating economies that are less dependent on oil income are usually attributed to resource curse effects, although the strong collectivism exhibited in such societies could contribute to the difficulties. Greif (1994) analyzed organizational patterns and interactions of the eleventh- and twelfth-century Genoese and *Maghribi* traders in the Mediterranean and found that the rise of individualism among the Genoese traders, as well as the development of institutions for conflict solution, helped them to drive the collectivist *Maghribi* traders out of the Mediterranean.

Individualistic societies have a clear, demonstrated advantage in the current economic global climate. Although one may argue as to which came first, individualistic societies nevertheless need formal "second parties" that can enforce certain rules, and thus they require an institutional environment that facilitates anonymous exchange.

Any individual is guaranteed rights that do not depend on group adherence. A merchant can look for an employee outside of his family or clan and may find someone with better skills, and because there are established legal institutions that balance any lack of personal trust he may find in somebody not of his family, the system works to counter and mitigate any hesitation. Furthermore, people in individualistic societies feel less social pressure to adapt to historical norms and are more prone towards innovation or new methods of entrepreneurship. This in turn would have, at least initially, been a break from traditions or would have threatened the existence of certain other groups or professions (Greif 1994, 942ff). On the contrary, strong social beliefs in a communalistic society can preclude innovation: not because of a conviction that innovation may be a negative but because of a respect for social norms. Although they may disagree in private, individuals in a communalistic society may defend such beliefs in public. Kuran calls this phenomenon "preference falsification" (Kuran 1997).

In a way, the individualization of society has come to be regarded as a requirement for modernization and as a one-way development. This evokes modernization theories such as Rostow's *Stages of Economic Growth* (1962) where individual social mobility is among the preconditions of economic ascent he concludes will finally free underdeveloped countries from their underdevelopment. Despite almost two centuries since the introduction of industrialization in Europe, individual social mobility has nevertheless failed to produce a perfect society independent of birth and family networks. In fact, with the gap between rich and poor widening, this failure looks likely to intensify further, to erode any dreamt-of utopian individualistic nation through Western democratization. This ought to be reason enough to challenge the role of individualism as a precondition for modernization.

Theoretical Background: Limits of Neoclassical Theory

From the viewpoint of neoclassical economics, *wasta* and social capital are both market distortions that contradict the basic assumptions of a perfect, symmetrical information structure and profit maximization opportunity for the individual. If the cooperation of two individuals is a win-win situation that allows them to maximize their profits, neoclassical economic theory could consider networking, or social capital, as a "social" version of an oligopoly or monopoly due to imperfect competition. However, if an individual fails to maximize his or her profits—whether employer or employee—and merely adheres to family expectations, this would be against the idea of the *homo economicus*. What is more, modern economics lately strives to become scientifically measurable. Even if we suppose for simplicity's sake that the measurement of one person's human capital is sufficient, this still poses an ongoing challenge to the methodology.

Given that neoclassical economics continue to dominate, challenged as it may be within economic academia, this bias is something we need to keep in mind. While social capital continues to be investigated and has become the focus of theories and methods and thus established as a real academic subject, it seems that local variations

of *wasta* are left unobserved, failing to be looked at in a more systematic way. This only contributes to the conception of something retrogressive and inhibitive.

In a way, the advantage of choosing a new employee from within the family, even if somebody from outside would be better qualified, is something neoclassical theory tends to neglect: networks of trust lower or even abolish transaction costs. There is no need to explore the market, to collect information, to communicate with strangers, or to take the risk that an unknown applicant will be uncommitted to the potential position because he may have applied for many jobs in order to land just one. Such tasks are time-consuming and costly. From a neoclassical perspective, this uncertainty is not supposed to play a role. In reality, however, it is paramount; therefore, there are transaction costs. Even more difficult to explain is why an employer would recruit an individual whom he knows to be inept for a job, while recruiting a better candidate would not cause that much more in the way of higher transaction costs. Here, it seems that we border on the question of culture, trust, nepotism, and maybe even altruism, all which fail to be explained by the avoidance of transaction costs. Clague points to this lacuna in neoclassical economics:

> Many economists have felt that a phenomenon has not been properly explained unless it emerges from a model based exclusively on rational self-interest. If the analyst appealed to altruistic motivation, or if she said that choices were constrained by cultural norms, that was regarded as an unsatisfactory explanation (Clague 1997, p. 16).

Asking why people cater to their networks and adhere to certain norms within them, sometimes to their own detriment, we therefore need to widen the theoretical approach. This approach must take into account transaction costs and, in particular, should explain why people accept rendering a service to another merely because this person is from his or her own group, without any (short-term) benefit from such. New economic institutionalists have extended economics to this end, trying to integrate the neglected factors of transaction costs, uncertainty, and asymmetric information into economic theory. While not contradicting the mechanisms of neoclassical economics, it cannot be denied that they have complicated economics in such a way that makes the common economic models impossible. Ever since the rise of endogenous growth models, economic modeling struggles with the operationalization of the intangible aspects of human capital. For social capital, the intangible dominates. It is not or only partly located in an individual, but between individuals (Coleman 1988, pp. 98, 100), and this clearly breaks the mold of quantitative economic analyses. Furthermore, social capital has remained a blurry and contested concept or even a renaming of an old concept. Whether it is positive or negative largely depends on its definition, and whether or not it benefits the individual or the entire society is equally unclear.

Just as the literature hailing civil society as the pillar of democracy, the literature hailing social capital is often normative and attempts to eclipse the potential for negative uses or abuses, trying to narrow the definition or the scope of application in order to exclude negative effects. Regarding Palestine, for instance, Jamal (2009)

demonstrated that civil society groups—the embodiments of social capital—actively support authoritarian regimes just as much as they can fight for human rights. The contexts, therefore, matter a lot.

Social Capital: Two Sides of the Same Coin

The attempt to define social capital has filled entire books. Putnam, for example, finds that the notion of social capital must have been invented at least six times independently over the last century, each time making claim that social ties would make life more productive (Putnam 2000, p. 19). The importance of social ties seemed so obvious for all to see that the lack of an economic concept just had to be filled. The usual remark that relationships "have value" says nothing about value for *whom* and whether value for one person is to the detriment or benefit of society (Siisiäinen 2000).

While Bourdieu and Coleman have a very inclusive approach—where social capital also includes vertically organized, non-chosen groups—Putnam put forward a more normative view of social capital and hailed it as a foundation for civic engagement and a functioning democracy. This normative approach also entails a more narrow definition of the nature of networks. Hierarchical groups, for Putnam, turn people into subjects and not citizens. An inclusion in those groups, therefore, fails to have a positive effect on society:

> Dense but segregated horizontal networks sustain cooperation within each group, but networks of civic engagement that cut across social cleavages nourish wider cooperation.… If horizontal networks of civic engagement help participants solve dilemmas of collective action, then the more horizontally structured an organization, the more it should foster institutional success in the broader community. Membership in horizontally ordered groups (like sports clubs, cooperatives, mutual aid societies, cultural associations, and voluntary unions) should be positively associated with good government (Putnam et al. 1993, p. 175).

Apart from his study of American society, Putnam had conducted research on Italian networks, mainly on the stark contrast between the wealthy north and the poor south of Italy, and found differences in the kind of relationships and forms of organizations accordingly. In the south, hierarchical family networks form the basis of the *Mafia*, which is combined with the strong role of the equally hierarchical Church. In the north, Putnam found the citizens equally well organized, although in their own chosen networks, such as sports clubs and choirs (Putnam et al. 1993).

Coleman described his idea of social capital in his paper, *Social Capital in the Creation of Human Capital* (1988). While conveying a positive view of the importance of social capital for the individual, he did not define it as either good or bad for society. To him, social capital can include aid organizations *as well as mafia* clans. It is noteworthy that Coleman explicitly refers to the Middle Eastern context:

The *souk* and the networks of salesmen who provide each other with clients are equally social capital to Coleman. For Coleman, social capital:

> [I]s not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors—whether persons or corporate actors—within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible. Like physical capital and human capital, social capital is not completely fungible but may be specific to certain activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others (Coleman 1988, p. 98).

Bourdieu links social capital to both cultural capital and economic capital. He points out that these forms are interdependent and can often be transformed: social capital can be transformed into tangible, economic capital due to better access to resources. A person's cultural capital—her knowledge, skills, and education—depends upon the people who conveyed these qualities to her. Social capital is therefore an important element for the reproduction of social classes. The networks at the basis of social capital can be families, tribes, social classes, or any other institutions. The important aspect is that these relations are maintained and institutionalized. Coincidental and chosen relationships, such as those between neighbors, can become binding if they are institutionalized, but a formal membership in a more rigid group (family) does not necessarily increase a person's social capital unless this membership is confirmed by symbolic and material exchanges. For most people, the reproduction of social capital entails working upon relationships, and some—perhaps those with a well-known surname—are sought after by others to such an extent that they do not need to take care of relationships by themselves (Bourdieu 1983, pp. 191–197). In the context of Bourdieu's work, social capital can be considered as the lubricant that allows for the reproduction of classes and inequalities that leaves those without it with fewer chances for success.

With the definitions of social capital as divided as we have seen, the differences with regard to *wasta* become increasingly blurry. Starting from different backgrounds, both concepts nevertheless tend to move towards a middle ground. While even the proponents of social capital have had to admit that it can be used for bad purposes, more recent literature examining *wasta* demonstrates multiple positive effects. The starting position, however, is the negative reputation of *wasta*.

Wasta: Different Tone Same Content?

When attempting to define the term *wasta*, it is necessary to clarify exactly what we are speaking about and referring to in practice. Today, most definitions simplify the meaning to perhaps "favors," when in fact we would argue that it is closer to favor-*itism.* A short and neutral definition of *wasta* is usually that of employing connections or perhaps an intermediary to reach certain goals or to speed up certain processes. This is still insufficient however: intercession might remove the concept of brokerage for a fee, yet it still infers the involvement of a third person at least.

Still this is not adequate, however, as *wasta* does not in and of itself require an intermediary. It is necessary to explain, therefore, the encapsulation of intent within its usage.

Primarily, the explanation of "favoritism" should also specify a preferential treatment that is somehow connected to officialdom, and often politics. That is, in this sense *wasta* is akin to *political* or "official" favoritism, or pull. Moreover, it is important to clarify that this is separate to *satheeg*, meaning the superficial (and often naïve) political or official favoritism, sometimes involving bribery or kickbacks (also referred to as *baksheesh*, particularly in early travel diaries of Arabia). This latter term involves the negative connotation so often found in the scarce literature on the subject, whereas the standard understanding of *wasta* has no negative or particularly positive inference, as much as scholars and many journalists would like to claim. The common descriptions of *wasta*—almost uniformly containing the negative undertones connoted by *satheeg*—also predictably invoke the usually "archaic" or "quaint primitiveness" of its origins within tribal structures.

Tribal structures first rely upon *haq* before *wasta. Haq*, however, is quite often intermingled with *wasta*, although the former specifies "birthright"—frequently assumed to be a definition of *wasta*—and is often translated as "law" (which is instead *qanoon*). *Haq* within tribe is unquestionably essential within its hierarchical structure, but this is not necessarily vertical in nature. Common in history are examples of the top-down leadership of the tribe overturned by a lateral force within the *sheikhly* ruling family, as it has been in European noble families. Tribes extend by *bayt* (family unit), *dar* (extended household), and *gabila* (clan), all connected by *fakhd* (common lineage within the *gabila*). They are thus the "limit" to kinship, although relationship connectivity with allied neighboring tribes amounts to mutual survival and economic growth. Instances of marriage abound wherein a wife from one tribe who entered the ruling family's house of another (retaining her own family name and tribal identity), once widowed, maintained or took greater power not of birthright or vertical recognition, but force of personality—normally due to demonstrated economic ability—and in effect superseded the new de facto ruler (usually but not always the eldest son). This then should extend the conversation to the assumption of birthright as expressed by nepotism, which we would argue is a separate concept to *wasta*, and well understood. Nepotism connotes the negativity of *satheeg* intermingled with *haq* and should therefore remain distinct. Thus, we wish to be clear and extend the definition of *wasta* to more precisely mean: neither positive nor negative officially related favoritism, which may or may not require intercession by another.

Wasta can be found in all aspects of Arab society: education and university admissions, job applications, government services, even court decisions, and most certainly in marriage arrangements. For the betterment of society, or for its ill, *wasta* is a mechanism that is essential in the daily operations of the Arab world: a tradition that is deeply ingrained is not seen as universally negative, does not necessarily adversely affect society and is unlikely to disappear. Instead, it is more important for those evaluating the Arab world to understand its merits and adapt accordingly.

To sum up this discussion of definitions, we can draw the following picture. The broader and more neutral definition of social capital by Bourdieu and Coleman allows for social capital to be an asset for the individual and for society but does not omit the fact that the individual can also use it to the detriment of the society. In these concepts of social capital, *wasta* can be fully included. Social capital or *wasta* can thereby contribute to the reproduction of social inequality. Whether the networks are voluntary networks or not is not the decisive difference that would account for negative or positive consequences of networking. Both can function in the same way.

Putnam's social capital, in turn, focuses on the returns of social capital and, among them, the returns that benefit the society. Focusing on a positive outcome seems to encourage him to also define the kind of network that is more likely to have a positive outcome: voluntary associations. Ten years ago, civil society would have been an alternative concept of this form of social capital. However, also Putnam acknowledges the "fact that all forms of social capital, indeed any form of capital, can be used to ends that are in some instances destructive" (Putnam 2001, p. 3). In *Bowling Alone*, he points equally to the bad side of social capital, mostly within white, male networks in the USA (Putnam 2000, 350ff).

From this perspective, *wasta* could indeed be viewed as the negative complement of Putnam's good social capital. It is almost by definition based on family networks, clans, or sects, regarded as paramount in Arab societies, and is, at least in the literature, mostly described as problematic. It would preclude identification with the state and the political system in place and give priority to kinship ties, thereby not only reproducing inequalities (strong versus weak families) but also weakening state institutions and the efficient allocation of human capital in the economy.

What, however, allows us to identify one kind of networking with predominantly bad consequences and the other with predominantly good consequences? Where is the crossroads that divides one from the other? Is it the nature of the network or the nature and morals of the individual that uses the network, or is it to be found in the circumstances of the respective society? Is it simply that *wasta* is only what the other uses, yet when we use it, it is considered social capital?

In our opinion, the judgments passed against networking often rely on biased assumptions and weak comparisons. In the next sections, we will look at networks on the basis of the following:

1. The problem is not the use of networks in and of themselves, but the need to do so in the absence of other trustworthy institutions and a lack of fair treatment.
2. A supporting factor is the failure to see abilities of the individual disconnected to his or her affiliation to a family, class, or tribe.
3. The nature of the network does not allow for a conclusion as to whether the network is used for positive or negative purposes. The Western class structure is no less permeable than the Arab tribe. Both cater to their own members.
4. Social capital has a long history of research that aims to define and measure it in order to integrate it into academic economic theory, whereas *wasta* remains an anomaly.

The Search for a Real Difference

Nature of the Network and Structure

The first tacit assumption behind an apparent difference between positive or neutral social capital and "bad" *wasta* is that one is merited only by birth and therefore unearned, while the other one is achieved, earned, and therefore meritocratic. In addition, there is a tendency to assume that people who achieved a position because of their family ties perform lower than people chosen on the basis of their application. This holds true for both the West and the Middle East (Mohamed and Mohamad 2011).

The concepts of loyalty and honor appear to us to be the main quantifiers that can be used to link family networks and purely professional networks. Coleman argues that a closed structure assures members that their efforts are pooled for the benefit of all and that recipients are thus predisposed to act favorably in return—a "tit-for-tat" for the group. Hence, the family as a structure closed by blood ties or marriage should qualify very well for such a closed structure, while more informal (often online) career networks would not. However, this ought to be clarified further still. We feel that while Coleman is correct that the good of the group plays a significant role, as expressed in the Arab culture, this loyalty extends to clan, kin, tribe, and state, not just in the current generation, but to ancestors past. Thus, we can restate that the good of the group (tribe)—the collectivist—is actually of greater paramounce in the Arab world. Ironically, the limitations of Arab tribal structuring would, in Coleman's view, increase its qualification as a functioning social capital system than would a loose business network in the West.

Family ties are also used extensively in the West for networking in addition to professional ties and acquaintances. The scope may vary in that it probably does not concern the extended family any longer, but the core family is not only a place where social capital is transferred but also where other forms of capital are passed on from generation to generation (Bourdieu 1983). It is noteworthy that many a successful company in Europe (as found in Germany, Italy, and the UK) is still family-owned, with company leadership having been passed from generation to generation, with seemingly little disadvantage to the successor chosen from within the family. Sanchez-Famoso et al. (2014) found that, in Spain, family social capital contributes to innovation as much as nonfamily social capital. The non-tribal yet strong family social capital successes are furthermore on the increase in the Arab world, exemplified by, for example, Bahrain's Kanoo family investment enterprises, Kuwait's Bukhamseen family corporation, and Saudi Arabia's Al-Rajhi banking family.

Although Arabs are often thought of as untrusting of those outside of their family, tribe, or clan, this differs extensively depending upon the context. From our own personal experience, foreigners can be very much included in the *wasta* network, although the effort might be weakened or exclude certain matters. This is not the main problem with the trajectory underlying the differentiation behind those

"chosen" and privileged by birthright. This trajectory somehow holds that family networks have more detrimental effects than networks based on chosen, most oft-used professional ties.

One of the suspected downsides of networking is to finding people in positions where they make for a poor fit and thus performance expectations are low. A classic example may be the father who wishes his son to become a physician, paying for private university tuition because the son would not qualify for a public one. After a mediocre graduation, the father may use his contacts to leverage his son into a job above his grade quality and better than he otherwise would have garnered independently. In this case, is the professional network really less detrimental than the family network? We find that they often interplay. Without a professional network of some kind, a family network would little help. This becomes even more clear when professional networks become the basis for family networks when, for example, physicians intermarry. Purely professional networks can put people into positions they do not deserve. Although a doctor may still practice as a doctor, he may attain a management position that is better paid, but where he fails to contribute positive effects.

The next question is whether or not there is a difference between the scope of inclusion between family networks and professional, self-chosen networks. To what degree are often disadvantaged people in society included or not? A purely professional network would only benefit and cater to its own kind: the old boys' networks and alumni of certain universities or even colleges may connect more easily with one another to help secure jobs, get clients, or be promoted. These used to be male-only clubs, and helping a wife or daughter into a career position might have been regarded as unseemly, as it would be to help somebody "from outside" the core network. In fact, men would hesitate to mingle family and career to, for example, use their professional connections for female family members. Research has shown that such networks—in spite of being based on professions open to everybody—are often racial and gendered and still remain (McDonald 2011). It would be nice to consider that this gender bias has been eliminated in the West, but statistics prove that while mitigated, there is a considerable lag in equality in reality.

As patriarchal as Arab families might be, being part of the family qualifies for inclusions within the network, no matter whether male or female. This holds especially true for the *sheikhly* family of a tribe. Should a male ruler have been assassinated and imprisoned, met an untimely death, or was unable to rule, oftentimes we find examples in the anthropological literature of wives, mothers, and daughters who step in, albeit only as the real decision-makers and not official leader of the tribe. The fact that they are next of kin in some instances matters more than their sex: when René Mouawad was elected President of the Republic of Lebanon in 1989 and assassinated shortly upon election, his wife Nayla followed in his footsteps, triggering her own career in Lebanese politics.

It seems that although professional networks create a class that caters to and reproduces itself, family networks try to look after everybody within the group. Large families in the Gulf include members in across all strata of society, and a gifted but poor son may easily approach an uncle able to help him more than his

father could. Someone from a socially disadvantaged family in the West, however, is unlikely to know someone of actual help unless he or she is discovered by a teacher or is fortunate enough to secure an endowment.

Clearly there is a risk that the attempt to provide every family member with a job may result in the wrong people in the wrong place. Normatively this would not allow much inefficiency and the risk would be short-lived. One also has to consider the detrimental consequences of people not having jobs: unemployment benefits and welfare are unproductive, and there is a greater risk of allegiance to the most disadvantaged and disappointed fringes of society; both ultimately increase dangers and long-term costs to the society. It is noteworthy to recall that as families (not to mention tribes) are bigger in the Middle East, there is also a wider pool from which to select the most able member for a particular job. An engineer father with four children is likelier to have one child suited for engineering than the father of one; if not, he may find a nephew or niece to follow in his footsteps.

This principle works in ruling families in the Gulf where succession is still a family decision. With a dozen potential heirs apparent, the likelihood that at least one of them is fit for head-of-the-family status increases. The fact that families are generally perceived differently in the Middle East and West therefore dilutes some of the arguments, which maintain that family networks must lead to less efficiency at work. Yet if we look at theory, another feature is highlighted more: the hierarchical versus nonhierarchical network. Here we refer again to Putnam who theorizes that once a group has a strong vertical hierarchy, there are few positives. Tribal hierarchy, however, cannot be dismissed as something akin to the Mafia of Italy or the serfs of Medieval Europe. To an outsider it may indeed appear that this is so, but within the tribe there is far greater flexibility than a straight top-down benefit. Slaves of the old ruling families might have had far greater power than a regular member of the tribe and were often considered so important they would be addressed as *sheikh* by other tribe members in recognition of his position as one who could legitimately speak on behalf of the true *emir* (ruling prince).

In fact, the mechanism to prevent inequality within Gulf tribes was effectively enforced by the strength of the *shura* (consultative council system) wherein major decisions were always made by ruling family members in full consultation with the elders and wise men. The basic structure of the tribe is one of *fakhd* (lineage), but with the *'aynin* (eyes) of the tribal sheikhs, leaders, and emirs playing paramount roles in decision-making. This demonstrates the existence of a wider and more encompassing "peak of the dynastic pyramid" that is otherwise generally understood when considering tribal structures, in part because it is known within the tribe that emirs are historically of minimal lineage, in that their leadership extends back for an average of five generations. Moreover, the title of *emir* is an achieved status that must be maintained by continual proof of worthiness. According to Cole and Musil, tribes were in fact far more egalitarian than generally assumed, and their rulers "followed the egalitarian ideals of the tribe" (Cole 1975, p. 116). In Marlowe's *Hierarchy and Egalitarianism in Islamic Thought*, the interplay between perceived stratification and hierarchy within tribe with the Qur'anic injunction (49:13) that all are equal was examined. She found that "Arab tribal society…appears to have been

in certain important respects strongly egalitarian" and "coexisted with observable inequalities in the actual distribution of power, wealth and social esteem" (Marlowe 1997, pp. 4–5, 174).

When analyzing the hierarchy of tribes, there is an overwhelming default presumption that they are exclusively a male-dominated vertical lineage system. This is incorrect, as has been mentioned already above. Expounding upon women's roles within the tribe—in a horizontal position of power hierarchy—we can recall the mid-nineteenth-century case of *Turkiyyah*, the widow of *Emir Sattam bin Hazaa al-Sha'alan* of the Ru'ala tribe of Northern Arabia. So powerful a woman, she was considered a chief in her own right, their children even taking her name (Ibn Turkiyyah) instead of her husband's. When Sattam died and his brother Nuri became emir (and would be so noted for being the Ru'ala's most formidable leader in its history), *Turkiyyah* nevertheless retained full "power of the tent" over and above her own sons. She received the same considerable income per month ($90) as if her husband were still leader, continued to entertain lavishly every night, brought the men into the tent with the women, and after dinner would boldly go into the men's tents and sit and monopolize the conversation. "And no one—not even Nuri—dared to argue with her" (Musil 1927, pp. 216–217).

Nonhierarchical promotion is, despite misinformed portrayals of the Arab world, very much in evidence today. When the Emir of Qatar, Hamad bin Khalifa al-Thani, abdicated the throne in 2013, he did so in favor of his *fourth* son Tamim, and not his eldest. Sheikha Mozah, the wife with whom he appears with in public and abroad most frequently, is the second of his three wives. Further examples exist of princes holding high positions despite their having nonroyal mothers, and the limits of family patronage can be flexible. King Abdullah bin 'Abdul 'Aziz's heir apparent was Crown Prince Muqrin whose mother was a non-Saudi called *Baraka Al Yamaniyah*. When Abdullah died, Muqrin's half-brother King Salman replaced him by appointing his full brother Nayef as heir and then elevated his younger son Muhammad bin Salman as third in line to the throne.

Nature of the Institutional Background

Often overlooked in regard to *wasta* is the fact that it is not simply employed to secure privileges or speed-up matters, particularly bureaucratic; it is often used to get things *at all*, such as those entitled to by law. This holds true for too many government services such as passport applications, birth certificates, marriage licenses, or other necessary confirmations. With *wasta* one might receive them at no cost or in trade for a return service; without *wasta*—more noticeable in countries and large cities where family connections have been watered down—often one has to pay a civil servant's "breakfast" (euphemism for a bribe in Baghdad). With neither *wasta* nor money for bribery, a passport will not be ready and birth certificates for children will not materialize.

What is really to blame here? Is it *wasta* or the political and legal institutions of the respective society? Which came first, the chicken or the egg? As the example of *Turkiyyah* demonstrated, the relative purchasing power of gold in the desert afforded far more than basic sustenance: it afforded substantial power arguably enhanced by the employment of manipulating the structure within the tribe. Yet, was this due to her personality, position, economic shrewdness, or adeptness at optimizing *wasta*?

We determine that *wasta* is an effective method to deal with weak institutions. The family network functions as a "state within a state." It is the first and preferred instance due to the arbitrary, weak, inefficient, and authoritarian nature of the official state. However, the fact that there is so little trust for official institutions—often undermined by family institutions—also precludes them from becoming stronger. It is a vicious circle that only a long process of regulations in bureaucracy and trust building in government can hope to break. Fighting *wasta* when the institutions remain weak and unreliable would only produce stalemate and dissatisfaction—and perhaps only amplify corruption.

Inefficient bureaucracy may be exemplified with the implementation of the recent intensification of e-governance in the GCC states. With the new *enjaz* system in Saudi Arabia and the auto-generated number from one particular desk in the Ministry of Foreign Affairs, even the best *wasta* fails, unless, of course, one has a particular contact in Riyadh with the ability to make a phone call and contact the respective overseas embassy to initiate a direct order to issue the visa. This is *wasta* in action but applies to non-Saudis attempting to get *in* to the country, thus not easily utilized by many foreigners. While e-governance may have been introduced to speed up and make more transparent various processes, the opposite has happened. *Wasta* had made a level playing field possible to a degree, ironing out many shortcomings of bureaucracy but only for those who knew how it worked. With e-governance, the ability to intervene has been reduced, but processes have become even slower and more miasmatic than before. As long as the institutions of the state remain weak and arbitrary, it seems that the only alternative of *wasta* is bribery (*rashwah*).

Morality and Time Perception of the Individual

Wasta is a positive or negative depending on the individual and his purpose and initiated for good or bad intentions, deserved or undeserved. Although *wasta* seems to be an expectation, especially within a tribe and particularly when a demand comes from a superior, there is always a personal choice to leave the system as an option. As might be expected, societies marked by a high degree of collectivism and a high-context communication culture make such a choice harder, but it does remain. To illustrate, in Arab communications, for example, there is always a possibility to say "yes" face to face and then do nothing to actualize the commitment or to not promise anything or to claim that it would be done later. While an open "no" may be painful to articulate, the evasive *bukra* (tomorrow) or *insha'allah* (if God wills it)

is the common escape clause—at least in the short run. This is a topic more apt for a psychological or philosophical analysis although a few of its crucial questions involved may be raised here: Why do people apply for jobs they know they are not fit for? Why do some people readily rely on other people's help whereas others try to do everything on their own? Is this a personal trait, or does this stem from one's social environment or social pressures?

Are there societies where a mentality of entitlement limits people's views on what their duties should be? How is the perception of the future within one's society? Is it a society that lives predominantly in the past and the present but does not consider the future? Predispositions aside, an individual's decision may be influenced by many social conditions, including the pressure to provide a family income, the perceived importance of a job, or higher education in pursuit of status. These necessitate long- or short-term planning. The latter may strongly correlate with short-term success to satisfy family members; the former a sense of orientation towards long-term success that affords a position that generates personal satisfaction. Again, a collectivist society may push the individual to make family and tribe happy first.

Providing the primary family income is an important duty of every man in the Middle East. Marriage occurs early and the first children are often born while the father is still a university undergraduate. (Status matters significantly: a lawyer or engineer adds considerably to the social standing of the family, so educational achievement is essential.) In addition to a new wife and family, parents or younger siblings may have to be sustained. Hence, the pressure to provide an income begins earlier than in the West.

In the wealthier GCC states, these pressures are particularly salient. Governments may support young families or the unemployed with subsidies although this is insufficient to meet the increasingly costly lifestyle preferred. Status and wealth have come to matter steadily more, most citizens hoping for a share of oil and gas revenues, and surveys substantiate the sense of entitlement that pervades these societies. Since government careers are the privileges of nationals even if they perform much lower than expatriates, the continuance of the *wasta* system among nationals is guaranteed. Moreover, long- and short-term attitudes manifest in economic performance: without long-term plans, one considers little reason to prepare in advance; without preparation, queues must be jumped to meet goals, expectations, and deadlines. If the society as a whole therefore has no sense of long-term objective based upon cultural norms, this renders its people perpetually reliant upon the *wasta* system of "getting things done"—often at the last minute and at a premium cost.

In fact this has been documented. Individual attitudes towards time are learnt from personal experiences; collectively attitudes towards time influence national destinies. Zimbardo's meta-analysis divided people into six "time perception zones" (past positive, past negative, present positive, present negative, future positive, and future negative), which can be applied to nations and populations to determine how they behave (Zimbardo 2008). Future-oriented people—or nations—are the most

successful as long as there were optimal balances between other zones. Past-oriented people or nations distance themselves from the realities of the present and future planning, are conservative, mistrustful of strangers, focus on collective commitments (cultural or tribal obligations), employ rituals, and as a group tend to be dependent rather than competitive. They also tended to focus on instant gratification rather than long-term gain. Only future-oriented people succeed despite obstacles; they understood that responsibility, efficiency, and hard work optimized future outcomes, whereas distractions and wasted time diminish accomplishments.

Conclusion

In conclusion it is evident that although *wasta* is a concept that academia has neglected and mostly considered negative—in the few cases where considered at all—there is in fact little qualitative difference between *wasta* and social capital. It is more correct to identify the concepts within the constructs of the environment and culture, as opposed to either good and bad or positive and negative. As we have argued, definitions of *wasta* have fallen short, whereas there are an abundance of studies focused upon understanding social capital. In the end, it is the intention of the individual *within their group* that matters the most. Given its attempt to generalize a concept that is strongly dependent on the individual, the social capital theory largely omits examining the intentions of the individual and thus fails to grasp the major purpose of the agents of the *wasta* system. This is further complicated by the subtle nuances embedded within the *wasta* tradition, as we have explained, and this merits a fuller treatment elsewhere. Since we found no substantial differences, the academic tendency to project the negative definition to *wasta* is misplaced. Western economies do not have a monopoly upon economic development mechanisms.

Adwan (2008) writes that “Although the origins of wasta […] are more positive than its current use, it has become such an endemic problem that many youths cite it as a main reason they consider immigration.” It is, however, important not to mistake the frequent complaints about *wasta* by people in the Middle East as a proof that it is an ill only. When it works against them, people in the Arab world condemn *wasta* as readily as they freely use it when it works to their advantage. The same holds true for social capital in the West. This is frequently a sign of an understandable envy rather than of a foresighted concern that *wasta* may have negative consequences for the entire society. It seems that academia has all too readily listened to those complaints and consequently focused more on the negative occurrences of *wasta*.

The negative attitude towards *wasta* in actuality betrays not only academic neutrality but also reinforces a binary assumption. This chapter demonstrates that while *wasta* may be more of a challenge to define, it is nevertheless in the end quite similar to social capital and should be incorporated into the narrative accordingly.

Chapter 2
Wasta: A Scourge or a Useful Management and Business Practice?

David Weir, Nabil Sultan, and Sylvia Van De Bunt

Introduction

Internationalisation has greatly altered the international economic positioning of many developing nations in heralding challenges for cross-cultural management in subsidiary operations. One region that presents challenges to international businesses is the Arab World; yet along with this, opportunities have been presented to increase understanding of its cultures and business practices. We highlight how *wasta* works in practice, converge and diverge, and how it has been affected by modernisation. We suggest that international managers need to understand this aspect of Arab social networking to facilitate the effectiveness of their subsidiary operations in the Arab World and to recognise why these practices continue. In this chapter, the Arab World is defined as the countries of North Africa, Sudan, Jordan, Palestine, Syria, Lebanon, Iraq and Yemen and the countries of the Gulf Cooperation Council such as Bahrain, Kuwait, Oman, Qatar, United Arab Emirates and Oman.

The Arab World has attracted increasing international interest. Much of this attention has been since September 11, 2001, principally in the context of geopolitical concerns such as the 'war against terror'. Nevertheless, the Arab World is still an

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area of growing economic significance offering investors and exporters opportunities across many business sectors. The nations of the Arab World reflect great economic, political and social diversity. Some states are oil rich. Others, such as Palestine and Jordan, have been dependent on revenues from their petroleum-producing neighbours (Cunningham and Sarayrah 1993) and risk severe economic consequences if they do not develop new sources of revenue. The region encompasses extremes of politics, religion, modernity and urbanisation, ranging from Egypt's Cairo, one of the world's oldest continuously occupied cities, to the more recently developed city states of Dubai and Abu Dhabi in the UAE (Weir 2003b). The economies of the Arab nations have risen and fallen as a result of external factors, such as European decolonisation and the USA and former USSR competing for opportunities to provide military and economic aid in the post-World War II era.

While the region exhibits as much internal diversity in attitudes, behaviour and systems of government and administration as Europe, there is a clear sense in which the Arab nations are culturally homogeneous. Hickson and Pugh identify four primary influences deriving from the Bedouin tribal inheritance, Islam, the experience of foreign rule and regular foreign intervention, and the impact of oil and the dependence of Western Europe on the oil-rich Arab states (Hickson and Pugh 1995), although these influences have not had equal impact in all the region (Chennoufi and Weir 2000). The Arab World is of significance to the Western world not only for its economic interests but also because it comprises a large proportion of the world's Islamic people, who account for 20 % of the world's believers, and is the heartland of Islamic faith (Weir 2003b). Thus, understanding the culture and behaviour of the people in this region is of international importance.

Network Analyses

Literature examining networks or interpretations of relationships in the Western capitalist economy context has focused on transaction cost analysis, social exchange and interaction dimensions (Dwyer et al. 1987; Ouchi 1980; Scott 1991a; Williamson 1979). Redding (2002) suggests that there have been criticisms of the positivist economics approach (e.g. Etzioni 1988; Granovetter 1985; Whitley 1999) and discussions of neo-institutionalism and socioeconomics. Noneconomic dimensions have been used to explain relationships and networks in the non-Western world. There has been a synthesis of *culturalist* and *institutionalist* explanations 'constituted by combinations of models from formal market and hierarchy perspectives and informal network perspectives, containing multiple social, political, economic and other influences' (Lowe 1998, p. 321) largely focused on social network relationship analyses.

Social network analysis focuses on the constraining and enabling dimensions of patterned relationships among social actors within a system, by examining accounts of real events and struggles across space and time (Garbett 1970). Mitchell defined social networks as 'a specific set of linkages along a defined set of persons with the additional property that the characteristics of these linkages as a whole may be used

to interpret the social behaviour of the persons involved' (Mitchell 1969, p. 2) and investigated how the structure of relations among people affected not only individuals but the society as a whole (e.g. its cohesiveness) and suggested that as much attention be paid to the structure of social relations as to the content of those relations. Mitchell explored the dimension that links the cultural to the structural, proposing that social networks prevail in the absence of formal institutional structures but that they also continue to coexist with industrialisation, distinguishing *networks* of interpersonal relations from *structures* of institutional relations. While some writers perceive that network analyses concern only the interpersonal sphere separate from formal economic and political roles (Whitten and Wolfe 1973), Mitchell (1969) argued that interpersonal networks embody both a channel of communication (transferring of information between individuals and establishing social norms) and are instrumental (involving transferring of goods and services between people).

Scott (1991b) suggests that in Mitchell's research 'partial networks' were identified, the first involving anchoring around a particular individual, and that global networks relate to a particular aspect of social activity, such as kinship obligations, friendship or work relations. Although recognising the importance of the second type of partial network, he focused on the first type. Scott viewed the second mode of abstraction as also needing to be anchored around particular individuals, though these networks were seen to be *multiplex* (Scott 1991b). *Multiplex* relations were defined as being ones in which more than one kind of tie links two actors: *density* referred to the actual ties as a percentage of potential ties between the parties and *reachability* referred to how easy it is for all people to contact one another or exchange resources through the network (Mitchell 1976). Interpersonal networks can be analysed through a number of concepts, which describe the quality of the relations involved. These are *reciprocity* (extent to which a transaction is reciprocated), *intensity* (strength of obligations) and *durability* (whether enduring or transient) of the relations (Mitchell 1969).

In studying information flows in social networks, Granovetter (1985) added to understanding of the value of strong ties in networks, arguing for the importance of 'weak ties' in that through relatively weak ties of less frequent contacts, new and different information could be gleaned but that these chains of information work best when short or involving only one intermediary (Granovetter 1985). Other writers, such as Emerson and Cook, added to social network analyses in advocating an exchange theoretical perspective on social networks (Scott 1991b), which is associated with wider transactionalist approaches (Boissevain 1974) and rational choice theories (Lin and Dumin 1986) (Lin 1982, cited in Scott 1991b).

Wasta and Islam

In contrast to Western nations, the basic rule of business in the Arab World is to establish a relationship first, build connections and only actually come to the heart of the intended business at a later meeting. This process is very time-consuming, yet once a relationship has been established, verbal contracts are absolute and an

individual's word is his/her bond. Failure to meet verbally agreed obligations leads to termination of a business relationship (Weir 1998). Three factors underpin these practices in the Arab World: first, the global philosophy of Islam as based on practice rather than dogma; second, the expectation that good practice of Islam is what all Muslims do; and, third, that Muslim societies are networked and that business activities revolve around these networks. *Wasta* involves social networks of interpersonal connections rooted in family and kinship ties and implicating the exercise of power, influence and information sharing through social and politico-business networks. It is intrinsic to the operation of many valuable social processes, central to the transmission of knowledge, and the creation of opportunity. Just as *guanxi* in China has positive connotations of networking and negative connotations of corruption, so too does *wasta*. *Guanxi* in China is similar to *wasta*. The Chinese term is a general one that is used to describe relationships that may result in exchanges of favours that benefit the parties involved.

Though Sawalha (2002) suggests that *wasta*, as the use of connections for personal gains, commonly stands for nepotism, cronyism and corruption in general and that this is a deeply rooted practice among all segments of society and in all sectors, this was not the original meaning of *wasta. Wasta* may mean intercession or mediation, and traditionally the head of the family in Arab nations performed *wasta* services by obtaining for the supplicant what is assumed to be otherwise unattainable. In recent years, *wasta* has come to mean the seeking of benefits from government. Though *wasta* pervades the culture of all Arab countries and is a force in all significant decision-making, it is not usually mentioned by most writers on business nor is it always openly discussed by Arabs themselves (Sawalha 2002). This is largely due to the fact that many Arab governments often try very hard to distance themselves from being associated with *wasta* in their quest to attract international investments and become modern knowledge economies (Weir et al. 2011; Sultan et al. 2011). Despite the fact that many of them practise *wasta* in order to buy loyalties and allegiances, their government-controlled media outlets often portray it in a negative way.

Wasta has changed over time, and its main goal has shifted from conflict resolution as a means of survival to intercession. Thus, the term *wasta* denotes the person who mediates/intercedes as well as the act of mediation/intercession (Cunningham and Sarayrah 1993). Intermediary *wasta* endeavours to resolve interpersonal or intergroup conflict when, for example, a *jaha* (*wajaha'*, mediation group of notable emissaries sent by the perpetrator's family to the victim's family) acts to inhibit revenge being taken following an incident involving personal injury (Cunningham and Sarayrah 1993). *Wasta* as mediation binds families and communities for peace and well-being in a hostile environment, and this form of *wasta* benefits society as a whole, as well as the parties involved (Cunningham and Sarayrah 1993). Intercessory *wasta* involves a protagonist intervening on behalf of a client to obtain an advantage for the client, such as a job, a government document, a tax reduction or admission to a prestigious university. In instances where there are many seekers of the same benefit, only aspirants with the strongest *wastas* are successful (Cunningham and Sarayrah 1993). Though critics condemn intercessory *wasta* as illegal, these same critics continue to seek and provide *wasta* benefits (Cunningham and Sarayrah 1993).

Wasta requires a supportive framework of generally honourable dealing to be effective; this framework is based on Islam. While of course not everyone in the Arab World is a Muslim and nations like Lebanon, Syria and Palestine have versions of Christianity, Islam is a religion which claims universal applicability as a religion of practice (Weir 2003a). In principle, Islam offers a pattern of behaviours and beliefs, which affect the whole of human life, no segment being exempt. Thus, economic and business life is governed by precepts, which can be known and ought to be followed (Weir 2003b). The practical obligations of the five pillars of Islam (testimony of faith, duty of prayer, provision of Zakat, self-modification and purification—including duty of fasting during Ramadan and obligation to make the Hajj to Mecca) contain the ethical basis of all behaviour, including the beliefs and practices of management and business life. Behaviours which are incompatible with these foundations cannot be 'halal' or acceptable; they are 'haram' or unacceptable (Weir 2003b).

Can *Wasta* Survive in an Internationalised World?

Though traditional cultural values are up against a myriad of imported ones (Fuller and Lesser 1996), Cunningham and Sarayrah (1993) argue that the *wasta* system will continue in the Arab nations for as long as the dissatisfaction of those disadvantaged by *wasta* remains an insignificant political issue or the concern for declining societal productivity resulting from *wasta* is not regarded as a national priority. Accordingly, *wasta* can be expected to remain a major practice in Arab society and will not be 'tamed' until such time as there are calls for significant social change (Cunningham and Sarayrah 1993). Core to potential change to *wasta* practice is social change, political activity and modernisation. Though the 1990s witnessed an influx of universities from North America, Europe and Australasia offering programmes such as MBAs throughout the Arab World and a reference to 'Egyptian administration' will often raise a smile among the more recently Westernised Arab managerial elites in other Arab states (Younis 1993), it is simplistic to dichotomise between 'Western/modern' and 'Arab/traditional' (Dadfar 1993; Weir 2003b) and to assume that as Arab managers have greater exposure to Western ideas that *wasta* inevitably declines.

As political and legislative reforms and reforms in public administration, financial and judicial areas occur in the Arab World, there will be enhanced social and economic transparency, but the culture continues to be dominated by the essential cohesiveness of family and tribal structures (Weir 2003b) and *wasta* remains integral to business. It is misleading to assume that calls for modernisation must lead to 'Americanisation' or even 'Westernisation' for choices will be made to accept aspects of Western life and culture that are compatible with the culture and traditions of that region and reject those aspects which are perceived as objectionable or unnecessary (Weir 2003b). Arabs are not adverse to change per se (Stanton 1999), but these questions of modernisation must be positioned in

a discourse of Arab culture (Ayubi 1986; El-Tayeb 1986). Arab managerialism will emerge in its own specific modalities. Indeed, in some business contexts, *wasta* can be an efficient method to get things done, especially in situations where bureaucracy and ambiguity about rules and regulations can derail business opportunities or investments that could be of benefit to many people. However, *wasta* does have an ugly face as well. It creates feelings of injustice among those who are affected by some of its negative consequences. Favouring relatives and friends with import licences, selling government land on the cheap and sending unqualified students (at the expense of high achievers) on scholarships to Western universities are simple examples of what *wasta* can do to create resentment among those affected by it.

In a world that is becoming increasingly connected thanks to information technology, the Internet, mobile phones and social media, the practice of *wasta* will face challenges. Politicians and officials of public office are likely to be more careful now than ever before when dispensing favours through *wasta*. The Arab Spring uprisings, though crushed in some parts of the Arab World, could come back again to demand justice, transparency and democracy. Moreover, membership of the World Trade Organization can also put limits on the extent to which governments or rulers can (through *wasta*) favour individuals or companies involved in trade activities. Furthermore, growing interest in privatisation or private enterprise in many Arab countries as a way of income diversification and limiting government spending could also put pressure on the practice of *wasta*. Profit-making organisations are likely to be more interested in people with skills and qualifications, irrespective of their personal and/or family connections. *Wasta* thrives in command (or controlled) economies, but in free market economies, it could face problems.

Westernisation of Business Practices

The values of 'management' and business practice are presumed in most of our professional discourse to be universal and to be those of Western capitalism, but there is in the global world of management a great diversity of business cultures and norms of behaviour. Even so much of management education, theory and praxis is within the paradigm of one culture of management, and internationalisation and modernisation have tended to occur parallel to the utilisation of Western management thought. In the Arab World, management and business is inextricably linked to the characteristics and values of Arab social organisation. These features, far from being deviant or undeveloped versions of Western business models, may provide the basis for a style of management organisation well suited to the growing requirements of a networked global society (Weir 1998). Without negating the negative connotations of *wasta*, the business style of the Arab World may have something to add to existing business and management theory and practice. This issue warrants further research, and there is potential in a blending of Eastern and Western management into new models of theory and praxis.

Managerial Implications

An old Bedouin proverb advises ‘the blow that does not break you, makes you’. Rice (2004) and Hutchings and Murray (2002) suggest that international managers wanting to conduct business with Arabs and Chinese should do their research well, and Buckley and Casson (1988) proffer that the *international* dimension may be less important than the *intercultural*. Undeniably the greater the cultural differences (Hofstede 1980; see also Brouthers 2002; Hennart and Larimo 1998; Trompenaars and Hampden-Turner 1997; Trompenaars and Coebergh 2014) between business partners, such as between Western business people and Arabs, the greater the likelihood for misunderstanding and problems in ‘building trust-based relationships’ (Park and Ungson 1997). But while non-Western business people make efforts to understand, and adapt to, the business practices of Western business, Western expatriates also highlight the importance of organisational support to assist them in dealing with cross-cultural business practices and merging company policy with host country conventions (Hutchings 2003).

Recent research has focused on the continuation of *wasta*-like practices among expatriates from MENA countries. Thus, Hyndman-Rizk has illustrated the continuing strength of *wasta* bonds among immigrants to Sydney, Australia, from the Lebanese village of *Hadchit* who formed a 500-family enclave in the Parramatta district of West Sydney. The research shows that within this community *wasta* remains an important force ‘in terms of favouritism based on kinship, networking and building business connections through returning favours, working together, supporting each other’s businesses and giving “mates rates”’ (Hyndman-Rizk 2014, p. 5). In the Australian context, this author suggests that these *wasta* behaviours are not much different from practices in other ethnic, occupational and political-based communities like, for instance, the Australian Labour Party. Moreover, she argues that *wasta* may facilitate easier entry into the relevant labour markets and higher economic participation including self-employment and entrepreneurialism and help to overcome blocked social mobility. The implication for the *Hadchitis* is that they have created an internally supportive market for services and finances including banks servicing their community and thus achieved a measure of ‘institutional completeness’ (Zhou 2004). Some of these businesses have broken out of their small sectional demographic to serve the much larger and growing Arab-Australian markets.

Werbner has demonstrated similar processes within the British Pakistani community (Werbner 1990) and distinguishes different bases for *wasta* practices, for example, among Pakistani Muslim religious Sufis and working class Pakistani ‘cosmopolitans’. Werbner argues for an emphasis on social class aspects of these forms of cultural transnationalism and cosmopolitanism that cut across national boundaries and are increasingly centred outside Europe (Werbner 1999).

Increasingly classical economic analysis based on free market assumptions has come to recognise a need to incorporate *wasta*-like phenomena in their models. Barnett et al. (2013) recognise that *wasta* has been understudied by economists despite its central significance in business and economic activity and resource

allocation in the Middle East. They usefully redefine *wasta* in economic terms linking it to the suggestion by Coase (1983) and Williamson (1975) that some economies evince a preference for production within the boundaries of the tribe and that the tribal basis was large enough to permit diversity of production and economies of scale, permitting specialisation and economies of scale. Following this line of analysis permits *wasta* to be seen as a path to economic efficiency rather than an inevitable perversion and corruption of free markets. This reorientation of traditional economists' attention is valuable in the light of Al-Meles' comment, during his study of Kuwait, that *wasta* has become a right and an expectation (Al Meles 2007) and despite Hamdy's inference that *wasta* represents a stigma in terms of economic behaviour (Hamdy 2008).

Erkal and Kali see *wasta* as economically invidious because it leads to inefficient solutions of taking rewards in terms of rents and argue that the search for *wasta-influence* diverts organisations from seeking efficiency improvements and product development to better suit customer needs. However, they note that government is by no means seen as a fair and equitable regulator of essentially open markets in every society and that there may be an economically beneficial aspect of *wasta* because 'in environments characterized by predatory government intervention in the economy, political connections are often the key to business activity' (Erkal and Kali 2011, p. 2).

Bailey (2012) has also extended the analysis of *wasta* into a consideration of its role in the economic activity of women concluding from her study of young Emirati women that they typically feel excluded from *wasta* networks which they see as reinforcing the negative impact of gender and social and political power. Other studies of women entrepreneurs in Emirati economies aim to check out the assumptions that women may benefit from engagement in *wasta* activity (Mulnix et al. 2015) while trying to grow new businesses in a generally unhelpful climate (Mathew and Kavitha 2010).

Hooker positions *wasta* in a wide-ranging review of the forms of 'corruption' in non-Western societies and associates the less positive aspects of *wasta* with the role of intermediaries who require payment for services and concludes that '*Wasta* becomes corrupting when intermediaries obtain favours that would not be granted by a responsible decision maker, or when they are motivated by bribes rather than loyalty to an extended family, institution, or responsible leader' (Hooker 2008, p. 14).

The comparability between 'indigenous forms of influence in business organizations' is reviewed in a study that compares *guanxi*, *wasta*, *jeitinho*, *syyazi* and 'pulling strings' that concludes that 'While these influence processes are found to be widely disseminated, they occur more frequently in contexts characterized by high self-enhancement values, low self-transcendence values and high endorsement of business corruptibility' (Smith et al. 2012a, b). Specifically Latin American analogues of *wasta* known as 'compadrazgo' are identified as similar to *guanxi* and *wasta* by Velez-Calle et al. (2015).

Fundamental to international managers' success in doing business in the Arab World are *wasta* (and associated dimensions of trust, family and favours) and the insider/outsider dichotomies that are core to these interpersonal connections. Yet, it

is not impossible for international managers to enter into these insider relationships in the Arab World. This can be done chiefly by work through intermediaries or third parties, who already possess insider status, while time is being devoted to building one's own relationships, establishing trust and acquiring tacit knowledge through commitment over time to local partners and their interests. Significant improvement in the capability of expatriate managers to function in a high-*wasta* background can be achieved by targeted training improving candidates' ability to build network and make relationships with Arab managers, their ability to understand Arab managers' decision-making and their ability to integrate in the Arab business community (Aljbour 2011).

Merging Business and Management Styles: Concluding Thoughts

The emerging and evolving styles of business and management in the Arab World are currently neither 'Western' in the sense of drawing all inspiration and organising principles primarily from North American/European models nor 'Eastern' as suggested by some generalisations derived from analyses of Japanese practice or values. Rather, they are reflective of the distinctive cultures and values of the Arab World, influenced increasingly by Western business models. Some authors have concluded that *wasta* in the MENA region represents an 'immutable social phenomenon' (Gold and Naufal 2012).

Increasingly this region reflects a blend of Eastern and Western practices or what Alsane (1994) refers to in the Arab World as trends in governmental thinking towards emerging managerialism. Though there are elements of Western business approaches that are beneficial to the Arab World, this region has practices from which the West may learn. When international managers adapt their companies' policies to subsidiary nation practices, they often do so with a mind-set that they are accommodating deficiencies of Western business conventions. We suggest that international organisations may profit from developing hybrid models utilising elements of Western management thought and practice blended with the best practices of business in the developing world. The West may learn from the consultative process in the Arab World and the Arab concern for humanity indicated by charity towards employees (*tkaod*) during times of hardship, such as bereavement or illness (Stanton 1999). We suggest that much more research needs to be conducted into social network analyses, particularly in the context of *wasta* in the Arab World. There is necessity to increase our understanding of why a social network approach to business has worked in Arab countries for hundreds of years and continues to work despite pressures of modernisation. Such discussions ought also to enhance the international business community's awareness of the benefits of socially networked societies.

Chapter 3
Wasta: Is It Such a Bad Thing? An Anthropological Perspective

Helen Lackner

Introduction

Wasta generally has a bad press. If you mention the word to most people vaguely familiar with the Middle East, the response usually equates it with corruption in one form or another. However, its reality is far more complex. Whether it is considered a good or a bad thing is determined by the dominant culture in any one location. Similarly and simultaneously, it can be judged differently by the same individuals or social groups depending on whether they are focusing on 'objective' management principles or on personal and group relations. Its prevalence and importance in daily life, combined with the conflicting views people have about it, are among the reasons why it is so widely discussed and such a subject of disagreement. This contrast in attitudes and approaches to the phenomenon has a significant impact on daily professional and personal life in the region and beyond.

Wasta is part of the daily experience of people throughout the Middle East in one or another of its forms, mainly as mediation in personal relationships, such as arranging of marriages or solving conflicts at different levels. In most countries people also experience considerable need for influential mediators to obtain employment, speed up procedures and generally cope with officialdom. This is particularly the case when public services are inefficient [to process documentation] or where unemployment is high [to get jobs]. Formal procedures are rarely the most effective mechanism, leaving much scope and need for alternative approaches. This chapter examines both the different attitudes to *wasta* and its different forms. It also looks at changes in the characteristics as well as perceptions of the phenomenon over time through literature analysis as well as examples from many years of experience, the Arabian Peninsula and Yemen in particular. This should contribute to explain some of the reasons why it is seen with such ambiguity.

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Wasta is not unique to the Arab world or the Middle East. While some literature discusses similar phenomena in the context of China and some other societies, and regardless of claims, it also exists in Western societies in the form of 'old boys' networks' in the Anglophone world and 'piston' in the francophone, something which is more rarely included in the academic discourse. It is also notable that there has been limited discussion of *wasta* in the anthropological literature on different types of reciprocity, whose basic text dates from 1950 (Mauss 1966), given that these include detailed discussions of exchanges of goods and relationships.

It is worth noting at the outset that the overall literature on the subject is limited. What there is has two major characteristics: First, the majority of publications discuss it in relation to business and management practices (Feghali 2014; Smith et al. 2012; Hutchings and Weir 2006; Ahmed and Hadia 2008; Loewe et al. 2008; World Bank 2013) and largely equates it with corruption. The second is that there is a remarkable imbalance in coverage in favour of Jordan, while publications on other countries are few and far between.

Definitions

With a formal definition effectively meaning 'mediation', it was originally used primarily to describe the activities of a person using his [rarely her] good reputation and diplomatic skills to mediate between parties involved in a conflict, whether at the family, community or wider tribal level. Hans Wehr's dictionary translates it as 'mediation, intervention, good offices, recommendation, inter-cession' clearly focusing on its positive aspects. A person who has these skills is known as a *waseet*, a mediator, but here already, other translations include intermediary, agent, go-between, broker and middleman which have additional implications in English suggesting that this mediation may be monetised or certainly be carried out in expectation of some material reward.

One of the basic texts on *wasta* remains the 1993 book by Cunningham and Sarayrah, both political scientists. They define *wasta* on the same basis as the above dictionary definition and focus on the type of mediation provided, as well as pointing out that it extends beyond the family network to include friends and acquaintances, further not limiting it to any particular sector of human interaction, as it exists in government, academia, health services and business. In the context of Jordan, they give a long series of detailed examples and analyses of its operations within the community of one of its authors.

Barnett et al. (2013) point out that there is a clear perceived difference between *wasta* and corruption:

> '*wasta* is celebrated. Indeed, *wasta* is often a source of pride and prestige both for the *waseet* and for those who gain favourable treatment via *wasta*. Further nepotism, bribery and other forms of corruption are typically characterized by a *quid pro quo*. Direct reciprocity is not a requirement for *wasta*. Instead, reciprocity comes in the form of an implicit obligation to provide aid when requested by other members of a specific social network, often a tribal group. As a consequence, *wasta* acts as an invisible hand that facilitates individuals engaged in complex exchanges within a social network' (ibid., pp. 5–6).

Interestingly there is no single English word to express the concept, one reason why the Arabic is used so widely in English, despite the fact that the Anglophone world is by no means free of *wasta*-type interactions. Different words are used, subjecting it to a range of interpretations, many of them negative: they include *patronage*, *nepotism*, *touting*, *brokerage*, *rent-seeking*, *clientelism and cronyism*, *as well as gatekeepers and expediters*.

This lack of clarity in the definition *of wasta* has allowed a situation to develop where a wide range of activities are included under the same label, leading to confusion: among others, discussions of *wasta* include both paid and unpaid mediation. While the former can occasionally be accurately understood as a straightforward form of bribery, this is not always the case. When *wasta* in the broadest sense has to be paid for, it can still also be seen as a reasonably legitimate transaction as in the case of brokering. In brief, it can be said that *wasta* basically involves a mediation relationship in which the mediator uses his influence with a state or private provider to assist the other party in obtaining something which she/he may or may not be entitled to.

Similar Phenomena in Other Cultures

While many writers mention similar mediation mechanisms elsewhere, only Barnett et al. raise the obvious parallel with Western institutions, mentioning *Rotary International Kiwanis*, social fraternities and churches 'as *wasta*-like institutions that reduce cost of communicating and transacting where complex cultural norms are involved' (ibid., p. 7), though they do not raise the most obvious one, namely, 'old boys' networks' or indeed networking in general.

In other cultures very similar phenomena are often seen as positive virtues: for example, *guanxi* in China and the 'big man' concept in Nigeria are both praised. In societies where it is appreciated, it is perceived as an expression of group solidarity as well as a means to increase this solidarity, be it at the level of the extended family, clan, tribe or region. Particularly in countries where *wasta* or its equivalent is available only on the basis of long-term relationships without cash payment, the phenomenon is perceived as an important mechanism to develop or maintain social solidarity between different types of smaller and larger groups based on kin or other shared characteristic. It is also used to build long-term relationships of patronage.

The main comparison is with *guanxi* in Chinese culture. Hutchings and Weir (2006) make a direct comparison from a business management perspective. As they point out, both Arab and Chinese culture have strong family and social networks which 'pervade business activity despite the advent of industrialization, internationalization and modernization' (ibid., p. 141). To move the argument further, it is essential to include their definitions of the two phenomena, as these underlie their comparison and are, in the case of wasta, somewhat different from others. '*Guanxi* is a relationship between two people expected, more or less, to give as good as they

get. A Chinese individual with a problem, personal or organizational, naturally turns to his or her *guanxiwang* or "relationship network", for assistance. An individual is not limited to his or her own *guanxiwang*, but may tap into the networks of those with whom he or she has *guanxi*. *Wasta* involves social networks of interpersonal connections rooted in family and kinship ties and implicating the exercise of power, influence, and information sharing through social and politico-business networks. It is intrinsic to the operation of many valuable social processes, central to the transmission of knowledge and the creation of opportunity. Just as *guanxi* has positive connotations of networking and negative connotations of corruption, so too does *wasta*. *Xinyong* (trust) is integrally tied to *guanxi*, and in the Arab World, trust is also central to business activities with *shura* (consultation) being key'. In another article (Hutchings and Weir 2006b), published at the same time and making largely the same points, they give a slightly more detailed and sophisticated definition: '*wasta* is literally defined as Arabic for connections or pull and may be utilised as a form of intercession or mediation. Traditionally, the head of the family in Arab nations performed *wasta* services by obtaining for the supplicant what is assumed to be otherwise unattainable. In recent years, *wasta* has come to mean the seeking of benefits from government' (ibid., p. 278).

They focus on the fact that family is the core of solidarity which is shared in both cultures 'Family is of central importance in both China and the Arab World. In China, the notion of family encompasses the extended family and the wider community. Not only do people feel a sense of obligation to their family but also an obligation to save and maintain face for their family and extended networks. Reciprocal obligations are not limited to family and kinship only but also to non-kin ties in which people are expected to help each other as if they are fulfilling obligations to their family members….. Although originally based upon family loyalty, *wasta* relationships have expanded to encompass the broader community of friends and acquaintances, as does *guanxi* in China. It is further argued that *wasta*-based recruitment and allocation of benefits reinforce family ties, thereby connecting the individual to the economy and polity' (Hutchings and Weir 2006b, p. 280).

Their exclusively business management approach does limit their analysis, even though they are concerned with cultural aspects of the phenomena, 'though China and the Arab World share cultural similarities in respect to general business practice and the role of the family and networks, they do differ in the connotations they place on networks. In China, *guanxi* is regarded as a positive, and though it is recognized to have a seamier side, bribes and corruption are not considered to be part of "good" *guanxi* but rather as quite a separate activity that is generally frowned upon, despite the fact that it is still widely practised. In the Arab World, however, people generally speak of *wasta* in negative terms and think largely of its corrupt side, negating the traditionally positive role it has played in mediation. Here too though, while corruption is almost universally condemned, it is also widely practiced' (ibid., p. 147).

The authors list a number of situations in which attitudes are similar in both cultures, including the following: the importance of personal contacts and family name in recruitment and the deeper commitment to personal relationships than to

formal institutions. A reasonable conclusion about their analysis would be that the similarities between the two phenomena are very considerable, with both being based on the use of personal relationships [through kin, social group and origin] to facilitate activities outside of this group with both state and private institutions whose formal processes are difficult to manage without such help.

Smith et al. (2012) compare a set of similar phenomena in five countries. They address the issue from a psychological point of view and extend the comparison beyond *guanxi* to *jeitinho* in Brazil and *svyazi* in Russia; 'concepts are all defined in terms of informal influence processes that are salient within organizations' (ibid., p. 334). They also include British 'pulling strings' in their analysis though not 'old boys' networks'. As they point out 'each of these influence processes has in common its reliance on interpersonal linkages that have no formal status… influence associated with *guanxi* and *wasta* occurs in contexts that are typically hierarchical and involve a long-term emotional commitment… *jeitinho*, *svyazi* and pulling strings may also derive from longer-term relationships and may involve hierarchical relations, but they do not necessarily do so. They can occur between those at the same organizational level and may not entail strong, continuing obligations to the same extent' (ibid., p. 337). They quote a study on 'cronyism' defined as 'a reciprocal exchange transaction where party A shows favour to party B based on shared membership of a social network at the expense of party C's equal or superior claim to the valued resource'; these authors consider cronyism as a subtype of corruption and distinguish it from *guanxi* as the latter does not necessarily do any harm. Their study based on a set of scenarios submitted to hundreds of business-related people in the five countries found 'that informal influence varies between nations more in amount than in its specific qualities' (ibid., p. 345).

Historical Evolution

As is clear from its definition, wasta started life as a form of mediation within and between communities and tribes. Cunningham and Sarayrah (1993) point out that 'norms or reciprocity play an important role in *wasta*. This reciprocity was not based on an immediate tit for tat exchange between the beneficiary and provider of *wasta*… rather it was based on the expectation that either the beneficiary himself or a member of his family would one day return the favour' (p 1238). In its earlier meaning, *wasta* was based on a gift and exchange element, rather than on material rewards, and also it was considered shameful to demand and accept material rewards for helping others. Respect from the community was the highest reward sought by a *wasta* performed mainly from tribal *shaykhs* and notables (ibid., p. 1238).

Similarly Barnett et al. (2013) consider *wasta* to be 'an ever-present part of life' in the Middle East and define it as 'an Arabic term that refers to an implicit social contract, typically within a tribal group, which obliges those within the group to provide assistance (favourable treatment) to others within the group. Members of the group have a largely unqualified obligation to provide assistance when asked,

and those who ask for assistance have no obligation to provide direct compensation for assistance provided' (ibid., p. 1). They take an a-historical approach to the issue, thus strengthening the imaginary view of Middle Eastern societies as static and unchanging, remnants of a premodern age, an interpretation which manifests hints of racism.

Wasta is a feature of wider broader relationships, primarily of solidarity within a group, mostly extended family, tribe, neighbourhood/village and even friendship. This is where ambiguities arise, as the use of *wasta* is regarded as illegitimate in the modern bureaucratic context where it can involve either bypassing correct procedures or acting illegally, while it plays a completely different role in the relationship between the requester and the provider. In many societies, including the Middle East, a person who would refuse to help his/her immediate family to speed up a procedure would be considered, at best, unhelpful and at worst simply selfish and disloyal. Her/his reputation within the family or social group would be significantly negatively affected. The negative impact would be strongest the closer the kin relationship is and weaker as the distance increases between the requester and the potential provider: so people would be more offended at refusal to help a member of an extended family than at that of a mere neighbour. Conversely, an individual who provides more help/mediation to more people gains increased social status, and the more help, the greater the social status benefits within his/her group. This kind of help is seen as a form of social solidarity which is expected to start with the immediate family and extend further towards the extended family and then beyond to neighbours, members of the same community/tribe or among friends/connections built up through work or education.

Mediation remains the main role of *wasta* for a number of activities, particularly those relating to arranging marriages and other intra- and interfamily as well as intra- and intergroup relations within the state. In Yemen, for example, where tribal structures remain the primary local-level community institutions to this day, many differences and conflicts are still resolved through *wasta* by respected senior individuals, and *wasta* still retains this meaning as a primary definition of the word and it was not uncommon [until the recent descent into civil war] to see groups of men meeting in the open air in remote locations, involved in discussing and solving problems, whether of water management, land ownership or even conflicts between families within the same group or between two groups. Similarly, wasta continues to exist within communities to arrange marriages and solve personal problems within or between families, as was shown in Khadija al Salami's recent film *I am Nojoom*, *Age 10 and Divorced* (Al Salami 2014) where ultimately it is the mediation of the village *shaykh* which forces the girl's husband to divorce her as the court judge is unable to act, given that the marriage was within the law. Although this example is from Yemen, this type of *wasta* or mediation is still active in many stronger states.

Deliberate undermining of modern institutions and manipulation of 'traditional' *wasta* were tactics used by former Yemen President Ali Abdullah Saleh [ruled 1978–2011] during the period when he had full control over the country. Through local agents, he encouraged intertribal and intercommunity conflicts, thus strength-

ening his own position as ultimate arbitrator. Friends and colleagues recall many situations where well-respected mediators were unable to achieve solutions to problems as, at the last minute, 'something' always happened to exacerbate or revive the conflict. During this period [1990–2010], it was also frequently the case that people bringing disputes to the courts or to state institutions were advised to go and solve them through tribal *urf* customary law, i.e. through mediation. These tactics clearly demonstrate that Saleh was not interested in the establishment of a modern state but focused his energies on manipulating pre-centralised structures for his own personal financial and political benefit, namely, retaining autocratic control over Yemen and its people, successfully using divide and rule tactics. This is the case, despite the fact that the decades 1990–2010 were a period which was considered to be focused on state-building, a process which is normally associated with the undermining of local-level political and judicial mechanisms, including those of traditional *wasta* and their replacement by modern state institutions.

In the past century, new forms of administration have been developed throughout the region. On the one hand, there are kingdoms [Saudi Arabia, UAE, Qatar, Kuwait, Oman, Bahrain, Morocco, Jordan, etc.] governed by hereditary rulers whose regimes are based on support from social groups, mostly tribes, native to their areas for a number of generations. These states may include significant percentages of non-citizens resident for shorter and longer periods of time, most of whom are in need of *wasta* of one type or another. On the other hand, there are republics, mostly established through the formal transformation of earlier military coups [Egypt, Syria, Iraq, Yemen], where the social contract between rulers and citizens is even more tenuous, but where a formal modern type of state was installed with its attendant elections producing the desired outcomes and administrative system; these were the main foci for the 2011 uprisings, with the outcomes we now see. Both these forms of state include previously autonomous socioeconomic groups, tribal and others, whose relationship with the new modern national administrative mechanisms has to be managed by the rulers to ensure continued compliance, if not support.

In the earlier systems, the vast majority of social and economic relations took place between individuals and households within the group and according to clear inherited status and roles: herders' children were herders, crop producers begat crop producers and warrior and administrative positions were also largely inherited or restricted to certain specific social groups. In those periods, the main relationships with groups considered outsiders were through trade and war, but economic and social relations stayed primarily within the overall cohesive entity composed of one or more subgroups, where solidarity and mutual support mechanisms were also based. Activities, roles and status were largely ascribed, within limited potential for movement. An excellent detailed account of the shift of *wasta* from its community role towards that of intermediation in parallel with the transformation from a village-level entity to that of a centralised state is found in Farrag (1977) who details the relationships within a Jordanian village and how they evolved since the nineteenth century into *wasta*-type relations in the modern state. This anthropological approach clearly demonstrates the transformation of the phenomenon over time, confirming the analysis of the present chapter.

With the introduction of administrations based on ‘modern northern’ models, new political, economic and social relations were built at the state level, intended to operate according to entirely different, largely imported rules, as community-based leaders, whether tribal or other, now became subgroups within larger entities. Moreover, employment and other benefits were no longer directly dependent on community leaders or on inheritance but were transferred to the larger entity, particularly for roles which did not previously exist, such as jobs in government service or large private companies or scholarships. However, to gain or retain political support, centralised states’ political elites need to maintain good relations with local leaderships, and one of the mechanisms used is to channel access to jobs and services through these leaders, thus creating a mutual institutional dependence. So it is in the interest of these rulers to ensure continuation of a mediation role for local leaders to successfully process both legitimate and illegitimate interactions with the administration. As for local leaders, whether old-established or aspiring, mediating with private and public authorities to provide benefits to followers is a prime mechanism to develop a clientele and their increase power and influence, as a producer of votes for national elections, to improve one’s reputation or even to gain an income. A *waseet* gains as much status within his [rarely her] community by ensuring a young graduate is employed in a ministry as by making a traffic violation disappear from the records. Thus, it is clear that regardless of any official condemnation, *wasta* is fundamental to the social cohesion of these states, establishing and strengthening political allegiances and structures, allocating significant roles to social groups which might otherwise find themselves marginalised and thus open to opposition discourse.

Public sector administrative and other management systems are now often implemented by a generation of senior officials, many of whom have been trained in Western states; moreover, the majority of educated citizens are familiar with the ‘ideal’ models of modern management based on merit and the application of objective rules. It is in this context that the new meanings and practices associated with *wasta* have taken on their widespread negative connotations as, in principle, the use of personal connections to influence outcomes is widely despised as being immoral and conflicting with the model of a bureaucratic system which is implemented with objectivity, efficiency and equity.

A further characteristic of changed social relations and explanation for the persistence, and indeed continuing social importance, of *wasta* relates to the shift from a society based on the group as the primary sociopolitical unit to one focusing on the individual or the nuclear family, which happened as a by-product of the development of modern states. While the group was the basic unit within which solidarity, charity and all forms of social support were organised and managed, modern administration focuses on individuals and nuclear families rather than on groups of any kind, and the state is now supposed to provide care for old, sick, disabled and other individuals on the basis of ‘objective’ criteria of individual need. When these systems are dysfunctional, whether through inefficiency, corruption or insufficient funds, the use of *wasta* becomes all the more important as only those with powerful connections are able to access services which, in theory, should be available to all. Hence, the community structure continues to exist and function and, indeed, be

extremely important as it is either the means to access state or other benefits or, alternatively, remains a mechanism to provide these services through the earlier solidarity systems.

This analysis is supported by Ronsin (2010) who considers that the change in the role of *wasta* from conflict resolution to intercession to obtain basic services is an 'evolution intimately linked to state development… the socio-economic changes that came with the imposition of a central authority on the tribal system triggered the apparition of individuals capable of acting as intermediaries between tribesmen and the growing administration' (ibid., p. 2) and describes the history of this change as a mechanism used by tribal *shaykhs* to remain powerful by acting as intermediaries between the Ottoman state and citizens: 'with the development of administration and state rules, the sheikhs and other tribal intermediaries played a growing role explaining and facilitating state laws and procedures or helping tribesmen access the administration, especially through job opportunities something which remains extremely relevant in Jordan today, given that as recently as 2009 81.3 % of a sample interviewed by Jordan Transparency Forum considered that wasta is highly prevalent in Jordan' (ibid., p. 3).

An intermediary interpretation between on the one hand the positive ones of mediation as manifestation of social solidarity and on the other hand the most negative ones of corruption and nepotism explains *wasta* as a form of brokerage. The author has experienced an example of 'brokerage' when a colleague helped me find accommodation; I had clearly misunderstood the relationship and considered this assistance from one colleague to another as an element of solidarity possibly leading towards a friendship and was quite shocked when he later asked me for a 'brokerage' fee; he had certainly 'mediated' between myself and the landlord, but he saw this as a straightforward commercial transaction, whereas I had understood it as simple help.

The role of *kafeel* or sponsor in the GCC states has many important positive features within local society. It is also an opportunity for national citizens and for the rulers to extend influence beyond traditional leaders by, to some extent, making all nationals into influential leaders even if this is minimal compared to the influence of the ruling families and their close associates. The *kafee*l system simultaneously achieves a number of objectives: providing an activity which can be a focus of 'nationhood' as only citizens have the right to take up the role; providing the citizens with an easy source of income which is not directly provided by the state, thus diversifying household economies; and developing influence with others, whether national or not, by providing labour to enterprises, thus becoming lower level 'leaders'.

Characteristics and Current Usage

Alongside education, employment is one of the main sectors where *wasta* is widely discussed and plays a major role. In principle, and throughout the region, merit, formal qualifications and competence are supposed to be the only considerations for

recruitment and promotion. However, people very often find that the use of *wasta* is often the only way to achieve results. This is the case mainly due to a number of factors:

- Unemployment, and youth unemployment in particular, is an increasing problem throughout the Middle East, given rapid population growth and the limited number of jobs available. In some countries, competition for jobs from immigrant labour also contributes significantly to unemployment among nationals.
- In recent decades neo-liberal Washington consensus policies have significantly reduced the availability of jobs in the public sector.
- Free trade and restrictions on limiting imports have ensured that competition from cheap East Asian industrial produce have effectively prevented the development of labour-intensive national industries throughout the region.
- There is a widespread belief that the only 'real' jobs are in government service and they provide security of employment and good benefits and, in many cases, don't require actual presence at the workplace, let alone any work.
- The almost universally accepted belief that it is the duty of the state to employ all graduates, something which was officially the case in Nasser's Egypt and has spread throughout the Arab world, but is no longer government policies once neo-liberalism becomes dominant.
- A further belief is that 'modern sector' secure jobs are an automatic and necessary result of basic achievements in the formal modern education system.

As a result of this serious reduction and limitation of job opportunities, jobs can rarely be obtained simply on the basis of skills and qualifications, particularly first jobs for young people who can't demonstrate a track record of good performance. A survey carried out in 2009 indicates the perceptions of young people about the constraints to getting a job in the MENA region (World Bank 2013) showed that in Yemen, Iraq and Bahrain over 25 % of young people considered that lack of personal connections was the main constraint to obtaining a job, while the lowest percentage was found in Libya where about 10 % shared that view, while the lack of jobs was seen everywhere as very important and inadequate training far less significant.

In Yemen where unemployment is even higher than official figures suggest, *wasta* is considered an absolute prerequisite to obtaining a job. With large numbers of young graduates with similar qualifications and without a proven record, potential employers are far more likely to hire the one who comes with specific good recommendations from someone she/he knows and respects. Similarly it is in the interests of both the *waseet* and the individual getting the job to perform well, as low performance will reflect badly on both: the *waseet* won't help this person a second time, and she/he will be less likely to achieve results on a future occasion if potential employers find that she/he is promoting unserious candidates. A senior Yemeni businessman explained to me that while for most jobs, he hires people exclusively on the basis of qualifications and competence, when it comes to hiring financial staff, he preferred to hire someone who has come with *wasta*. He considers this is a form of guarantee or insurance of good and honest behaviour: should something go

wrong, he can go back to the *waseet* and get him/her to ensure correction of the misbehaviour or to compensate.

Overall, in these situations of high unemployment, *wasta* is not perceived negatively by people: while few approve of it, everyone agrees it is essential and it is just seen as a routine 'fact of life'. Many people one has met over the years have explained, sadly but unsurprised, that they did not manage to get a job because they lack *wasta* or that someone has got a job thanks to *wasta*. The number of employers who select staff exclusively on merit is very limited, even in the cases where advertisements and competitive recruitment mechanisms have been put in place, as is the case for internationally supported development projects. A survey carried out by UNDP in villages in southern Yemen in late 2014 focused on the perceptions of the less powerful and more vulnerable groups including women, internally displaced, disabled, youth and lower status people and found, unsurprisingly, that 60 % of this group considered that 'connections are the basis for improving the situation of people in their area'. While localised and based on a small sample, this is indicative of a situation where the use of wasta is considered essential to find jobs.

Again in Yemen, after the Government in 1995 'embarked on the economic, financial and administrative reform program with the assistance of the IMF and the World Bank as well as the support of other donor agencies' (Republic of Yemen 2003, p. 2), it started implementing half-hearted reforms, including formal projects to reduce the size of the civil service: the proposed reduction in the number of people on the state payroll was the least successful as it would have restricted patronage which was the main mechanism to maintain allegiance to the regime and to strengthen the hierarchy between the ruler, community/tribal leaders and job seekers. In practice, the 'reform' ensured that only those who had powerful sponsors were hired, while qualifications and competence were increasingly irrelevant to a person's job prospects. The inability to get a job on the basis of equitable selection mechanisms has caused considerable frustration among youth. It was a major underlying cause of the 2011 uprisings as unemployed graduates had lots of time to get involved in politics and participate in the live-ins in the towns and cities. More negatively it has also, most likely, contributed to the recruiting successes of armed fundamentalist insurgents who offer young men basic salaries and weapons as well as ideology and hope.

Another negative interpretation of *wasta* focusing on employment issues is found in Ahmed and Hadia (2008), who also have a management approach to the issue and define it 'as the intervention of a patron in favour of a client to obtain benefits and/or resources from a third party' (ibid., p. 1). They list a range of articles blaming *wasta* for violating Muslim ethics, contributing to Arab poor economic performance and brain drain, as well as being a burden on seeker, granter and government, being inefficient and leading to poor job performance, feeding feelings of injustice and frustration; '*wasta* is also different from the more popular nepotism and cronyism: while nepotism involves hiring of relatives and friends, *wasta* is not restricted to such groups and may involve strangers; as such nepotism is only one part of *wasta*' (ibid., p. 1). They quote the *Quran* to support their idea that *wasta* 'is inconsistent with Muslim teachings regarding hiring practices' and explain the use of *wasta* in

selection through family loyalty and strengthening family relationships and high levels of unemployment (ibid., p. 3).

When it comes to education, issues arise primarily with obtaining of scholarships for study abroad. Here again Yemen is a good example. It is widely believed that scholarships from the most attractive countries [Western Europe, USA, Canada] are reserved for the offspring of the elite; they don't even feature on the list of countries of the Ministry of Higher Education. As for other countries, whereas scholarships are officially given on the basis of the grades for final results of secondary education, in practice, individuals who have *wasta* can influence their grades, a situation which is clearly a case of corruption, while others who have obtained the right grades need to have *wasta* to implement their officially recognised entitlement. So here we have a situation where *wasta* can be used either to achieve legitimate objectives or to bypass the rules to the advantage of the person with *wasta* and the detriment of the one who is entitled, a straightforward situation where *wasta* is used to promote illegitimate objectives.

Gatekeepers and expediters: another intermediary situation which is related to *wasta* concerns literate individuals found outside most ministries and official institutions in most developing countries who help illiterate and semi-literate people complete forms and prepare the documentation for a range of administrative procedures. This work is a straightforward microenterprise with explicit fees for the service rendered. However, in many cases these individuals extend their services to processing the whole transaction for their clients against a larger fee thanks to the relationships they have built with the relevant officials over a period of time. When extended beyond the original service, the expediter is offering his/her mediation skills and knowledge accumulated over years of practice, making it quite legitimate for him/her to charge clients who have no other relationship with the service provider, and a brokering/mediation fee is reasonable as the activity is based on a straightforward professional basis. Whether this qualifies as *wasta* is worth discussing. However, if the broker actually shares his [very rarely her] fee with the official, then we are clearly facing a situation of corruption where the official will be taking a cut for a service she/he is due to provide as counterpart to her/his monthly salary from the state.

Wasta and Corruption

It is a mistake to equate *wasta* with corruption. As explained above, *wasta* is a mechanism of interaction between local communities or tribes and the centralised state or large modern private institutions. It is mostly not based on a cash relationship and always involves three parties, rather than two: in corruption you have the payer and the payee; in *wasta* you have the person in need, the provider and the intermediary, and the nature of the relationship is very different.

Moreover, as pointed out by Ronsin (2010) 'the main difference between *wasta* and other types of corruption such as bribing is that the *wasta* can hardly refuse to

exercise his influence. The solicitors can literally stalk their designed *wasta* until they obtain what is asked, but more importantly, it is very costly for someone to refuse to serve as a *wasta*. An individual's reputation in his tribe or solidarity network will indeed rapidly be known outside of it, and a high-ranked person refusing to perform his duties for the group will see his reputation shrink rapidly. The *wasta* is supposed to participate in the redistribution of state resources to his group and by failing to be a channel of redistribution he could by the same token lose his ability to represent this group at a local or national level. One's ability to act as a *wasta* is therefore extremely important for the elections' outcome: voters tend to cast their ballot… for someone close to them (a relative or a representative of their tribe) who can provide direct access to the state, and mostly choose the candidates that are considered trustworthy as *wasta*' (ibid., pp. 4–5).

Authors who equate *wasta* with favouritism and see it as a form of corruption include Loewe et al. (2008): 'in this region favouritism is usually referred to as "*wasta*" which is the Arabic word for "relation" or "connection"' (ibid., p. 260). Like so many other articles, it focuses on business aspects. It recognises that 'it is a widely accepted pattern of social interaction in many parts of the world'. With a clear Eurocentric and 'modernist' approach, Loewe et al. assert that 'favouritism in state-business relations is an abuse of public office and therefore constitutes a form of corruption' …'favouritism makes state-business relations unfair and unpredictable and thereby raises the risk of investors and the barriers to competition… can distort law and policy-making…., second 'induce rent-seeking and thereby affect private sector development. Where personal connections are crucial to get licenses and win government tenders, business-people have to build up social networks, which in turn raises the costs of their investments… (ibid., p. 262). On the basis of about 80 interviews carried out in Jordan in 2006, they concluded that the use of *wasta* is pervasive in all aspects of Jordanian life and that it has a negative impact; it exists because of 'a lack of alternatives, negative incentives, social norms and the political system' (ibid., p. 272). They associate its persistence as part of culture and perception of legitimacy; 'many Jordanians … associate it with cherished values and norms such as solidarity, allegiance and mutual responsibility' (ibid., p. 273). Their approach clearly leaves no room for any perspective other than that of northern businessmen; it even pretends that there is no need to 'build up social networks' to achieve business aims in advanced industrialised countries, something which should cause considerable hilarity for most business people in these states.

This interpretation to *wasta* would be considered simply wrong in a context such as Yemen where *wasta* is essential, not just to obtain favours or privileges but simply to achieve basic rights according to official existing rules. Here the use of the concept of social capital may be appropriate, as defined by the World Bank (2013) as 'institutions, relationships, attitudes and values that govern interactions among people and contribute to economic and social development'. Similarly Loewe et al. (2008) describe the following as social capital: they consider that preferential treatment of family members and friends is associated with social norms like solidarity and loyalty and is therefore seen as an adequate behaviour, while other forms of corruption, such as bribery, are more closely associated with

the notion of illegality and illegitimacy. ‘Reciprocity is also very important for favouritism, but the person that does a favour for another person does not know when and how the latter will reciprocate. In many circumstances, the recipient of a favour does not even have to reciprocate to the donor himself. Especially in the context of family networks, he is rather expected to give back what he has received by showing solidarity to any other relative in need, which is a form of generalized reciprocity…social networks that are based on such a generalized reciprocity can foster trust and provide mutual assistance for their members. They are often referred to as *social capital* and seen as important assets in a society’ (ibid., p. 261).

Conclusions

Although *wasta* nowadays is broadly seen as a negative phenomenon which provides unfair treatment and corruption, it still retains many of its original functions as a mechanism to retain and strengthen solidarity feelings within social groups. This ambiguity plays an important role in determining people’s attitudes to the phenomenon, and it is likely that people’s different socioeconomic, cultural and professional status affects their view of *wasta*. When discussing *wasta*, analysts should not forget or ignore its continued and ongoing role as mediation in the organisation of social relations, whether to arrange alliances [including marriages] between families or to solve problems between families or larger groups. *This is particularly important and will remain so*. Merely addressing issues of mediation for obtaining of rights or favours within an administrative system undermines the high value that this important phenomenon plays in maintaining social cohesion and building social capital within a wide range of groups in the state context.

There is very considerable potential for further fascinating work on this very important aspect of social, political and economic relations in the Arab world given that up to now there have been few studies of the subject. Moreover, the majority of these few studies have, on the one hand, a direct business and management perspective and, on the other hand, have taken place in only a few countries, thus limiting the potential for generalisation or even for drawing conclusions valid in other states, as the specific social, cultural, economic and political conditions of each state determine the role and value of *wasta* in their own context.

Chapter 4
The Relationship Between the Inequality-Adjusted Human Development Index and the Corruption Perceptions Index in Gulf Cooperation Council (GCC) Major Economies

Ikhlaas Gurrib

Background to the Study

While developed countries such as the USA will always retain the headlines, emerging markets have recently gathered attention, with countries like the United Arab Emirates (UAE) showing suppleness as a leader in carrying business, in an ever attractive environment full of economic activity and investment opportunities. International Competitiveness Reports speak highly of those prominent economies, not because of their oil riches and nonexisting tax schemes, but for exercising international standards set in the countries' visions. Continuous efforts in building the economy has resulted in the UAE to be among the highest ranked globally. The World Economic Forum studied 144 countries in their World Competitiveness Index 2014–2015 report and ranked UAE sixth in terms of quality higher education and training and third globally in terms of infrastructure (World Economic Forum 2015).

Among the different criteria used to measure competitiveness, there are four pillars which are particularly relevant to this study. The first one relates to institutions, which is determined by the legal and administrative framework within which public and private entities commit to generate wealth. The importance of a sound and fair environment has become more critical following the aftermath of the latest global financial crisis, due to the increased role of governments at the international level. For instance, excessive governmental bureaucracy and red tape, overregulation and corruption in dealing with public contracts, lack of transparency and trustworthiness, inability to provide appropriate services for the business sector, and political dependence of the judicial system impose significant economic costs to businesses and slow the process of economic development. To sustain investors' confidence, the

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importance of accountability in reporting standards and good governance cannot be subdued either (Schleifer and Vishney 1997). As Kaufman and Vishwanath (2001) gathered in their study, *transparency* is a must to business. The second pillar which is also relevant to this study's progression is *education*. To be able to move behind simple production methodologies and applications, there is a need to build up the education system, particularly the higher education sector. While some reports might focus more on enrolment rates and others on the quality behind the education systems' frameworks, these would all, directly or indirectly, boost the country's labor force intellectual capital.

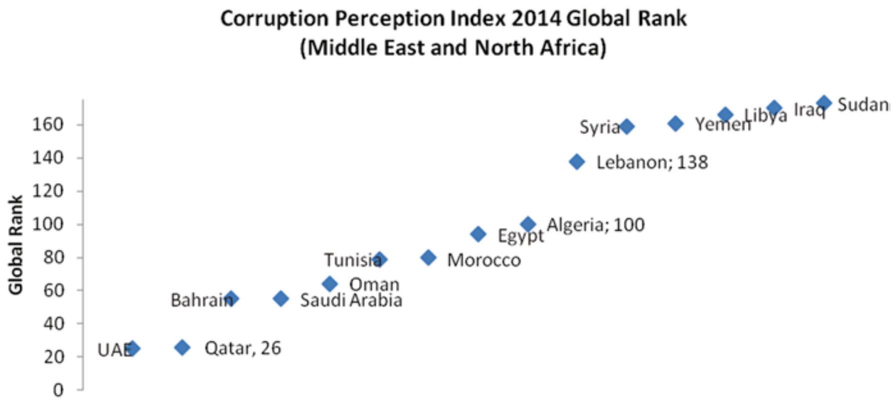
A third pillar to assess competitiveness, yet relevant to our study, includes health. There is a need to invest in the provision of health services to be able to sustain competitiveness and productivity levels. In the same line of thought, as part of the country's long-term *Vision 2021*, UAE's government has committed to provide every citizen with access to proper health and personal care services, while taking the necessary actions in developing more effective systems to combat local illness, through the use of latest technologies. Lastly, but not least, the last pillar relevant to us covers the macroeconomic environment. The stability of macroeconomic conditions is significantly important for the overall competitiveness of any nation as discussed in Fisher (1993). While most economic systems try to achieve reduced unemployment, higher economic growth, inflation kept at targeted levels, and competitive interest rates, an increased gross national income per capita (GNI) is a reliable way to measure a country's economic performance. The GNI can be defined as the gross domestic product (GDP) plus net receipts from abroad for foreign income and property income, divided by the country's population (UNICEF 2015). The GNI tends to be closely linked with other indicators that measure the social and economic well-being of the country and its people. For instance, people living in countries with higher gross national product (GNP) per capita tend to have longer life expectancies, higher literacy rates, better access to safe water, and lower infant mortality rates (World Bank 2015).

As observed from the four pillars, three of them, namely, macroeconomic environment, health, and education, tend to move in a similar fashion, where an increase in any of them would improve the competitiveness level of the nation. However, the last pillar, which is about transparency and accountability, tends to be more of an inhibited gray area to measure. To that end, we need to look at international reports and indices reporting on corruption and transparency measures. Among the different reports available, we will focus on the Corruption Perceptions Index (CPI) which is published by Transparency International.

Corruption Perceptions Index

The Corruption Perceptions Index measures the perceived levels of public sector corruption in 175 countries around the world. The composite index scores and ranks countries based on how corrupt a country's public sector is perceived to be, derived from data collected by independent and global institutions such as the World Bank,

Fig. 4.1 Corruption Perceptions Index 2014 global rank (MENA countries)



Data sourced from Transparency International

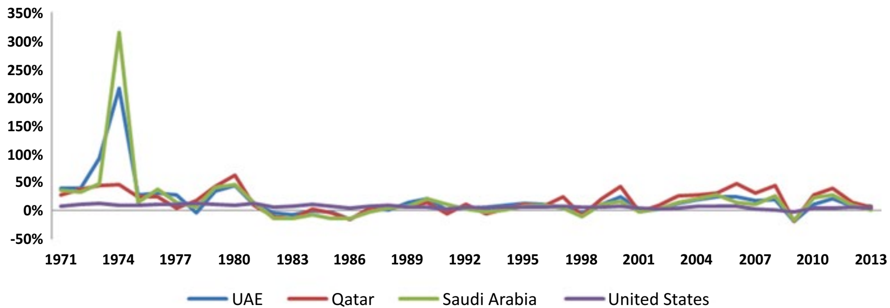
World Justice Project, African Development Bank, and the Economist Intelligence Unit, among others. It is a combination of surveys and assessments of corruption and is the most widely used indicator of corruption globally. It is important, at this stage, to understand that corruption commonly consists of illegal activities, which are deliberately hidden and only come to light through scandals, investigations, or prosecutions. Consequently, there is no significant way to evaluate levels of corruption in countries on the basis of hard empirical data. Capturing perceptions of corruption of those in a position to offer assessments of public sector corruption is the most reliable method of comparing relative corruption levels across countries (Transparency 2014). Figure 4.1 provides a summary of the rankings of most Middle East and North African countries based on the 2014 CPI report.

As observed, the UAE ranked first among those 15 MENA countries, with a global rank of 25 out of 175 countries under study. Qatar ranked 26. From Fig. 4.1, Libya, Iraq, and Sudan ranked last, with a ranking of 166, 170, and 173, respectively, and form part of the bottom 10 countries among the 175 countries. Mostly, the issues from those countries come from security concerns, political corruption, and structural reforms. Transparency (2014) provides a layout of issues arising in this part of the world in terms of security concerns in Iraq, lack of civil society in Egypt, positive structural reform steps taken by the Oman government as opposed to the situation in Tunisia where 21 % of the private sector has been acquired through political manipulations, and the call by the Yemeni people for accountability and access to information to reduce corruption in Yemen's gas sector. As Hamdan Al Aly from the Yemeni Team for Transparency and Integrity clearly stated, fighting corruption would allow revenue to be properly used for the socioeconomic development of the country (Transparency 2014).

Data and Methodology: From GNI to HDI to IHDI

Previously known as gross national product (GNP), GNI is the GDP less primary incomes payable to nonresident units plus primary incomes receivable from nonresident units. An alternative approach to measuring GNI at market prices is the aggregate value of the balances of gross primary incomes for all sectors (OECD, Glossary of Statistical Terms 2015). Figure 4.2 provides a summary of the percentage change in the GNI, using current prices in US dollars, for the major Gulf countries and the USA. As it can be observed, UAE, Qatar, and Saudi Arabia enjoyed more or less similar percentage growth rates over the 43-year period. It is important to note also that while it might appear that the USA did not enjoy similar growth rates in their GNI, the dollar value of the GNI for the USA is far more than the three countries' GNI combined. Worthy of mention as well is the fact that all of the four countries had falls in their GNI during the latest financial crisis, with the USA having the smallest percentage loss at 2 % and with the UAE and Saudi Arabia reaching a 20 % and 19 % fall in their respective GNI for 2009. Qatar was not far behind with a fall of 17 % during that year. The three Gulf countries have pegged their currencies with the US dollar since the 1980s.

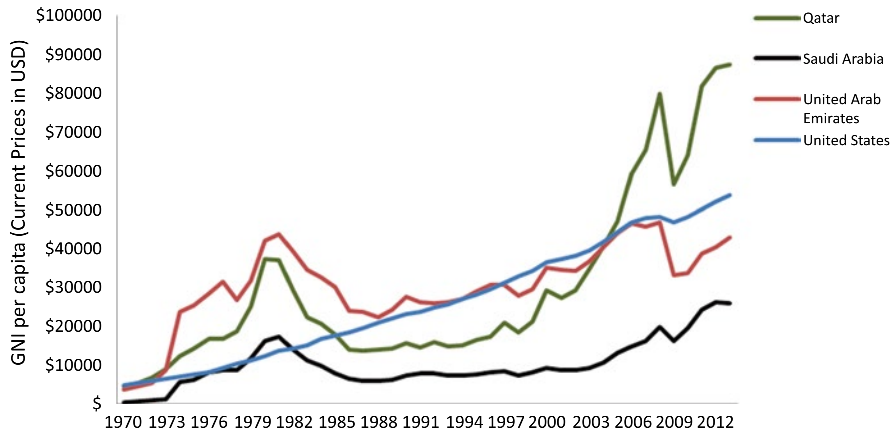
Fig. 4.2 GNI using current prices in USD (1970–2013)



Data sourced from World Bank's World Development Indicators

While the changes in the GNI provide some indication whether the country has enjoyed more in terms of the net value of goods produced, after adjusting for foreign incomes, it does not however indicate how each population, on average, is benefiting from those aggregate changes. For this purpose, the GNI per capita is calculated as reported in Fig. 4.3. It can be observed that all the gulf countries, including the USA, have enjoyed a substantial increase in their GNI per capita over the 43-year period. The drop in the early 1980s can be attributed to the fact that GNI fell globally during that time period. Although all the countries were affected by the recent financial crisis of 2009, all of the countries have since then mostly recovered from their precrisis GNI per capita. Qatar continues to enjoy the highest per capita income among the gulf countries with each member of the population expected to benefit from around $90,000 on average.

Fig. 4.3 GNI per capita using current prices in USD (1970–2013)



Data sourced from World Bank's World Development Indicators

As a measure of social welfare, the GNI has two important weaknesses. Firstly, it misses any discrepancy in the things that income can and cannot buy, and secondly, it misses any discrepancy in people's claim on the aggregate income, although the GNI provides an average distribution of the national income per population head. As a result, the Human Development Index (HDI) was created *to stress that people and their capabilities should be the decisive criteria for assessing the development of a country, not aggregate measures by themselves*. As part of setting priorities among different policies, comparative governmental policy making decisions can be evaluated by asking how two countries with the same level of GNI per capita can still end up with different human development outcomes. As per, the *Human Development Index* (*HDI*) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable, and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions. As per Alkire and Foster (2010), the HDI can be viewed as a "mean of means" where the average income achievement, the average education achievement, and the average health achievement are first calculated. Then, the average across the three dimensions is combined to get the average overall achievement level.

In line with the above GNI per capita measurement, the standard of living dimension is measured by GNI. The minimum income boundary is set at $100 and the maximum boundary is set at $75,000. While these boundaries are revised as required by the UNDP, the minimum value for GNI per capita is justified by the considerable amount of unmeasured subsistence and nonmarket production in economies close to the minimum that is not captured in the official data. Kahneman and Deaton (2014) have shown that there is a virtually no gain in human development and well-being from annual income beyond $75,000. As per

the technical notes in HDI, UNDP, assuming that the annual growth rate is 5 %, only three countries are projected to exceed the $75,000 ceiling in the next 5 years. The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI. To be consistent with international standards as reported with the World Bank's 2014 World Development Indicators database, country estimates for GNI per capita in 2011 purchasing power parity (PPP) terms are used.

The education component of the HDI is measured by the mean years of schooling for adults aged 25 years and expected years of schooling for children of school-entering age. Mean years of schooling are estimated by UNESCO's Institute for Statistics based on educational attainment data from censuses and surveys available in its database, in line with Barro and Lee (2010). Expected years of schooling estimates are based on enrolment by age at all levels of education. This indicator is produced by UNESCO's Institute for Statistics. Expected years of schooling are capped at 18 years. These indicators are normalized using a minimum value of zero and maximum aspirational values of 15 and 18 years, respectively. The two indices are combined into an education index using arithmetic mean. Lastly, but not least, the health dimension is measured by a life expectancy at birth component and is calculated using a minimum value of 20 years and maximum value of 85 years as provided. The results for the three HDI dimension indices are then combined into a composite index using geometric mean. Klugman et al. (2011) provide further insights into the methodology and rationale behind the HDI. Once the minimum and maximum values have been defined, subindices for each dimension index are formed as follows:

$$\text{Dimension Index} = \frac{\text{Actual Value} - \text{Minimum Value}}{\text{Maximum Value} - \text{Minimum Value}}$$

The HDI index is then calculated as follows:

$$\text{HDI} = \left(\text{GNI per capita}_{\text{Index}} . \text{Education}_{\text{Index}} . \text{Health}_{\text{Index}}\right)^{1/3}$$

where

$$\text{Education Index} = \frac{\left(\text{Mean years of schooling}_{\text{Index}} . \text{Expected years of schooling}_{\text{Index}}\right)^{(1/2)} - \text{Education index}_{\text{min}}}{\text{Education index}_{\text{max}} - \text{Education index}_{\text{min}}}$$

While the HDI includes the educational and health dimension in determining human development levels compared to the GNI per capita, it however fails to provide some justifications whether income, health, and education are distributed

equally among the population base. Alternatively stated, any two countries having the same average achievements will have the same HDI values even if they have very different distributions of achievements. Alkire and Foster (2010) provide a framework to address this issue by introducing the *inequality-adjusted HDI* (*IHDI*).

Since the HDI relies on country-level aggregates such as national accounts for income, the IHDI relies on alternative data sources to be able to introduce the possibility of any inequality measurements. The different variables to form the three required dimensions can be summarized as follows:

- *Disposable household income or consumption per capita* using the above listed databases and household surveys. This forms the "standard of living" dimension, from which the income/consumption dimension index is created.
- *Life expectancy*, using data from abridged life tables provided. This forms the "long and healthy life" dimension, from which the life expectancy dimension index is created.
- *Mean years of schooling*, using household survey data harmonized in international databases, including the Luxembourg Income Study, the World Bank's International Income Distribution Database, the United Nations Children's Fund's Multiple Indicator Cluster Survey, ICF Macro's Demographic and Health Survey, and the United Nations University's World Income Inequality Database. This forms the "knowledge" dimension, from which the education index is created.

The use of an international currency, based on purchasing power parity (PPP), was initially proposed by Roy Geary in 1958 and developed by Salem Khamis in 1970, which later was known as the Geary–Khamis dollar. PPP GNI (formerly PPP GNP) is gross national income (GNI) converted to international dollars using PPP rates. An international dollar has the same purchasing power over GNI as a US dollar has in the USA (World Bank 2015). The 2014 Human Development Report is currently using the GNI per capita expressed in constant 2011 PPP international dollars. The new PPP conversion rates and a new base year—2011—brought changes in values of GNI as well as in ranking of countries, in particular among middle-income countries. The combination of the three dimension indices, adjusted to the Atkinson (1970) inequality measurement model, results in the IHDI model as follows:

$$\text{IHDI} = \left(I_{\text{Income}} . I_{\text{Education}} . I_{\text{Health}}\right)^{1/3}$$

where

$$I_{\text{Income}} = \text{Unadjusted Income index}\left(1 - A_X\right)$$
$$I_{\text{Education}} = \text{Unadjusted Education}$$
$$I_{\text{Health}} = \text{Unadjusted Life Expectancy index}\left(1 - A_X\right)$$

A_X represents the inequality measurement for each respective dimension index, where

$$A_x = 1 - \frac{\sqrt[n]{\theta_1, \theta_2, \ldots, \theta_n}}{\bar{\theta}}$$

$\theta_1, \theta_2, \ldots, \theta_n$ represents the underlying distribution in the relevant dimension. $\sqrt[n]{\theta_1, \theta_2, \ldots, \theta_n}$ represents the geometric mean of the distribution while $\bar{\theta}$ represents its arithmetic mean. It is important to note that the geometric mean component of the model does not allow zero values. For instance, for the education index, mean years of schooling of 1 year are added to all valid observations to compute the inequality. As far as the income index is concerned, cases of extremely high incomes as well as negative and zero incomes are adjusted to reduce the influence of extremely high or negative incomes in the distribution. Any percentage loss in the HDI, caused by inequality in any of the three dimensions, will affect the HDI as follows:

$$\text{Percentage loss in the HDI} = \frac{\text{HDI} - \text{IHDI}}{\text{HDI}}$$
$$= 1 - \sqrt[3]{\left(1 - A_{\text{Education}}\right) \cdot \left(1 - A_{\text{Income}}\right) \cdot \left(1 - A_{\text{Health}}\right)}$$

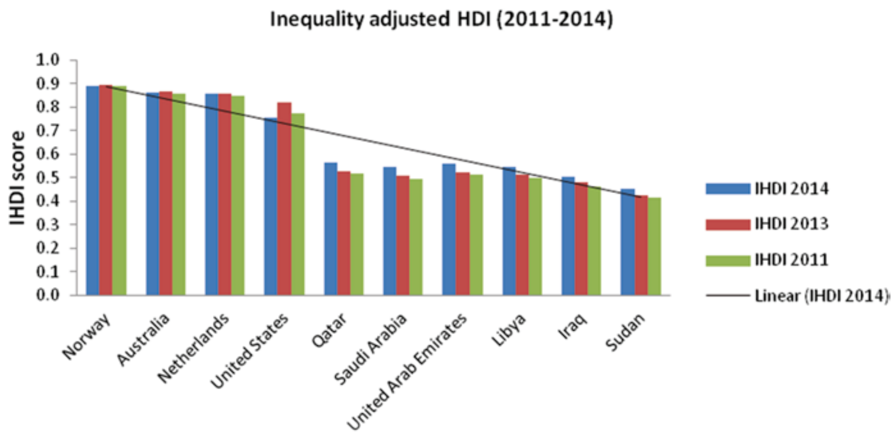
Methodology Behind CPI

The data is standardized to a scale of 0–100 where a 0 equals the highest level of perceived corruption and 100 equals the lowest level of perceived corruption. This is carried out by subtracting the mean of the data series and dividing by the standard deviation which results in *z*-scores. These values are then adjusted to have a mean of approximately 45 and a standard deviation of approximately 20 so that the dataset fits the CPI's 0–100 scale. The mean and standard deviation are taken from the 2012 scores as per Transparency International, so that the rescaled scores can be compared over time against the baseline year. It is important to note that for a country or territory to be included in the CPI, a minimum of three sources must assess that country. A country's CPI score is then calculated as the average of all standardized scores available for that country. Scores are rounded to whole numbers as part of consistency. To embed the notion of uncertainty and errors, the CPI is accompanied by a standard error and confidence interval associated with the score, which capture the variation in scores of the data sources available for that country/territory.

Data Analysis

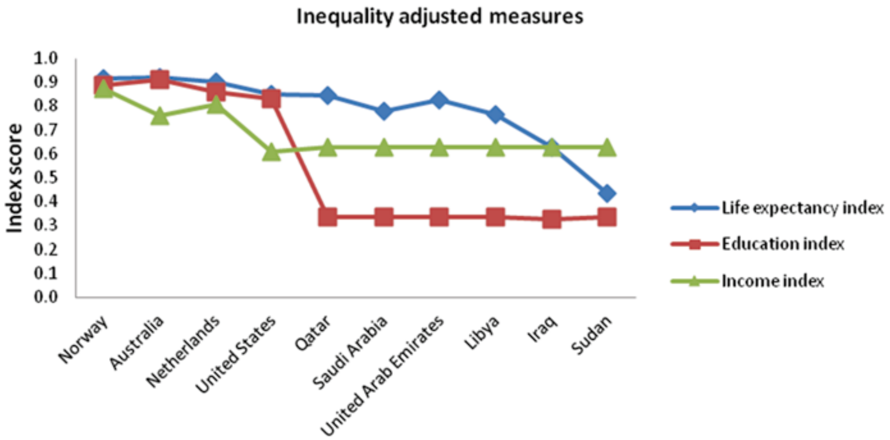
Figure 4.4 provides the inequality-adjusted HDI score for the period 2011–2014. As depicted, Norway, Australia, the Netherlands, and the USA occupied the top ranks on a global basis. Although Switzerland was in the top 5 globally ranked countries in 2014, the four countries mentioned before are used since they were consistently in the top 5. It can be observed that UAE, Saudi Arabia, and Qatar all performed better in 2014 compared to earlier years, suggesting an improvement in their inequality-adjusted scores across the three dimensions of education, life expectancy, and income, on average. The other three Arab countries did not score far from the top 3 Arab countries. This is partly due to the use of Arab states' inequality-adjusted data, where missing data was found, particularly for the inequality-adjusted education index and the inequality-adjusted income index. As part of alleviating this issue in the future, the data provider for IHDI scores (UNDP) has endeavored to encourage countries to help in the collection of such data over time.

Fig. 4.4 Inequality-adjusted HDI (2011–2014)



Data sourced from UNDP Human Development Reports

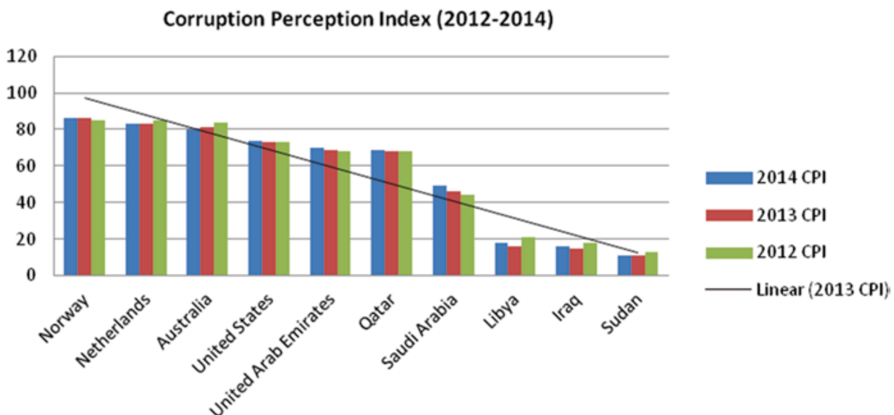
Fig. 4.5 Inequality-adjusted measures



Data sourced from UNDP Human Development Reports

Although Fig. 4.4 provides the trend of IHDI scores for selected countries, there is a need to decompose the data further to assess which components tend to affect the inequality-adjusted HDI. It can be observed from Fig. 4.5 that top scoring countries like Norway, Australia, and the Netherlands tend to share similar inequality-adjusted life expectancy, education, and income indices. Life expectancy tends to be mostly the same for most countries except for Libya, Iraq, and Sudan which are affected by social and military unrest. More importantly, the dispersion tends to be apparent when it comes to the inequality-adjusted education index, where Arab countries tend to be lacking. This being said, however, it is important to note a sustainable improvement over the last few years in how governments in the Arab states are tackling the issue of improving the education index component. As a matter of fact, Arab states' scores for the inequality-adjusted index have improved from 0.307 to 0.334 over the 2011–2014 periods.

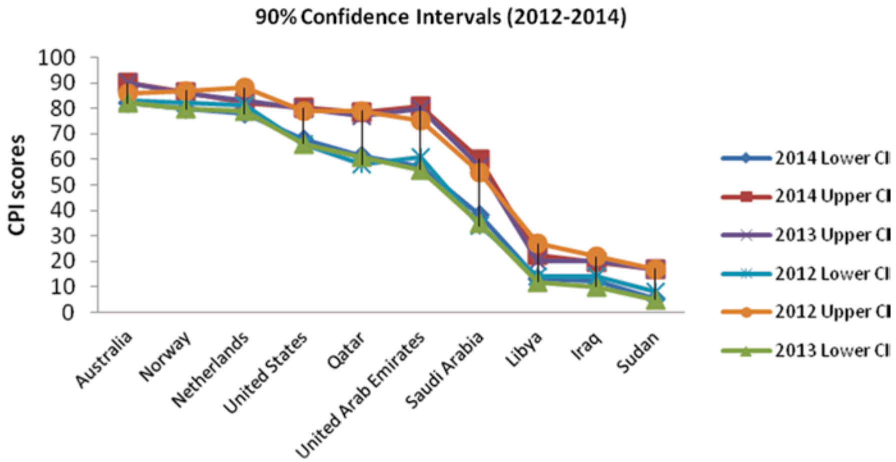
Fig. 4.6 CPI scores for selected countries (2012–2014)



Data sourced from Transparency International

A graphical representation of the CPI score from Fig. 4.6 over the last 3 years clearly shows Norway, Netherlands, Australia, and the USA as the least corrupted countries as perceived by relevant parties. While the UAE, Qatar, and Saudi Arabia lead the Arab states, Libya, Iraq, and Sudan have consistently occupied the worst scores in terms of the CPI score over the last 3 years.

Fig. 4.7 90 % confidence interval levels (2012–2014)



Data sourced from UNDP Human Development Reports

While the CPI score, as a crude data, is important in our study, it is important to decompose each country's score relative to how confident the score is. The 90 % confidence level is computed to be in line with industry standards. It can be observed from Fig. 4.7 that both the top scoring countries in the dataset (Australia, Norway, the Netherlands, and the USA) and the worst scoring countries in the dataset (Libya, Iraq, and Sudan) have relatively small gaps between their lower and upper confidence levels suggesting most of the sources used to set the CPI score are mostly aligned with each other. However, it is important to note that for the UAE, Qatar, and Saudi Arabia, the gaps are wider, suggesting less aligned scores from different sources. This can be justifiable since those countries have mostly scored between 45 and 75, which are close to the mid-score of 50.

Contingency Correlation Analysis

While graphical representations among the different IHDI components and CPI can help in understanding the relationship between inequality human development measures and corruption perceptions, some thorough analysis needs to be conducted to

Table 4.1 Correlation analysis hypotheses

Test number		
1	H_0	There is no association between the HDI and CPI among the selected GCC countries
	H_1	There is an association between the HDI and CPI among the selected GCC countries
2	H_0	There is no association between the IHDI and CPI among the selected GCC countries
	H_1	There is an association between the IHDI and CPI among the selected GCC countries
3	H_0	There is no association between the CPI and inequality-adjusted life expectancy index among the selected GCC countries
	H_1	There is an association between the CPI and inequality-adjusted life expectancy index among the selected GCC countries
4	H_0	There is no association between the CPI and inequality-adjusted education index among the selected GCC countries
	H_1	There is an association between the CPI and inequality-adjusted education index among the selected GCC countries
5	H_0	There is no association between the CPI and inequality-adjusted income distribution index among the selected GCC countries
	H_1	There is an association between the CPI and inequality-adjusted income distribution index among the selected GCC countries

ascertain significance to such relationships. For the purpose of this study, the Cramér φ correlation test is applied to all the hypotheses in Table 4.1, to analyze any possible association between the CPI and the HDI, the inequality-adjusted HDI, and the different components of the inequality-adjusted HDI.

Introduced in Cramér (1946), the φ coefficient is a measure of association between two binary variables. Similar to the Pearson correlation coefficient developed by Pearson (1895), the Cramér correlation coefficient ranges between −1 and 1, with 0 meaning the complete absence of association. Using a 2×2 contingency table analysis, Cramér φ is calculated as follows:

$$\varphi = \frac{f_{11}f_{22} - f_{12}f_{21}}{\sqrt{C_1 C_2 R_1 R_2}}$$

where f are the cell values, C are the column totals, and R are the row totals in a 2×2 contingency table. The probability of Cramér φ can be found by using the χ^2 statistic as follows:

$$\chi^2 = \frac{\sum \left(f_{ij} - \hat{1}_{ij}\right)^2}{\hat{1}_{ij}}$$

where f_{ij} are the observed values for row i and column j and $\hat{1}_{ij}$ are the expected values for the same row and column which are calculated as follows:

$$\hat{1}_{ij} = \frac{R_i C_j}{n}$$

Table 4.2 Cramér correlation test

Test	φ	*f*11	*f*12	*f*21	*f*22	χ^2
1	0.224	8.526	0.474	9.474	0.526	0.950
2	0.224	8.526	0.474	9.474	0.526	0.950
3	–0.069	3.316	5.684	3.684	6.316	0.090
4	–0.544	7.105	1.895	7.895	2.105	5.630
5	0.224	8.526	0.474	9.474	0.526	0.950

The degrees of freedom when determining the critical χ^2 values are $(R-1)(C-1)$ which equal to 1 based on the 2×2 contingency table. Table 4.2 provides the Cramér correlation test results. Using 1, 5, and 10 % significance levels and χ^2 critical values of 6.635, 3.841, and 2.706, it can be observed that tests 1, 2, and 5 yielded the same φ value of 0.224 with a χ^2 value of 0.95.

To allow for stability in the data changes in regard to improvements or deteriorations, only changes that occur over the period 2011–2013 are considered, such that any change that occurred in 2012 is excluded. Further, since the IHDI data has been calculated by UNDP only since 2011, there are some countries which lacked the inequality-adjusted education index and the inequality-adjusted income index. In such instances, the Arab states' scores are used as a proxy for the missing data. Results from test 1 suggest that there is no significant association between changes in the corruption perception between 2011 and 2013 and changes in the HDI of the 19 countries of the MENA region. Similarly, test 2 supports that changes in the inequality-adjusted HDI bear no significant relationship with changes, whether improvements or deteriorations in the corruption perceptions. Test 3, which tests the relationship between the CPI and income distribution index, also supports the fact that any change in the income distribution index is not significantly related with changes in the corruption perceptions. Test 3, which tested the hypothesis of any significant relationship between the CPI and life expectancy index, resulted in the lowest χ^2 and φ values among all the five hypotheses.

Findings tend to support no significant relationships between the life expectancy variable and the CPI at 1, 5, and 10 % significance levels. Test 4, which tested the hypothesis of any significant relationship between the CPI and education index, resulted in a χ^2 value of 5.63. Using a 1 and 5 % significance level, findings suggest that there is a statistically negative relationship between changes in the CPI values and the education index component of human development in the MENA region over

the 2011–2013 period. Five countries in the MENA region improved their corruption perception score during those 2 years while also improving their education index, namely, the UAE, Saudi Arabia, Algeria, Egypt, and Morocco. While none of the 19 countries witnessed deterioration in the corruption perception accompanied with deterioration in its education index, 10 countries experienced an improvement in their education score with no improvement in their corruption perception scores. Only Israel, Lebanon, Jordan, and Tunisia experienced an improvement in their corruption perception scores with no improvement in their education index. Nonetheless, those four countries improved in terms of both their HDI and IHDI scores over the years 2011 and 2013, suggesting other variables such as health and life expectancy index values helped raised their human development status.

Policy Implications and Conclusive Remarks

The IHDI is based on the Atkinson index, which satisfies subgroup consistency. This ensures that improvements or deteriorations in the distribution of human development within a certain group of society (while human development remains constant in the other groups) will be reflected in changes in the overall measure of human development. For instance, deteriorations in the health dimension might lead policy makers to focus more in providing health centers across the whole country as opposed to centralized city centers. The IHDI is definitely built on the model of the HDI and hence more robust. However, the main drawback is that the IHDI does not capture inequalities that are linked across the three dimensions of education, health, and income. For example, deteriorations in the income dimension might be caused by a previous deterioration in the education dimension. To assess such a possibility, lead and lag factors could be implemented in the model once sufficient number of years of data is available. Other dimensions like an environmental factor or a technology factor could possibly add value as well to the IHDI model eventually. The need to assess spillover inequalities across dimensions would then become even more critical.

The major findings suggest that only the education index shares a significant relationship with the corruption perception of the specific country. Importantly, there was a statistically significant inverse association between improvements in the education and improvements in the corruption scores. Ten countries out of the 19 MENA countries under study witnessed an improvement in education index with no improvement in their corruption levels. When comparing the dispersion levels of the inequality-adjusted indices of the top 3 countries globally with the top 3 Arab countries, Arab countries seemed to be mostly behind in terms of their inequality-adjusted education levels. Nonetheless, a sustainable progress over the last few years has been noted in how Arab governments are dealing with the issue of improving the education index component, where the inequality-adjusted index has improved from 0.307 to 0.334 over the 2011–2014 periods. The progress is a slow yet recognizable one which will benefit any country in the long run in terms of

human development. It is important to note that the education index is driven primarily from mean years of schooling, where Arab countries such as the UAE and Saudi Arabia are witnessing the emergence of more and more education institutions, using international education levels such as the British or American curriculums and assessments. To ensure the implementation of quality standards in all primary, secondary, and tertiary institutions, the UAE government has introduced the Commission for Academic Accreditation (CAA) which rigorously provides feedback and monitoring to enhance the education level in the country. To that effect, the World Economic Forum which studied 144 countries in their World Competitiveness Index 2014–2015 report ranked UAE sixth in terms of quality higher education and training. As far as the issue of corruption is perceived, MENA countries such as the UAE and Qatar are not far away from the least corrupted countries in the world, according to the CPI. However, there are MENA countries such as Libya, Sudan, and Iraq which consistently appear within the lowest tier of the CPI scores. Further, there seems to be a lack of homogeneousness when it comes to the confidence levels of the CPI scores for some MENA countries such as Saudi Arabia and Qatar. It is important to note that although the CPI is the mostly widely used indicator globally, the composite index scores and ranks countries based on how corrupt a country's public sector is perceived to be, with data collected from independent and global institutions such as the World Bank, World Justice Project, African Development Bank, and the Economist Intelligence Unit, among others. Access to public sector information is sometimes lacking or nonexistent due to state programs that seclude foreign access due to incentives like promoting employment of nationals in governmental bodies.

On a concluding note, it is worth mentioning that top MENA countries such as the UAE and Qatar have already embarked toward routes which have placed them among the top countries in the world in terms of education and higher education training. As part of these country's visions, continuous efforts are being made to bring world-class education institutions to the country, backed by legalized bodies such as accreditation bodies. This will eventually boost the country's education index, which will, in turn, help foster further its human development status when compared with top ranked countries such as Australia, Norway, the Netherlands, and the USA. The negative relationship between improvements in perceived corruption scores and improvements in education index scores is backed mostly with countries which have improved in terms of their education levels, but not in terms of perceived corruption at state levels. This suggests a need for policy makers to look at how perceived corruption can be reduced at state levels, possibly by starting to allow for more inclusion in government workplaces, accompanied with less emphasis on programs that promote mostly nationals at work, but driven by productivity and transparency which is accepted by international standards.

Part II
Wasta in the Work Environment

Chapter 5
'Wasta': Triadic Trust in Jordanian Business

Thomas Brandstaetter, David Bamber, and David Weir

Introduction: The Hashemite Kingdom of Jordan

Jordan is part of the Middle East and North Africa (MENA) countries of the Arab world and a special society with a unique history and some distinctive characteristics, like many of the countries in the region. It is less than a century old and was part of the Ottoman Empire until 1918; then, under the British Mandate, it was founded as the Hashemite Kingdom of Jordan in 1946, but was effectively created as Transjordan in 1921 and as the Emirate of Transjordan under Emir Abdullah (later King Abdullah) in 1923. The founding narrative of the kingdom emphasises the role of Abdullah and his grandson, King Hussein, who ruled from 1952 till 1999 as makers of the nation (Wilson 1987).

The Hashemite dynasty traces its ancestry from the Prophet Mohamed, and Hussein's son Abdullah II is the present monarch. Dina, the first wife of King Hussein, was born in Cairo and also descended from the Prophet and following her separation from King Hussein went on to marry a high-ranking official in the Palestinian Liberation Organization; Muna, the second wife and mother of the present King Abdullah, was English; Alia, the third wife, was Palestinian; and Noor, the fourth wife, was an American of Swedish, Syrian and English descent.

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The monarchy has been rooted in the tribal, Bedouin cultures of the desert but has also related to the majority which is of Palestinian origin, and while King Hussein undertook a salient role as a national and regional leader and emphasised his military credentials, he became known as a creative negotiator for regional peace and stability. His queens were active protagonists for the emancipation of women and for education for all (Layne 1994). Tribal motifs have become embodied within the discourses of Jordanian nationality and citizenship (Layne 1989). The Jordanian ruling monarchy has been appropriately described as 'resilient' (Anderson 1991).

This brief review of four royal marriages indicates some of the complexities of Jordanian society, implicated in discourses both of traditional Arab history and of modernization, stability and change. Thus, while the role of women in Jordan has been publicly espoused at the highest level, and higher education for women is an educational objective, still 'honour' killing of women who are believed to have dishonoured their family continues to be a feature (Norton 1993; Nanes 2003). Likewise, although a majority of the population is of Palestinian origin and the country has been the only country in the Arab world to grant citizenship to large numbers of Palestinians and on the geopolitical stage publicly supported the PLO, it was King Hussein who openly took arms against the PLO and expelled them from the nation.

The key institution of the Jordanian military showed strong influences from the colonial and mandate period when the Arab Legion under Sir John Glubb, a British soldier, became the best military organisation in the Arab world. Other ethnic groups who preserve some elements of distinctive and dual identity include Armenians, Lebanese and part of the Circassian diaspora who left the Caucasus in the nineteenth century who constitute around 2 % of the population but have been prominent in the army, for example (Jaimoukha 2001). Some of these members of diasporic communities are vocal in their dual loyalties (Derderian-Aghajanian 2009). Jordan hosts approximately 200,000 Egyptian workers and another 80,000 Filipinos, Sri Lankans, Indians, Pakistanis, Lebanese, Europeans and North Americans (asiatour.com/jordan/people 2005). More recently, the civil society of Jordan has had to cope with the massive influx of refugees from Iraq and Syria (Chatelard 2003).

The economy of Jordan has never, unlike other nations, for example, in the Gulf region, been able to depend on oil and petroleum, though petrodollar remittances have been an important feature (Brynen 1992). The banking and financial sectors as well as much of the productive private sector industry are dominated by Palestinians, while the tribal interests of the former Transjordanians have been more influential in the public service and government. The realities of national citizenship are influenced by historical discourses so that there is a distinction between two types of citizenship: *Jinsiyya*, 'passport citizenship' implies citizenship with right of abode, while *Muwatana* 'democratic citizenship' implies both *Jinsiyya* and full access to the civil, political and social benefits of being a citizen (Butenschøn et al. 2000).

The complexities of Jordanian organisation have been demonstrated by several writers (Rasheed 2013; Weir 2000). While the role of women in many Arab countries especially in Saudi Arabia can be characterised as 'neo-patriarchal', this is far

from an appropriate depiction of organisations in Jordan where there are generally positive attitudes towards the employment of women and to the involvement of husbands in employment decisions and to a slight preference on the part of managers for women as employees (Al Kharouf and Weir 2008). Conversely, while Western knowledge and experience are valued in organisational and managerial development, for instance, in relation to e-government (El Sheikh et al. 2008) knowledge management, it is understood that these techniques need to be calibrated to Jordanian cultural expectations (Sabri 2005). Without this attention to cultural factors, initiatives like TQM have been found to falter (Bani Ismael 2012).

Jordan is often experienced by visitors and business visitors as a very hospitable society offering business visitors overt invitations to common sociality (Shryock 2004). In this respect eating together is both a virtual invitation to participate in a ritual that respects the status of a guest at a family table and an expression of expected consociality (Young and Ladki 1996). Despite decades of overt emphases on 'modernisations' of various kinds, it remains clear that Jordanian society is based on familial structures, themselves rooted in actual or virtual membership of extended families, clans or tribes. Homes are important sources of familial and wider identities (Abu Ghazzeh 1997).

It is expected that members of a family are conscious of their rights and responsibilities to other family members and these obligations are typically extended to those who by invitation or common commitment to business or collective involvements are welcomed by family as their consociates, represented, for example, by invitations to homes or to dine together (Al Khatib 2006). This is the origin and legitimation of the discourse of *wasta* in Jordanian society and the justification of the bonds this created. Another important framing of the wasta connections in Jordanian society is the need to preserve 'face' in social and organisational performances (Goffman 1967). Thus, as Al Khatib explains, invitations to participate in some common activity are often framed in such a way that there is a strong expectation of compliance because to accept an invitation is to honour both parties, while a refusal, explicit or implicit, may have the implication of causing offence (Al Khatib 1994, 1997).

Historic Development of Jordanian Institutions

Although the pre-Islamic Arabian Peninsula has seen the emergence of societies based on highly sophisticated and formalised structures of rational organisation, particularly in Mesopotamia, and an interaction with other cultures that brought with them systems of bureaucratisation and codified law, such as the Roman Empire, took place in peripheral areas of Arabia, Arab society before the advent of Islam was premodern in its nature. It needs to be emphasised here that Arab culture at this stage was geographically limited to the areas of the Arabian Peninsula and must not be confused with what is known as the Arab world today. The Arabisation of areas beyond the Arab heartland, particularly northern Africa and for a limited period the Caliphate of Cordoba in Andalusia, took place centuries after the Islamisation of Arabia.

The discussion of the institutional framework of pre-Islamic Arabia is limited to the region of the centre of the Arabian Peninsula which is considered the cradle of Arab civilisation before its expansion. Before Islam provided a more universal framework for social interaction, the mostly nomadic population relied on a strong tribal structure as bonding social capital that is characterised by a high degree of particularism. A state or a codified law was absent, and customs and rules could be enforced only through informal institutions. Tribal identity and cohesiveness within the tribe provided islands stability and personal trust in a sea of anarchy. Solidarity within the Arab tribe, vital to the survival of a group in such an environment, was described as *asabiyya* by the fourteenth-century sociologist *Ibn Khaldun*. Strong asabiyya guaranteed the successful organisation of a tribe in such a harsh environment (Ibn-Khaldoun et al. 2005).

The term ‘tribe’ requires a definition at this stage. Tribe or *ashira* in Arabic is divided in subclans called *hamula* which consist of *fahkds* and *lazam*. A *hamula* is considered the largest politico-administrative unit, and an elder serves as a mediator or *wasta*. ‘Members of *hamulas* usually choose their elders on the basis of wisdom, age and generosity’ (Al Rahami 2008b:45). The head of an *ashira* is called a *sheikh* whose duty is to secure welfare of the tribe. ‘It is the *sheik’s* duty to represent his tribe, to act as an arbiter and a judge in litigation, to give consent for marriages and divorces, to protect the feeble, to receive guests and to protect the honour of the tribe’ (Al Rahami 2008b:45).

What constitutes a tribe is common ancestry, although it is not necessarily based on actual kinship. Sharing a name and cultivating stories of common roots of stories that bound the collective together like hardship in the desert or a battle against a common enemy provide a narrative that creates a collective feeling which unites several families to an ashira or a tribe. ‘What makes a person belong to a tribe is not merely successive degrees of genetic relationships—which, after all, every family in the world has—but rather that a person and his/her tribe think the same way; believe in the same principles; assimilate the same values and ethos; act according to the same rules and laws; respect the same hereditary *sheikh*; live together; defend each other; fight together, and die together’. Despite the importance of tribal structure in many Arab societies, ambiguities concerning the definition of what makes a tribe exist among experts. While tribal narrative itself emphasises common kinship, Ayubi considers tribes rather a mode of social organisation than a group of people actually sharing common ancestry: ‘Tribalism, however, belongs more closely to the social imaginaire than it does to the facts of genetics’ (Ayubi 1995:51).

Within the structures of a tribe, consensus and consultation were emphasised and participation and communication aimed to prevent marginalisation and resulting conflicts. The *shura* is known as a procedure of decision-making in the tribal society of pre-Islamic Arabia. By giving voice to individual members of the tribe, embeddedness and so asabiyya was strengthened, and shura as a check and balance system controlled the power of tribal leaders. It is important to emphasise the consultative, participatory and egalitarian aspects of tribal culture. Although tribal leaders or sheikhs were considered authorities, their power was limited. The rule of a *sheikh*, literally meaning ‘elder’, was not patrimonial but had to be justified (Al Rahami 2008b).

Dispute Resolution Mechanisms

The physical environment in which Arab tribes were embedded and the mode of production both made the society particularly prone to intertribal conflict and required the development of strong mechanisms to solve disputes. The dominant mode of production of nomadic and seminomadic tribes in Arabia has been pastoralism. Pastoral farming is characterised by three factors that can cause the collapse of entire systems. Both the high mobility of the capital and the low marginal labour costs that each additional unit of capital is causing make it very tempting to raid a neighbouring tribe during economic hardship. Whereas in the case of horticultural farming, capital is immobile and an additional unit of capital cannot be utilised unless additional labour can be acquired, the size of a cattle herd can be increased without too much effort.

Apart from integrating additional capital, the capital itself is mobile in contrast to capital of a horticultural society, where the harvest can be physically removed but not the capital itself. A third aspect of pastoralism is that it relies on public goods or common pool resources shared by several actors but which require regulated access to prevent unsustainable use. As described in the tragedy of the commons, if scarce and commonly owned resources like water or pasture can be used unrestricted, each actor has an incentive to overuse and as a result the resource collapses (Hardin 1994).

All these aspects can potentially destabilise a social structure and require mechanisms to regulate social interaction. The social ethos of Arab tribes, emphasising egalitarianism, consultation and participation, does not provide a strict hierarchical order or an authority to regulate social life (Ayubi 1995). As a consequence, conflicts had to be solved by an informal system of arbitration and mediation guided by respected but neutral mediators. This system of conflict resolution provided a fundamental pillar that facilitated collective action, created trust and provided bridging social capital in the absence of a codified law. If a dispute got settled through an arbitrator, the decisions of the arbitrator were not legally enforceable but depended on the arbitrator's moral authority. The role of arbitrators was not institutionalised, and neither did they have to be member of a certain social sphere; what qualified an arbitrator was the reputation and the moral power to enforce arbitration decisions.

Collective responsibility is an essential aspect of tribal justice (Al Rahami 2008a, b). If a member of a tribe commits a crime, it is the entire collective that can be held responsible instead of just the individual who actually violates a norm or harms a member of another tribe. According to this tribal ethos, if justice has not been done in the opinion of the tribe of the victim, revenge can be taken. This threat of becoming a victim of revenge sought for the wrongdoings of a member of the same tribe is a normative force that prevents tribal members from deviant behaviour. Particularly in the case of murder, this structure can lead to further bloodshed and violence. This aspect is essential for understanding the requirement for a dispute resolution mechanism that provides solutions which not just punish violation of norms but

establish equilibrium between dispute parties. It is vital that the hurt party agrees with the judgement and that social harmony is re-established between both parties. A solution just based on principles defined ex ante only paying tribute to a written law but without concern for satisfaction of the party which got hurt seriously threatens social stability under a structure of collective guilt. Mediation and arbitration in the tribal context must not be merely understood as an insufficient mechanism that compensates for the absence of a codified law in premodern times, but rather as a system of institutions that anticipates the social values of the environment out of which it grew. A society based on egalitarianism, consultation, consensus, collectivism and collective responsibility embedded in the economic logic of nomadic pastoralism requires institutions that emphasise social equilibrium, anticipation and harmony.

Although the institutional environment of pre-Islamic Arabia was marked by the absence of a codified law and a domination of customary tribal norms, in some areas arbitration was a structured process. '*Mecca* for example, was a flourishing centre of trade that had a rudimentary system of legal administration with public arbitrators appointed that applied some sort of commercial law. In contrast, *Medina* was an agricultural area with some elementary forms of land tenure which also had a basic justice administration' (Al Rahami 2008a:75). Modern *wasta* as a multidimensional social phenomenon has grown out of and been shaped by the institutional history of the region.

Wasta and Trust

Wasta as the phenomenon investigated in this book is a complex construct with confusing and partly socially problematic definitions and perceptions. By using the term *wasta*, research is almost automatically associated with such undesirable aspects as corruption, cronyism and clientelism. Managers, companies and government officials are eager not to be publicly associated with practices summarised under the vaguely defined term of *wasta*. While research on the negative and harmful aspects of *wasta* is dominating the academic discourse in this field, the initially unambiguously positive functions in which *wasta* is rooted and its effects on modern social organisations are mostly neglected. While *wasta* in academic literature as well as in public perception is mostly considered a premodern evil and an aspect of Arab culture, even to be ashamed of, the stabilising trust-building function it serves, to date, has not received the attention by researchers it deserves.

The tradition of *wasta* with its many aspects is deeply rooted in the culture and the collective narrative in many countries of the Arab world. This cultural embeddedness of *wasta* in the region makes it imperative to understand the many facets and the beneficial roles it can fulfil. This research will approach *wasta* from an institutional economic perspective and analyse its role in the process of building personal trust in collective action situations in business. Based on interviews conducted in Jordan, it will be outlined how the process of *wasta* and the availability of a mediating third

party allow trust to emerge in an environment with perceived deficits in formal law enforcement. Besides the normative function of a structural embeddedness, it will be outlined how this process of trust building is deeply rooted in a cultural narrative and drawing on local traditions. It will be argued that *wasta* cannot be judged as a wholesale concept, but contains beneficial dimensions, which need to be considered.

The seminal work of Cunningham and Sarayrah (1993) still serves as a cornerstone when defining *wasta*. The term *wasta* describes a practice of networking and a type of social capital in Arab societies. *Wasta* in its many dimensions is a cornerstone of social interaction in Jordan and many other Middle Eastern societies. Wasta is derived from the Arab term *yatwassat* which means steering towards the middle. Traditionally, *wasta* refers to a process of mediation between two conflicting parties by a third person, called *waseet*. *Wasta* as an idiosyncratic Arab informal institution is traditionally a backbone of social organisation in Arab societies (Cunningham and Sarayrah 1993; Al Rahami 2008b; Hutchings and Weir 2006).

Wasta is a complex and multidimensional phenomenon with ambiguous ethical connotations. Irrespective of normative aspects, *wasta* in many forms is an omnipresent phenomenon in modern Jordan and an aspect of daily life of many Jordanians either in interacting with government authorities, in business relations or in cases where disputes need to be settled. 'In most interactive events outside the nuclear family *wasta* is considered and invoked where possible' (Cunningham and Sarayrah 1993:6). Generally, *wasta* can be understood as intervention on behalf of others or helping others to attain something they could not achieve alone. Be it in the case of dispute resolution or nepotism, *wasta* involves one party which is structurally powerful or controls access to resources or both, who intervenes to bring two parties together, either for the benefit for both parties or by abusing asymmetric power to dominate the other party.

Mediation *Wasta*

As noted above, *wasta* is a complex and multidimensional phenomenon. While historically *wasta* was the central mechanism for dispute-solving in pre-Islamic Arab Bedouin societies, the phenomenon associated with the term *wasta* has evolved into different practices over time. Cunningham and Sarayrah (1993) distinguished between two types of *wasta* and created the terms mediation *wasta* and intercessory *wasta*. While intercessory *wasta* is a type of rent-seeking behaviour, mediation wasta summarises the traditional functions of mediation and arbitration (Al Rahami 2008b).

Mediation *wasta*, which has evolved out of Arab traditions, used to be the cornerstone of social organisation in traditional Bedouin cultures of the Arabian Peninsula. As described by Cunningham and Sarayrah, mediation *wasta* is applied to settle disputes in a large number of possible scenarios. A central aspect outlined by them is the importance of mediation wasta in cases where a dispute has emerged between two members of different tribes. Particularly in situations in which persons have been phys-

ically injured or even killed, mediation *wasta* is in many cases essential to guarantee social stability and prevent the escalation of the conflict.

A *waseet* needs to find a solution which satisfies both parties and avoids the injured party seeking revenge in the future. If *wasta* logic is applied in a dispute in which a member of one family was injured or killed by a member of another family, a notable person is required to chair delegation or a *jaha* which jointly will aim to find a solution based on mediation (Al Rahami 2008a). Cunningham and Sarayrah mention the legal aspect of this kind of mediation *wasta*. In order to prevent the emergence of a long-lasting intertribal conflict, government authorities in some cases demand that both parties agree to a mediation *wasta*-based solution. 'If the victim's family refuses the *jaha*, members of that family may be jailed as a means of coercing them into cooperating and to reduce the likelihood of further bloodshed'.

Only after a successful *wasta* mediation does a formal trial begin. This procedure mainly applies in cases in which people are killed or injured such as car accidents or homicide. Cunningham and Sarayrah also point out the slightly decreasing significance of such procedures in Jordan. In a case in which a *wasta* procedure is required, it is important to find a competent, experienced and generally respected person to act as a *waseet*. Traditionally, an elder of a tribe or a *shaykh* is asked to mediate and use connections as well as charismatic power to solve a conflict. 'You reap what you plant' (Cunningham and Sarayrah 1993:8), an Arabic saying which summarises the logic of *wasta*-based arbitration procedures.

The narrative of *wasta* mediation emphasises social unity, harmony and reciprocity. 'Today I or one of my relatives is the victim; tomorrow or a year from now, we may become the defendant. If we do not show forgiveness, mercy, and tolerance to others in their difficult times, we will not be shown tolerance by others when we are in distress' (Cunningham and Sarayrah 1993:8). An important aspect of this arbitration function is the perceived honour of serving as a *waseet*. Mediating in a conflict is not connected to financial rewards and even imposes costs on the mediator:

The traditional *shaykh* leading a delegation of notables did not receive material compensation for his efforts. On the contrary, he might incur expenses by providing a feast honouring a settlement. The mediator's reward is from the conflicting parties, their asking God to prolong the mediator's life and to bestow children in abundance, spreading his name and reputation by word of mouth among tribes and encampments (Cunningham and Sarayrah 1993:13). As El-Said points out, the highest reward a mediator can expect is an enhanced status within the community, and looking for material reward is even considered shameful in traditional *wasta*.

Besides this almost formal arbitration function of mediation *wasta*, it is also used on a more informal level to settle small disputes or disagreements between two parties. 'Furthermore, *Wasta* may take the form of formal mediation and interference or it could be informal through sponsoring or recommending' (Al Rahami 2008a:202). *Wasta* must be understood as a traditional backbone of social organisation in Arab societies. With varying degrees of formality, *wasta* guarantees the enforcement of the property rights of individual or common goods. 'On the other hand, people resorted to *Wasta* as a mechanism to solve local and community disputes, to facilitate the management of common scarce resources…' (ElSaid and Harrigan 2009:1328). In case of disagreement, *wasta* traditionally used to be the central mechanism to

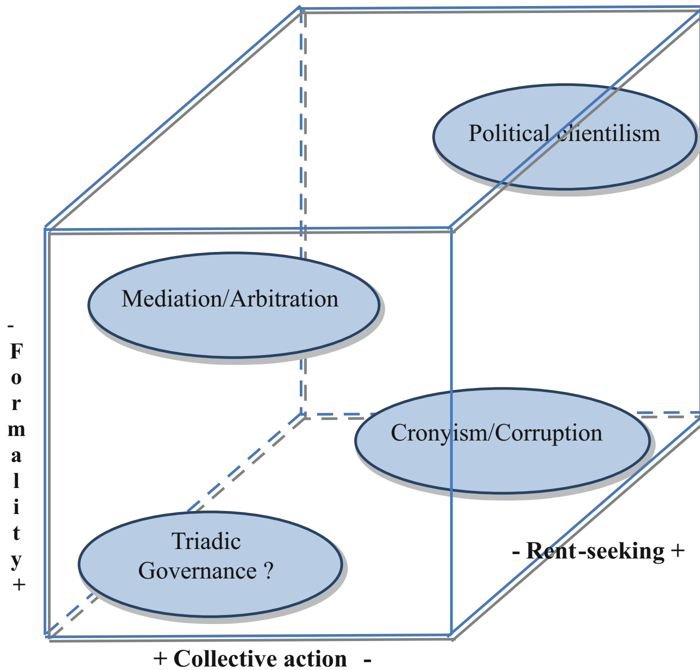
resolve an issue. The availability of the mediation function which facilitated the enforcement of agreements protected individuals as well as a collective against opportunism. 'One needs *Wasta* in order not to be cheated in the market place…' (Al Rahami 2008a:201). Mediation *wast*a can be understood as a facilitator to enforce agreements and norms formally and informally through the power and intervention of a waseet.

Intercessory *Wasta*

The second dimension of *wasta* identified by Cunningham and Sarayrah is a variety of nepotism and cronyism and is mostly considered a harmful practice. Intercessory wasta is a process in which a broker uses structural power as a gatekeeper to provide access to resources unattainable to the other party. This phenomenon can be found at many levels of Jordanian society. Particularly interaction between individuals and public administration experiences a utilisation of intercessory *wasta. Wasta* relations can be used to speed up administrative procedures like issuing a new passport or licence plates for a car or to get a job to which the applicant would otherwise have no access. Intercessory wasta is also used to enter university by bypassing formal regulations or to get access to other government resources (Smith et al. 2012a, b). In all these scenarios, one party has either well-established *wasta* relations with a gatekeeper, or outright bribery is used to gain support by the broker to attain what is desired. Intercessory *wasta* is particularly important in the labour market. Considering the difficult economic situation in Jordan, well-paid jobs are scarce and connections to get a job are widely used (Cunningham and Sarayrah 1993; Hutchings and Weir 2006; Loewe 2007). Intercessory *wasta* can be understood as a situation in which a broker establishes a connection, for instance, between an applicant and an employer, and uses structural power to allow the applicant access to the job. In such a scenario, having 'good *wasta*' means having connections to an influential person who is willing to provide access to his or her network of personal relations and to act as a patron for the person seeking a favour. In intercessory *wasta*, a middleman is asked to establish a connection to give testimony on the good reputation of the resource-seeker and aims to convince, for instance, an employer to provide the resource or a job. The complexity of *wasta* implies that intercessory wasta also contains more than one dimension (Cunningham 1994). The example mentioned above describes one possible scenario of intercessory *wasta.* In this case personal connections and networks facilitate access; in other cases, the payment of bribes is made for instant services. The two categories differ concerning the social connections that need to be established. In the latter case, a service is delivered for a payment; no personal connection is needed in advance nor do any social obligations remain open after the deal.

The other category requires building a connection between the resource-seeker and the gatekeeper. Kinship relations play a significant role in this constellation of favours and social obligations (Loewe 2007). Considering the complexity of *wasta*, not every aspect can be discussed as part of this research. '*Wasta* has many different

Fig. 5.1 Dimensions of wasta



facets, but mainly describes personal informal networks based on friendship, kin or patron-client relations (Fig. 5.1). *Wasta* relations, involving reciprocal and co-operative obligations, have expanded to include other significant loyalties such as ethnic or religious groups, political parties or social clubs, as well as friends and acquaintances' (Al Rahami 2008a:202).

While academic literature deals with intercessory *wasta* and with mediation *wasta* which is relatively formalised, the informal dimension of mediation *wasta* and its trust-building function as an economic institution has been mostly neglected by research.

Formality of Institutions

This research aims to contribute to the *wasta* discourse by approaching this under researched social phenomenon from an institutional perspective in order to gain a better understanding of the many dimensions and facets it contains. Institutions are the rules, laws, guidelines, traditions and norms that regulate social interaction and vary according to their degree of formality and depend on the cultural setting in

Table 5.1 Formality scale of institutions

Degree of formality	Institutions	Hegemonic actors	Nature of social ties	Characteristics of interaction
High: predominantly formal interactions	Generally applicable and legally binding laws, constitutions	State (+supranational actors)	Law and authority	Written communication, legally binding norms, rationality, impersonality, rigidity of rules, vertical relations
Medium-high: mainly formal interactions	Specific articles in directives and contracts	State and corporate enterprise	Market and competition	Mainly written communication, codified norms, impersonality, vertical relations
Medium: both formal and informal interactions	Modes of regulation of an arena	Leaders and middlemen	Negotiation and contestation	Verbal communication, socially defined codified norms, horizontal and vertical relations
Medium-low: mainly informal interactions	Unexpressed social norms, taboos, values, customs	Community and peer groups	Social control and identity	Practical knowledge, verbal communication, socially defined codified norms, horizontal relations
Low: predominantly informal interactions	Personal agreements	Family and friends	Personal trust	Practical knowledge, face-to-face communication, codified norms, personalised trust, strong social ties, intuition

Source: Etzold et al. (2009)

which they emerge. Economic institutions vary across societies. Since the type of institutions varies within countries and several societies that are linked by institutions can exist within one country or overlap a country's border, the term society is explicitly chosen at this point instead of referring to the national level. Particularly between societies in which the rule of law is well established and property rights are enforceable and those in which the legal background is less developed, individuals must rely on alternative or what is called self-enforcing means of interaction. The rule of law and third party enforcement are formal institutions in contrast to informal self-enforcing institutions based on personal monitoring (Henisz and Oliver 1999; De Soto 2000; Prahalad 2010; North 2007). The formality scale illustrated below summarises the degrees of formality of institutions (Table 5.1).

Considering the historically central role of *wasta* as an institution in social coordination, the role of wasta in building trust in a modern society has to date not been considered by research. An institution which is considered omnipresent and also has a long tradition is likely to be a factor in modern business interaction with its positive and negative aspects. The interviews conducted in Jordan have outlined a perceived deficit of formal institutions and to some extent distrust towards the legal system. Consequently, managers and observers interviewed had argued that an informal backup built on personal trust is required in businesses and joint ventures as a protection against opportunism. It has been made very explicit by interviewees that doing business with unfamiliar business partners is not considered an option without a base of trust established prior to any cooperation. This is however not reflecting the effectiveness of the Jordanian legal system; it rather outlines a subjective preference of personal relations as a base of trust over formal ties. The importance of personal trust has emerged as a vital aspect in Jordanian business.

As this research aimed to investigate in *wasta* as an indigenous informal institution, the focus has been put on the question how personal trust is created if needed in Jordanian business. Considering the ambiguous connotation of the term *wasta*, this term has been avoided in interview questions, giving interviewees the opportunity to describe the trust-building process from their perspective. What has emerged from the analysis of interviews is a process of trust building consisting of three main stages:

1. Gathering information about strangers through common third contacts
2. Approaching unfamiliar business partners through or with references of third parties (waseet)
3. Drawing on the normative power of middlepersons or requiring mediation in case of defection ('black face' vs. 'white face'/Wasata)

A central aspect in all three stages is to varying degrees the function of a middleperson. Either by assisting in gathering information a priori or by actively supporting the process of introducing two parties, a middleperson has been mentioned consistently during interviews as a cornerstone in this process. Finding a common contact in the network that can provide information about the credibility of persons has emerged to be the first step of trust building by individuals interviewed. The second step of the trust-building process also revolves around a third party in between. A reference from a trusted third party supports the credibility of a new potential cooperation partner. Serving as a door opener for an outsider either looking for a business opportunity or a job is what Cunningham and Sarayrah summarised as intercessory *wasta.*

The third stage provides a normative function for cooperation already set up. A business connection established through a third party is considered protected against opportunistic behaviour due the normative pressure expected from the middleperson as well as the availability of the intermediary as a mediator in case of a dispute. The normative aspect of such a triadic relation consists of two dimensions. One dimension is the loss of reputation suffered by a middleperson in case one business partner to whom a reference has been given abuses trust. In case of defection, the middleperson will lose his or her face or get a 'black face'. The threat of damaged

reputation of a middleperson is expected to prevent giving references for untrustworthy persons.

The second dimension of this normative triad is the expectation that the middleperson would intervene and help to settle disputes through mediation. The process described here demonstrates how the categories of intercessory *wasta* and mediation *wasta* are interrelated. As mentioned by Cunningham and Sarayrah, no clear either/or exists between these two categories, and as described by interviewees, the mediation aspect is considered an assurance for relations established through intercessory *wasta*. Although the interrelated nature of both dimensions has been identified and briefly described previously, the role of both *wasta* categories as antecedents of personal trust in business relations has so far not been outlined.

The contribution of this research is to reveal that the *wasta* procedures are described as the central aspects for trust building in business relations. While intercessory *wasta* is considered a harmful or 'haram' phenomenon in the discourse, mediation is the beneficial or 'halal' aspect of *wasta*. The interviews however have revealed that the normative aspects of a relation set up through intercessory *wasta* are the primary forces which allow trust to emerge. The importance of this phenomenon for personal trust to emerge needs to be considered in a normative discussion regarding the harms and benefits of *wasta*. Besides the probably universal normative forces based on structural embeddedness of a triad and potential intervention of the middleperson, the cultural narrative needs to be emphasised. Interviewees in the business community made explicit references to local and particularly tribal traditions. 'It is part of our culture' has been frequently stated during interviews when describing the aspects of mediation and the role middlepersons or *waseets*. As described above, mediation has been a pillar of social organisation of Arab societies predating formal institutions in the region.

Conclusion

The empirical data gathered for this research have revealed a pattern of trust building in Jordanian business. As discussed the Jordanian model of trust building to a large degree rests on the normative power of structural embeddedness in triadic relations, the expectation of the *waseet* to intervene and the cultural narrative of regional traditions such as mediation, reputation and the threat of the black face. Interviews have clearly emphasised the importance of *wasta* as an antecedent of trust in Jordanian business. Although previous publications have dealt with the role of *wasta* in Jordan (Cunningham and Sarayrah 1993; Loewe 2007), this research provides new insights into the relation between trust and *wasta*. The interviews have demonstrated that trust, given it is required, is considered most likely to emerge if a third party or a *waseet* establishes a relation and remains available to both parties to intervene or mediate in case of a conflict.

Referring to Cunningham and Sarayah's (1993) concepts of distinction between intercessory *wasta a*nd mediation *wasta*, both concepts are intertwined in the process of trust building and cannot be clearly distinguished. Intercession and mediation

clearly belong together, and the availability of a mediator looms as the shadow of the future already in the process of intercession allowing trust to emerge. Mediation as a backbone of social organisation in traditional Arab cultures is considered a vital normative function and cannot be distinguished from the intercession process. While Cuningham and Sarayrah have approached *wasta* as a phenomenon with potentially beneficial dimension, connotations in the academic discourse are predominantly negative (Loewe 2007).

The stigmatisation of intercessory *wasta* as harmful and mediation *wasta* as beneficial is not consistent and does not reflect reality of social practice. In a later article, Cunningham and Sarayah (1993) revise their initial conceptualisation and consider intercessory *wasta* as potentially beneficial if mediation is part of intercession and that there is no clear either/or. Although Cunningham and Sarayah provide a basic approach towards the intertwining relation between intercessory and mediation wasta and the beneficial contribution as a mechanism for social organisation, no clear typology of wasta and trust is developed.

A vital aspect of the insights gained from this research is the relevance of the phenomenon. This research not only explains the structure of an existing phenomenon but reveals through a grounded theory approach that the described process of trust building is a significant mode of interaction. Since trust-building mechanisms based on informal institutions can take many forms, the patterns discussed have emerged as the preferred structure of social organisation. It not only describes one of many possible paths but demonstrates the significance of *wasta*. No previous research has investigated in antecedents of trust in Jordanian business and revealed *wasta* as a core concept in this process:

(a) Revealing wasta as the dominant antecedent of personal trust
(b) Providing a model of wasta-based trust creation
(c) Outlining the relation between mediation wasta and intercession wasta in trust building

The concept of *wasta* as a stabilising social force with normative and trust-building functions is deeply rooted in institutional traditions of Arab societies. It needs to be understood and its potentially beneficial aspects anticipated. It has far from the purely negative connotations of some critical discourse: it will not disappear any time soon. Wasta in Jordan is a very real and live issue in the analysis of contemporary patterns of activity in business and management. It can be understood as not merely an evidence of long-rooted traditions of native cultural performance but as a response to the challenges of behavioural, cultural and linguistic diversity in a dynamic and evolving society.

Chapter 6
The Economic Cost of *Wasta* in the Arab World: An Empirical Approach

Marcus Marktanner and Maureen Wilson

Introduction

While *wasta* is a phenomenon that is often seen to be engrained in Arab culture, there is no universally accepted definition of *wasta* that would separate it from related concepts such as corruption, bribery, or nepotism. A working definition is therefore needed. We define *wasta* as the use of personal networks for the purpose of gaining access to scarce resources like, for example, jobs, building permits, university admissions, and doctor's appointments. In other words, someone with *wasta* can access such resources with fewer obstacles than someone without *wasta*.

A common perception is that *wasta* is a widely accepted business practice and form of social capital in Arab states. This often anecdotally derived statement gives rise to at least two important questions. First, do Arab states really have a greater bribe tolerance than countries in other regions? Second, does a given bribe tolerance in Arab states translate into less strict practices of corruption control? The purpose of this chapter is to answer these two questions.

In order to answer these questions, we use the *World Values Survey's* indicator "Justifiable: Someone accepting a bribe in the course of their duties." This indicator can be used to answer the first question by comparing country and regional averages. In order to answer the second question, we link the *World Values Survey's* bribe tolerance indicator to the *World Bank's control-of-corruption* score. From this

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interaction we derive a measure for the weight that a given socially accepted bribe tolerance exercises on the control of corruption and compare this weight among countries and regions.

Our findings suggest that while Arab countries do not have a statistically significant greater bribe tolerance, Arab countries have a higher bribe tolerance weight on corruption control. In other words, the control of corruption relative to bribe tolerance is less effective among Arab countries. Statistically, this effect is particularly strong among Arab republics where the use of *wasta* seems to be indeed a prevalent phenomenon in daily practice.

In a final step, we conduct an empirical analysis of the economic cost associated with the use of *wasta* and provide strong evidence for the fact that the presence of *wasta* is sand, not grease, in the wheels of Arab economic development. Preliminary estimates suggest that these costs are substantial for Arab countries and explain an economic output gap of almost 40 %.

Review of Relevant Literature

The literature on *wasta* in general and empirical studies of *wasta* in particular are very limited. The *wasta* literature can be separated into the following overlapping categories. Qualitative categories deal with (1) conceptualizing *wasta*, (2) comparing *wasta* with other cultural practices of using personal networks, and (3) the use of *wasta*. Quantitative studies, on the other hand, attempt to measure the effect of corruption and *wasta* on various economic performance indicators. Yet, quantitative studies do not tend to stress any differences between the terms corruption and *wasta*.

In practice, *wasta* is being used as a form of access by means of decreasing bureaucracy for goods and services that are non-rival in nature like obtaining a driver's license or evading the payment of a traffic ticket. The majority of *wasta*, however, serves the objective of gaining access to competitive goods and services like admission to universities, job interviews, or building permits (Cunningham and Sararyrah 1993; Makhoul and Harrison 2004). While these particular examples are listed in the context of *wasta*, it is not clear why such behavior would be particularly "Arab" in nature.

Yet what is definitely unique about the Arab nature is the linguistic wealth of Arabic when it comes to various facets of what other languages would subsume under the term corruption. Just like the Eskimos know around 100 different words for snow, the long tribal tradition among Arab nations, in combination with the fact that the Arab world is also the cradle of civilization, favored the linguistic refinement of the unfair use of network relationships.

From a quantitative political-economic perspective, the literature provides a very mixed focal, conceptual, and regional bag. As far as corruption in a possible cultural context is concerned, Askari et al. (2012, p. 31) find that "there is no relationship between economic growth and the level of corruption simply because a country is Islamic" in their examination of the relationship between oil and corruption in the Persian Gulf.

An interesting and counterintuitive finding is presented by Helmy (2013) who provides empirical evidence for the hypothesis that higher levels of corruption in the Arab world and inflows of foreign direct investment are actually positively related. The author tentatively explains this finding with the application of the efficient grease hypothesis, wealth effects, and high export to domestic market ratios rather than any innate Arab peculiarities. In fact, the term *wasta* is not mentioned even once in Helmy's paper.

Imam and Jacobs (2014) explore the relationship between corruption and tax revenues in the Middle East. The authors find that corruption can be partly blamed on low levels of tax collections. The corruption effect is particularly visible among taxes that require frequent contacts with tax officials, like trade taxes. The study implicitly attributes this corruption effect to the peculiar economic structure of Arab economies, not any cultural idiosyncrasy.

Our understanding of the literature can be summarized as follows: *Wasta* is clearly identified as an Arab phenomenon to describe network relationships. While *wasta* may be used for productive purposes in dispute settlement mechanisms, positive connotations associated with the term *wasta* are the exception rather than the rule. Instead, *wasta* is typically used in a context in which individuals with *wasta* use their personal networks for purposes which allow them to gain an unfair competitive edge over citizens with no *wasta*. Existing empirical studies of corruption in the Arab world differ from the more qualitative studies in the sense that corruptive behavior in the Arab world is barely attributed with a cultural peculiarity. In other words, empirical studies of *wasta* and corruption in the Arab world seem to be less sensitive to the distinction between the two concepts than qualitative studies. We therefore conclude that while *wasta* is generally a universal social phenomenon, the ability to capture and differentiate network relationships linguistically is indeed an Arab peculiarity that can be attributed to the region's sociocultural history and leading role among civilizations. Yet, an explicit test of the hypothesis that *wasta* is much more a linguistic and cultural phenomenon rather than an empirical truth is to our knowledge still outstanding.

Methodology and Data

In order to test whether the use of *wasta* is more prevalent in the Arab world than elsewhere, an appropriate proxy capturing this idea needs to be developed. We argue that the *World Values Survey's* variable "Justifiable: Someone accepting a bribe in the course of their duties" is the closest readily available measure to capture a social tolerance toward using personal networks for personal gains. Randomly selected respondents in different survey countries then position their view on a Likert scale from one (never justifiable) to ten (always justifiable). The *World Values Survey* reports the average of all reported views per country with higher averages indicating a greater socially accepted bribe tolerance. We abbreviate these country scores as "*BribeJust*."

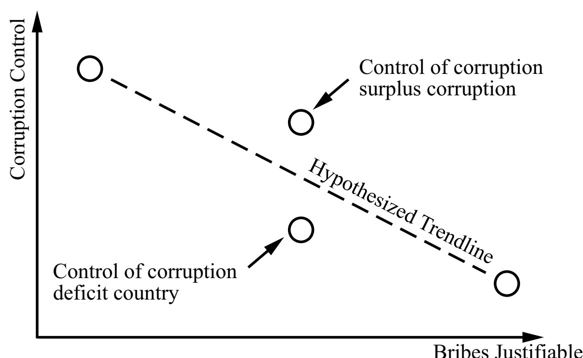
In the first step, we look at the descriptive statistics of the *BribeJust* score among individual Arab states, the Arab region as a whole, and different regions of the world. This comparison allows us to gauge whether the Arab world is really different from other regions. When looking at the Arab region as a whole, we also distinguish between Arab republics and monarchies. This separation captures differences in economic structure. Arab republics are on average economically more diversified than the monarchies, which rely more on hydrocarbon industries.

In the second, more comprehensive, step, we regress the World Bank's corruption indicator "control of corruption," abbreviated by "*CorruptionControl*," on *BribeJust*. The ratio of the *CorruptionControl* score predicted by *BribeJust* to its actual value can then be interpreted as the extent to which the actual control of corruption has emancipated itself from the prevailing cultural acceptance levels of bribery.

This idea is explained in more detail in Fig. 6.1, which shows the hypothesized inverse relationship between *BribeJust* and *CorruptionControl*. Figure 6.1 singles out two exemplary countries, one of which is a control-of-corruption surplus and the other a control-of-corruption deficit country. It can then be concluded that the control-of-corruption surplus country has emancipated itself more from the prevailing socially accepted bribe levels than the control-of-corruption deficit country. Moreover, the ratio of the predicted *CorruptionControl* score as a function of the prevailing *BribeJust* value to the actual *CorruptionControl* figure can then be interpreted as the weight that *BribeJust* has on *CorruptionControl*. We abbreviate this weight as "*BribeWeight*." In short,

$$BribeWeight = \frac{\text{Predicted Control of Corruption}}{\text{Actual Control of Corruption}} \tag{6.1}$$

Fig. 6.1 Determining the weight of prevailing bribe tolerance on control of corruption



Using simple cross-sectional regression analysis, we calculate for all countries for which data is available the *BribeWeight* score and compare them among Arab countries and different regions of the world. The question we are trying to answer with this methodology is whether the weight of socially accepted bribe tolerance on

the control of corruption is statistically significantly greater among Arab countries. If that were the case, after controlling for other explanatory variables of *BribeWeight*, we would conclude that in the Arab world socially accepted bribe tolerance levels are more prominent in daily social interaction practices than in other regions. In other words, *wasta* would indeed be a cultural reality, not a myth.

In a third and final step, we estimate the cost of *wasta* on the economy. For this purpose, we identify for all countries the simple neoclassical production function of the kind

$$y = Ak$$

where

y = income per worker
A = total factor productivity
k = capital per worker
α = production elasticity of capital

Using this basic equation, we hypothesize that *BribeWeight* negatively affects a country's total factor productivity. Once we determine the effect of *BribeWeight* on total factor productivity, we simulate this effect in countries' production function to determine the economic cost that can be attributed to *BribeWeight*.

Table 6.1 below summarizes the variables of our dataset, its abbreviations, descriptions, and sources. All variables are the latest available observations as of the time of this writing (May 2015) except for the variable *BribeJust*, which is the average of all available means scores between 1981 and 2014. We took the average of all available observations for two reasons. The first one was purely practical in the sense that it dramatically increased the sample size. The second reason is that taking the average of *BribeJust* over a longer period and regressing it on most recent levels of *CorruptionControl* capture the cultural depth of *BribeJust* much better than a recent snapshot.

Table 6.1 Data and sources

	Variable abbreviation	Variable definition	Source
Wasta and corruption	BribeJust	Justifiable: Someone accepting a bribe in the course of their duties	World Values Survey, http://www.worldvaluessurvey.org/wvs.jsp
	CorruptionControl	"Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests"	Worldwide Governance Indicators, http://bit.ly/1rwwuAb

(continued)

Table 6.1 (continued)

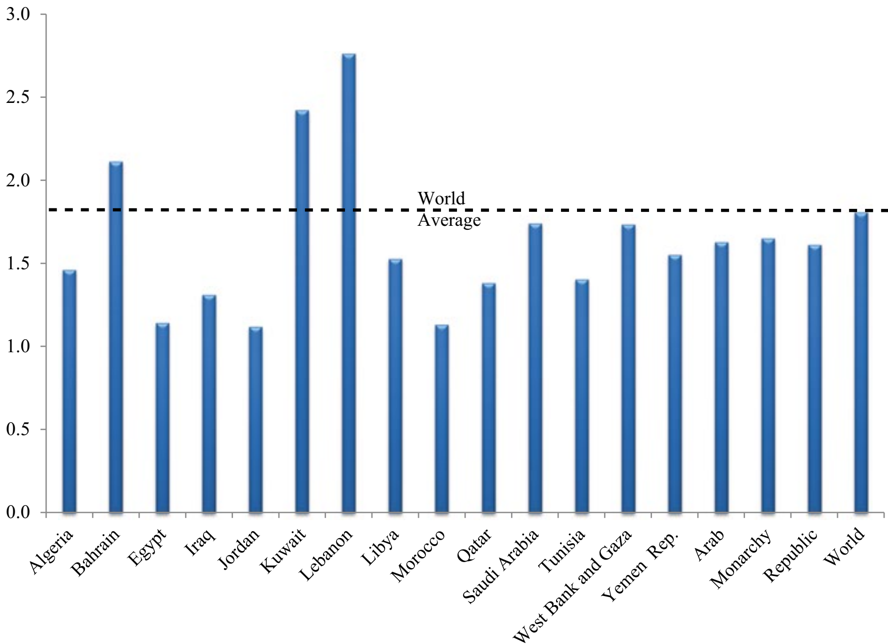
	Variable abbreviation	Variable definition	Source
Production function	*Y*	Real GDP at constant 2005 national prices (in mil. 2005 US$)	Penn World Table, http://bit.ly/18DT8R7
	A	Total factor productivity	Calculated from Penn World Table
	k	Calculated as capital stock at constant 2005 national prices per worker	Penn World Table, http://bit.ly/18DT8R7
	α	1-Share of labor compensation in GDP at current national prices	
	Pop	Population	World Bank Development Indicators Database (WDI), http://bit.ly/1dRZxcO
	y	Real GDP per capita, $y = Y/\text{Pop}$	
Corruption explanatories	Gini	Gini Index	World Bank Development Indicators Database (WDI), http://bit.ly/1dRZxcO
	NRR	Total natural resources rents (% of GDP	
	Polity	Polity 2 score, measuring polities on an autocracy-democracy spectrum between negative and positive ten, with higher values indicating "more democracy"	Marshall, Gurr, and Jaggers (online), Polity IV Project: Political Regime Characteristics and Transitions, 1800–2013, http://www.systemicpeace.org/inscrdata.html
Regional Dummies	Arab	Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, Yemen	
	Republic	Algeria, Djibouti, Egypt, Iraq, Lebanon, Libya, Syria, Tunisia, West Bank and Gaza, Yemen	
	Monarchy	Bahrain, Jordan, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, United Arab Emirates	
	EAP	East Asia and the Pacific	World Bank Development Indicators Database (WDI), http://bit.ly/1dRZxcO
	EECA	Eastern Europe and Central Asia	
	WE	Western Europe	
	LAC	Latin America and Caribbean	
	MENA	Middle East and North Africa	
	NAM	North America	
	SA	South Asia	
	SSA	Sub-Saharan Africa	

Findings

Are Bribes Socially More Accepted in Arab Countries?

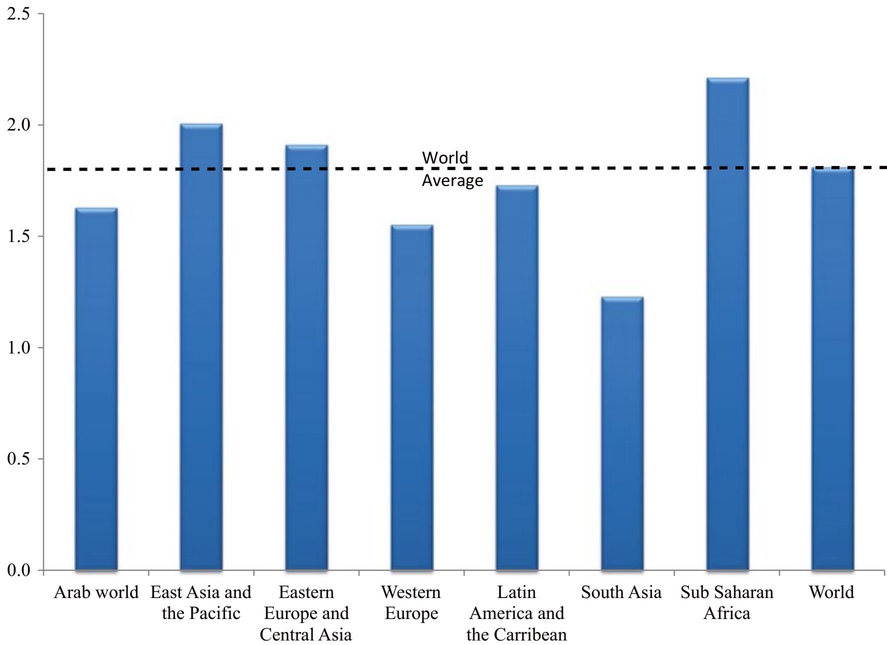
Figure 6.2 looks at the available *BribeJust* scores among Arab countries and the average scores for all Arab republics, Arab monarchies, and the world. The column chart shows that all Arab countries except for Lebanon, Kuwait, and Bahrain have a bribe tolerance level that is actually below the world average. There is also no meaningful difference between monarchies and republics. Therefore, if one accepts that the *World Values Survey's BribeJust* indicator is an adequate proxy for the presence and acceptance of *wasta*, the Arab world's social tolerance toward bribes is barely exceptional.

Fig. 6.2 *BribeJust* score among Arab countries



Source: Generated from World Values Survey data

Fig. 6.3 *BribeJust* score among regions of the world



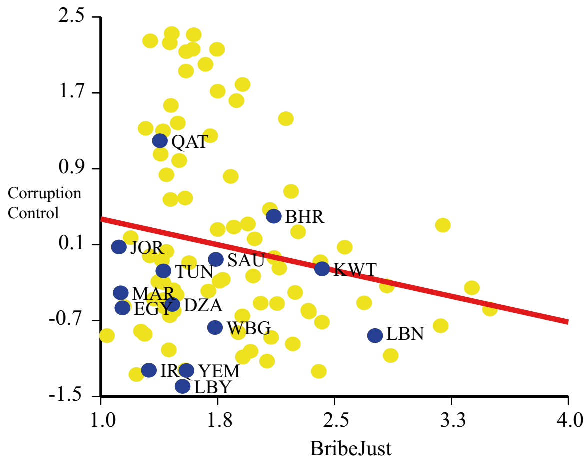
Source: Generated from World Values Survey data

When looking only at regional averages in Fig. 6.3, the Arab world has even the third lowest average aggregate *BribeJust* score and is only undercut by Western Europe's and South Asia's values. Among developing areas, the Arab region has therefore a comparatively low bribe tolerance.

Do Arab Countries' Bribe Tolerance Exercise a Greater Weight on the Control of Corruption?

While there is no evidence that Arab countries have a greater bribe tolerance than other regions, maybe Arab countries' given bribe acceptance levels carry a higher weight in the actual control of corruption. Therefore, following the methodology described in Fig. 6.1, we develop in Fig. 6.4 a scatter plot of *CorruptionControl* against *BribeJust* for all countries with available data in the world and Arab countries highlighted by blue dots.

Fig. 6.4 Scatter plot of *CorruptionControl* vs. *BribeJust*

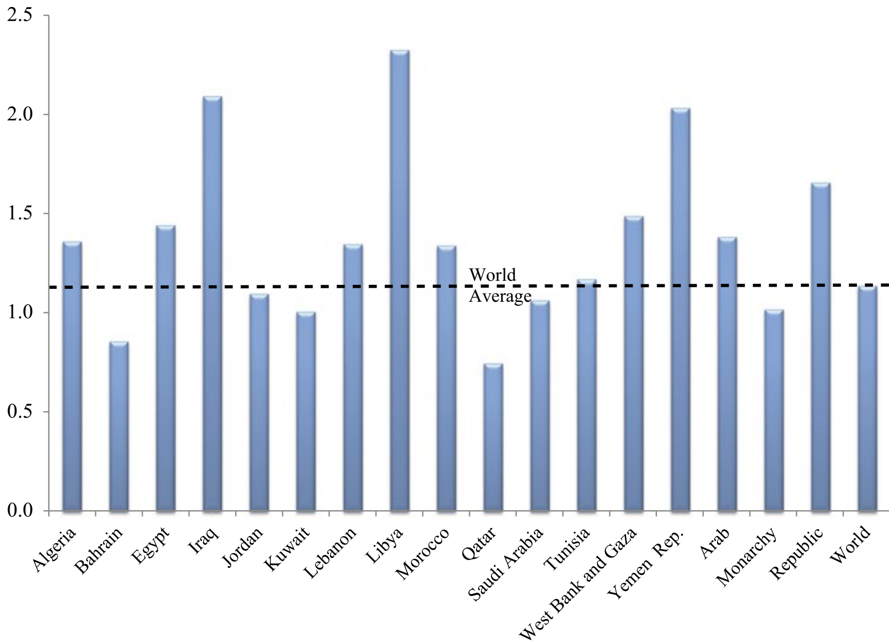


Source: Authors' illustration

As hypothesized in Fig. 6.1, countries with a higher bribe tolerance also have on average lower control-of-corruption scores. The slope coefficient is also significant at the 10 % significance level ($p=0.068$). Figure 6.4 highlights Arab countries by blue dots, which suggest that most Arab countries are indeed control-of-corruption deficit countries, except for the Gulf monarchies of Qatar and Bahrain. In the next step, we calculate in line with Eq. (6.1) the *BribeWeight* scores.

As Fig. 6.4 shows, the presence of negative *CorruptionControl* scores poses a problem for the calculation of the *BribeWeight* values. In order to avoid negative weights, we calculated the weights from a virtual scatter plot that has shifted all actual and predicted *CorruptionControl* scores up such that the lowest actual *CorruptionControl* score received the value of 1. The column chart of Fig. 6.5 summarizes the *BribeWeight* values for Arab countries, the Arab world as a whole, the Arab republics and monarchies, and the world average.

Fig. 6.5 *BribeWeight* among Arab countries

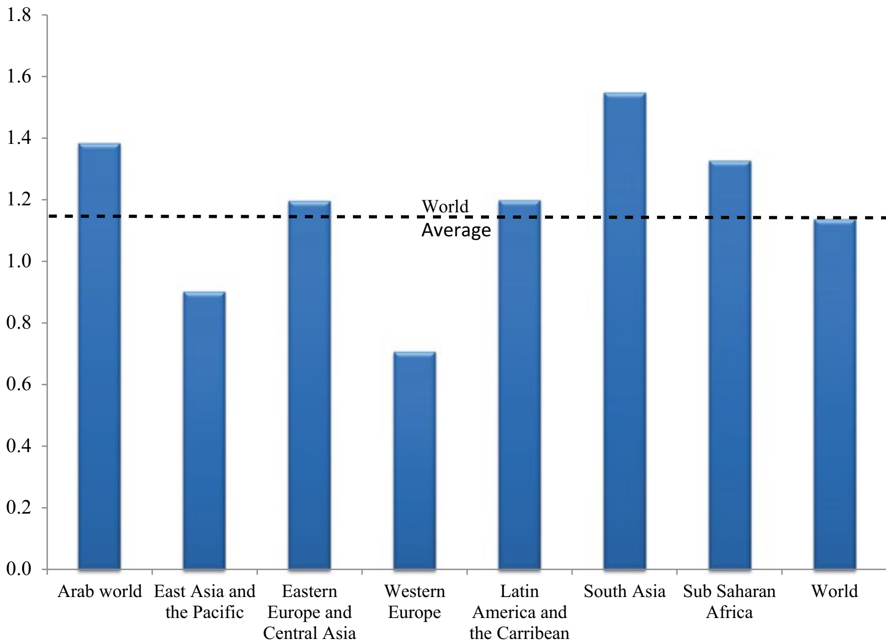


Source: Authors' illustration

Figure 6.5 suggests that the weight of bribe tolerance on the control of corruption is considerably higher among the Arab republics than among monarchies. Therefore, if bribe tolerance and the use of bribery are naturally ingrained into Arab societies, then governments of the Arab monarchies have isolated themselves much more from it than the republics. Thus, *wasta* seems to be a phenomenon largely associated with Arab republics.

When comparing the *BribeWeight* figures by regions of the world as in Fig. 6.6, the results indicate that indeed this weight is very high within the Arab world, only second to South Asia. If the value for the Arab republics (displayed in Fig. 6.5) were displayed also in Fig. 6.6, then the Arab republics would be the region with the greatest weight of bribe tolerance on control of corruption.

Fig. 6.6 *BribeWeight* among regions of the world



Source: Authors' illustration

The findings so far can be summarized as follows: While Arab nations do not have a greater bribe tolerance per se than other regions, as might be suggested by the often anecdotally derived hypothesis that *wasta* is a particular Arab phenomenon, the control of corruption relative to the bribe tolerance is on average much lower in the Arab world. In other words, there is simply less control of corruption among Arab nations relative to their bribe tolerance, especially among the republics. But does that really mean that the weight that the prevailing bribe tolerance has on the control of corruption reflects a culturally ingrained *wasta* acceptance or can it be explained by other, less mystic factors?

Is the Weight of Bribe Tolerance on the Control of Corruption Socioculturally Natural or Socioeconomically Structural?

The weight that bribe tolerance has on the control of corruption may be explained by many other factors but fixed-effect regional peculiarities. A necessary test is therefore to run a regression of *BribeWeight* on those variables that the literature lists as explanatory variables of corruption in addition to a regional dummy for the Arab world. For this purpose we chose the following variables: per capita income, the total natural resources rents as a percent of GDP, income inequality, and the level of democracy.

Using per capita income as an explanatory variable for *BribeWeight* is necessary in order to control for the overall development level that prevails in a country. The hypothesis is that higher per capita incomes correspond on average with lower *BribeWeight* values. The structure of the economy may also play an important role in explaining *BribeWeight*. The rationale for this is that natural resource extraction-based economies tend to have less of a separation between the government and the economic sector. The absence of a clear separation between the state and the economy may then provide a fertile soil for corruption. We therefore hypothesize that countries with more total natural resource rents have a higher *BribeWeight*.

It also seems plausible to relate income inequality to the weight that the prevailing social bribe tolerance has on the control of corruption. As income inequality is often linked to the absence of equal access to economic opportunities, there may be naturally a greater supply and demand for the allocation of economic opportunities and public services through corrupt channels. We therefore expect that countries with greater income inequality also expose on average a greater *BribeWeight*.

Table 6.2 Hypothesis table

DV = "*Bribe-Weight*"	Per capita income	Total natural resources rents	Income inequality	Polity	Arab regional dummies
Expected sign	–	+	+	–	+

Another control variable that we use is the country's polity score, which measures political regimes on an autocracy-democracy spectrum between negative and positive ten, with higher values indicating more democracy. We hypothesize that more democratic structures provide for more checks and balances to prevent corruption. Lastly, we add a regional dummy for the Arab world as a whole and separately for the Arab republics only. Then if after controlling for the aforementioned non-fixed regional variables, the dummies for the Arab world are still significant, the hypothesis that the Arab world is characterized by a certain sociocultural uniqueness regarding bribery cannot be rejected. Simply put *wasta* would be real, not a myth. Table 6.2 summarizes the above relationships in a hypothesis table.

When running the regressions, we use the natural log (ln) of the variables per capita income and total natural resources rents in order to improve the distributional characteristics of these variables, both of which are highly skewed to the right prior to the transformation. The regression results are summarized in Tables 6.3 and 6.4.

Table 6.3 Regression results with Arab regional dummy

DV = "*BribeWeight*" (ln)	Model I	Model II	Model III	Model IV	Model V
Constant	1.671*** (0.124)	1.410*** (0.137)	1.726*** (0.178)	1.610*** (0.122)	1.446*** (0.175)
Per capita income (ln)	–0.103*** (0.013)	–0.084*** (0.014)	–0.105*** (0.015)	–0.091*** (0.014)	–0.075*** (0.015)
Natural resources exports (ln)		0.051*** (0.014)			0.053*** (0.018)
Income inequality			–0.001 (0.002)		–0.002 (0.002)
Polity				0.025 (0.053)	–0.006* (0.003)
Arab	0.100** (0.030)	0.046 (0.045)	0.100* (0.057)	0.025 (0.053)	0.010 (0.060)
N	89	89	84	87	82
Adjusted R^2	0.410	0.482	0.403	0.452	0.511
F-Stat	31.558	28.258	19.699	24.638	17.938

Note: ***significant at 1 %, **significant at 5 %, *significant at 1 %

Table 6.4 Regression results with Arab republic regional dummy

DV = "*BribeWeight*"	Model I	Model II	Model III	Model IV	Model V
Constant	1.624*** (0.124)	1.356*** (0.131)	1.677*** (0.179)	1.566*** (0.119)	1.414*** (0.175)
Per capita income (ln)	–0.098*** (0.013)	–0.079*** (0.013)	–0.101*** (0.015)	–0.087*** (0.013)	–0.074*** (0.015)
Natural resources exports (ln)		0.053*** (0.013)			0.049*** (0.018)
Income inequality			–0.001 (0.002)		–0.001 (0.002)
Polity				–0.008*** (0.002)	–0.006** (0.003)
Arab republic	0.168** (0.065)	0.149** (0.060)	0.168** (0.075)	0.140** (0.061)	0.089 (0.070)
N	89	89	84	87	82
Adjusted R^2	0.422	0.511	0.417	0.483	0.521
F-Stat	0.435	31.671	20.785	27.769	18.627

Note: ***significant at 1 %, **significant at 5 %, *significant at 1 %

The regression results confirm the hypothesized effects of per capita income, total natural resources rents, and the polity variable. As far as the impact of income inequality is concerned, we could not identify any meaningful relationship. Yet, most importantly, the results suggest that while the Arab regional dummy is not robustly significant across all model specifications in Table 6.3, the dummy for Arab republics is highly significant across all model specifications in Table 6.4, except for model V.

With the above results in mind, we conclude the following. Defining the presence of *wasta* as a regional fixed-effect significant *BribeWeight*, then *wasta* is a phenomenon whose statistical significance stands out among Arab republics. Of course, a much clearer call could be made if the Arab republic dummy would be also significant in model V of Table 6.4. This statistical significance, of course, may well have been lost in multicollinearity, not because of sociocultural irrelevance. Future research should therefore be encouraged.

The Economic Cost of *Wasta*: An Empirical Estimate

Finally, we estimate the economic cost of *wasta* for Arab countries. Since *wasta* is a phenomenon that is mostly observable among the Arab republics, we limit our analysis to these countries. Because from Table 6.4, model I, we can infer that 16.8 % of Arab republics' *BribeWeight* is captured by Arab republic idiosyncrasies that are not already captured by the general level of development as proxied by per capita income, we attribute this excess *BribeWeight* to *wasta*. Next, we assume that *BribeWeight* is not grease but sand in the wheels of Arab economic development, which translates into a reduction of total factor productivity. This is illustrated in the scatter plot of Fig. 6.7.

Fig. 6.7 Scatter plot of total factor productivity (ln) vs. *BribeWeight* (ln)

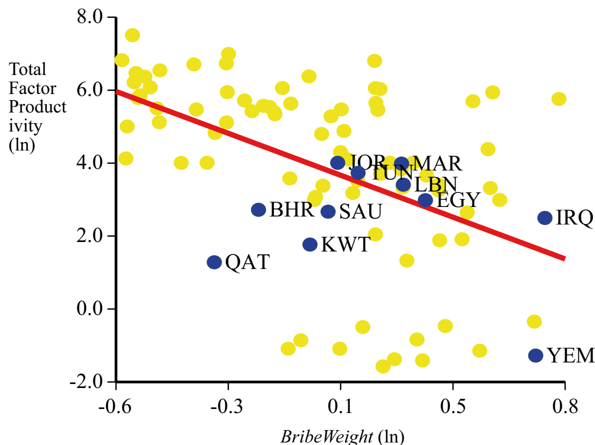


Table 6.5 Estimating the total factor productivity elasticity of *BribeWeight*

DV = total factor productivity (ln)	Coefficient	Std. error	Significance
Constant	0.370	3.085	
Per capita income (ln)	0.656	0.255	**
Bribe weight (ln)	−2.301	1.274	*
Arab regional dummy	−1.856	0.668	***
East Asia and the Pacific regional dummy	−1.100	0.608	*
Eastern Europe and Central Asia regional dummy	0.074	0.559	
Latin America and Caribbean regional dummy	−1.216	0.654	*
Sub-Saharan Africa regional dummy	−0.779	0.865	
South Asia regional dummy	−1.178	1.271	
$N = 89$			
Adjusted $R^2 = 0.425$			
F-Stat = 9.124			

Note: ***significant at 1 %, **significant at 5 %, *significant at 1 %

In order to determine the effect of *wasta* on total factor productivity, we still need an estimate of the total factor productivity elasticity of *BribeWeight*. We derive this elasticity from the regression

$$\begin{aligned} \text{Total factor productivity}(\ln)_i &= \beta_0 + \beta_1 \text{ per capita income}(\ln)_i \\ &+ \beta_2 \, \mathit{BribeWeight}(\ln)_i + \sum_k \text{regional dummy}_k + u_i \end{aligned} \tag{6.2}$$

where β_2 can be interpreted as the total factor productivity elasticity of *BribeWeight*. Table 6.5 summarizes the regression results.

The regression results indicate that after controlling for per capita income as a proxy for a country's general level of development and regional fixed effects, the total factor productivity elasticity of *BribeWeight* is −2.3. This indicates that a 1 % decrease in *BribeWeight* increases total factor productivity by 2.3 %. For the Arab republics, whose *BribeWeight* is inflated by *wasta* by an estimated 16.8 %, this implies that total factor productivity and therefore income could be 38.6 % higher in the absence of a *wasta*-induced lack of corruption control.

While this number seems quite high, further research should be encouraged. For one, the estimates for both the *wasta*-induced inflation of Arab republics' *BribeWeight* of 16.8 % and the total factor productivity elasticity of *BribeWeight* of −2.3 are subject to high standard errors. For example, the 95 % confidence interval for the *wasta*-induced inflation of Arab republic's *BribeWeight* ranges from roughly 4 to 30 %. Similarly, the 95 % confidence interval for the total factor productivity elasticity of *BribeWeight* ranges from −4.8 to +0.2. Therefore, because there is still a lot of uncertainty regarding the impact of the economic costs of *wasta* for Arab countries in general and Arab republics in particular, the results presented here should be taken with caution.

Conclusions

Motivated by many anecdotes and a strong linguistic prevalence of the term *wasta* in daily conversations in Arab countries, a *wasta* hype has evolved far beyond the borders of the Arab world. While this hype is real, the question remains whether *wasta* per se is real or a myth. The topic of *wasta* is under-researched. Existing research on *wasta* in the Arab world can be distinguished into qualitative and quantitative research with quantitative research being much less sensitive to a distinction between *wasta* as a cultural phenomenon and corruption as a common earthly fact. In an effort to remedy these shortcomings, this chapter is to our knowledge the first attempt to empirically trace the existence of *wasta* in real-world data.

Our findings suggest that Arab countries do not have a greater social acceptance level of bribes than countries in other regions of the world. However, Arab countries do have on average much lower control-of-corruption scores relative to their bribery tolerance levels than other regions. We then develop a measure that captures the weight that prevailing bribe acceptance levels have on the control of corruption. A comparison of these measures reveals that these scores are much higher for Arab republics than Arab monarchies. We then ask the question whether these higher bribe weight scores for Arab republics can be explained by non-regional fixed effects that control for countries' general development levels, the economic structure, as well as political and social characteristics. If non-regional fixed effects rendered the regional fixed effect nonsignificant, the hypothesis that *wasta* is real could be rejected.

Our findings provide a lot of, but no airtight, support for the idea that *wasta* is a reality rather than a myth, but we also emphasize the need for more in-depth technical analyses. Such additional tests, unfortunately, would have been beyond the aims and scope of this chapter. We also show that high weights of bribe acceptance levels on the control of corruption have a strong negative correlation with total factor productivity. This result allows us then to estimate the effect that *wasta* has on economic development among Arab republics. For these states, we then estimate an output gap attributable to *wasta* of almost forty percent. Our results are still exploratory in nature and future research is necessary to truly trace the presence of *wasta* in real-world data. We hope that the results presented in this chapter encourage such subsequent research.

Chapter 7
Saudi Men and Women Work Participation: The Use of Wasta to Overcome Sociocultural Barriers

Fatin Al-Hussain and Abdulkareem Al-Marzooq

Introduction

In the Arab world, *wasta* refers to a powerful individual who could use his position to influence others (Tlaiss and Kauser 2011). Although it exists in many cultures around the world, *wasta* is of a special influence in the Middle East (Tlaiss and Kauser 2010). It influences critical decisions in organizations such as recruitment and promotion (Mohamed and Mohamad 2011). Despite the candidate's qualifications, the selection process would lean toward the candidate with the strongest *wasta* (ibid).

This chapter examines the role *wasta* plays in the career progression of Saudi men and women. Using quantitative primary data collected and analyzed by the authors, perceptions about *wasta* in the workplace are examined. The association between *wasta* users and perceptions about their competencies and morality are also considered. As *wasta* is a deeply ingrained practice in the Saudi society, it is assumed that both men and women use *wasta* to overcome various barriers and progress in their careers regardless of their perceptions about it. Hence, the chapter sheds light on men's and women's use of *wasta* in the workplace in an attempt to compare gender differences not only in perceptions about *wasta* but also the extent to which it is used. This chapter also dwells on general perceptions about women at work in relation to their utilization of *wasta*.

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Arab Context

The literature shows that organizational culture, i.e., behaviors, attitudes, and norms in the workplace, is based on social and cultural values (Ismail and Ibrahim 2008; Tlaiss and Kauser 2010). The Arab culture is considered a collectivist society according to Hofstede's classification. In a collectivist society, family and relationships take precedence over work (Trompenaars 1993). Hence, the influence of family relations is transferred to the workplace (Tlaiss and Kauser 2011) which strengthens the role that *wasta* plays in career progression. With the increased participation in the global market, expatriates working in Arab countries introduced Western values adding individualistic aspects to the collectivist nature of the Arab countries (Whiteoak et al. 2006). However, the influence of sociocultural practices like *wasta* is dominant in organizational culture.

According to Metcalfe (2006), organizational culture is the most pervasive barrier to women in Arab society. This could be attributed to the patriarchal societies (Elamin and Omair 2010) in which men are the decision makers and possessors of power and prestige. It is assumed that women are good for domestic work and family tasks, while men are dominant and independent. Arab culture strongly supports women to seek equal educational qualifications as men. However, gender equality in employment does not exist (Metcalfe 2006) because of the negative attitudes and stereotypical perceptions about women's professional capabilities and work dedication (Tlaiss and Kauser 2010). Gender is considered the number one factor responsible for such attitudes (Mostafa 2003). In addition, negative attitudes toward women at work correlate with females being less accepted as leaders (Abdalla 1996). Therefore, women need to work harder than men in order to counter those negative perceptions and prove the opposite (Kauser and Tlaiss 2011).

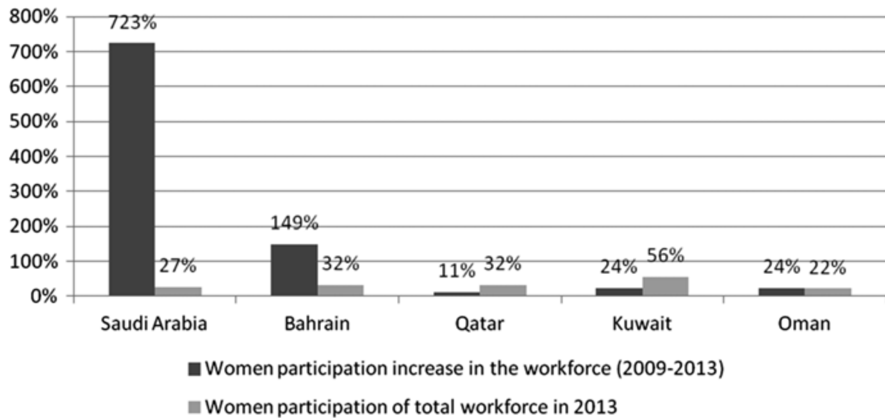
Previous studies show that *wasta* is a critical factor of success for both men and women in the Arab world. *Wasta* takes precedence over qualifications in training and development opportunities as well as promotions (Tlaiss and Kauser 2010; Metcalfe 2006). Research on the influence of *wasta* in the Saudi workplace does not exist. Thus, this chapter intends to bridge this gap in the literature.

The Saudi Workforce

The cultural changes toward accepting working women in Saudi Arabia have been driven by the government and encouraged by King Abdullah himself who had supported the empowerment of Saudi women to contribute to economic development (Ramady 2010). That is clear in the active participation of Saudi women on an institutional level representing not less than 20 % of the *Shura* Council members. Despite official efforts, traditions and values are deeply ingrained in the mindset of the vast majority of Saudis performing a powerful source of resistance to cultural changes (ibid). Thus, many of the organizational barriers women face are shaped by the Saudi culture. In spite of efforts to have gender-neutral organizational culture,

the masculine nature of the Saudi society and male dominance in almost all sectors force gender difference in the workplace. This impacts work progression and development opportunities for women. Since culture associates power and authority with masculinity (Charles and Davies 2000), Saudi men are more privileged in holding leading positions which makes it difficult for women to compete in such a culture.

Fig. 7.1 Women participation in the workforce of GCC countries



Source: Authors calculation based on the published data from 2009 to 2013

Over the past decade, Saudi Arabia has witnessed significant participation of women in the Saudi workforce. As a result, the number of Saudi women working in the private sector has drastically increased from around 50,000 in 2009 to around 400,000 in 2013 representing approximately 30 % of the total workforce. In comparison with other GCC countries, Saudi Arabia has the greatest increase in women participation in the workforce during the period 2009–2013, followed by Bahrain, Kuwait, Oman, and Qatar with the lowest percentage. Despite the increase, women's representation of the total workforce is the lowest among other GCC countries after Oman as shown in Fig. 7.1. This low representation could be attributed to challenges that stem from sociocultural perceptions about working women.

Survey Results and Analysis

A web-based survey was developed using Likert scale questions retrieved from the literature. The survey was designed to assess general definitions of *wasta*, perceptions about women at work, and utilization and perceptions about *wasta*. Two versions of the survey were developed for men and women separately. The survey was then distributed using convenience sampling through social media including *What's App*, *LinkedIn*, *Facebook* and *Twitter*. The target population was men and women working in *mixed environments* which were a first of its kind conducted in Saudi Arabia.

Table 7.1 Personal and demographic characteristics of the sample

	Women		Men	
	Frequency ($n = 136$)	%	Frequency ($n = 124$)	%
Age				
22–32	70	51	58	47
33–43	49	36	40	32
44–54	12	9	19	15
55–65	5	4	7	6
Marital status				
Single	29	21	16	13
Engaged to be married	7	5	5	4
Married	85	63	103	83
Divorced/separated	15	11	0	0
Industry				
Healthcare	39	33	5	4
Energy	16	13	45	36
Banking	9	8	12	10
Retail	0	0	1	1
Consulting	4	3	7	6
Telecommunications	1	1	50	40
Other	50	42	4	3
Professional rank				
Executive head	1	1	1	1
Manager	11	8	12	10
Division head	5	4	8	6
Supervisor	15	11	15	12
Group leader	15	11	6	5
Professional	89	65	82	66
Service duration				
Less than 5 years	54	40	36	29
5–10 years	45	33	38	31
11–15 years	20	15	14	11
More than 15 years	17	13	36	29

A total of 617 responses were received out of which 260 responses were considered complete. One hundred and thirty-six from women and 124 from men were considered for this study. The profile of the respondents is displayed in Table 7.1.

Responses received covered a number of service sectors including energy, banking, healthcare, retail, and telecommunication and consulting. As for the age group of respondents, 51 % of women and 47 % of men were between 22 and 32 of age. The majority of men (85 %) and women (63 %) were married, while 13 % of men and 21 % of women were single.

Sociocultural Barriers: Common Perceptions About Women in the Workplace

Gender role theory states that behaviors and activities of each gender are socially predefined in a way that influences an individual's work choice and career advancement (Ismail and Ibrahim 2008). The Saudi society is family centered in which men are the breadwinners and women are the homemakers. Therefore, women aspiring to progress might be viewed as challenging cultural norms and traditional roles. In the past, harsh judgments were passed on women working in mixed environment as jeopardizing the reputations of their families. Since women are controlled by the guardianship of a male superior, decisions about their career choices must be blessed with the guardians' approvals. Some alternatives have come to existence to encourage women participation in nontraditional sectors while respecting cultural values. For example, the first business process outsourcing center was established in 2014 that promotes women's employment in an all-female work environment. This center is operated by *Tata Consultancy Services* and the anchor clients being *Saudi Aramco and GE* (Arab News 2013). This center supports the Kingdom's initiative of women empowerment through active economic participation as GE CEO and chairmen commented "Today, Saudi Arabia is placing high emphasis on creating jobs for its youth and women, and we are proud to be supporting female employment opportunities in the Kingdom, offering placement opportunities and world class training programs" (ibid). This shows the efforts of the Kingdom to encourage women's work within cultural boundaries. Another recent initiative is the launch of Arab Women Award-KSA in 2014 by Princess Reema bint Bandar Al-Saud to recognize the achievements of Saudi women in many disciplines (Eram 2014).

Perceptions about working Saudi women are shaped by the following factors:

(a) Cultural expectations of traditional roles.

The current changes in the Saudi society driven by government reforms to increase women's participation in the workforce trigger some changes in attitudes toward women at work and illustrated in the table that follows.

Table 7.2 Comparison of perceptions about Saudi culture (% of those who gave "Yes" response)

Perceptions about Saudi culture	Men (%)	Women (%)
Saudi culture has positive perceptions about working women	34	56
Saudi culture is considerate to women in leadership positions	27	40
To be a successful leader, a woman has to sacrifice some of her femininity	56	59
It is difficult for women to achieve work-life balance	50	65
It is difficult to hold an executive position and have a family at the same time	64	53

From Table 7.2, 56 % of Saudi women believe that the Saudi culture has positive perceptions about working women, while 64 % of men do not believe the same. However, most men (73 %) and women (60 %) agree that Saudi

culture is neither considerate nor ready for women leaders in the workplace. Knowing that most leaders and decision makers in organizations are men, the chances of women being promoted to a leading position is low. This is due to the prevailing patriarchal perceptions about women that make it difficult for men to accept being led by women. In addition, holding a leading position requires sacrificing personal life to succeed at work which is not acceptable in the Saudi culture. Saudi society holds traditional views of women as committed to the family and household duties. Many of the women holding executive positions are either single or married to expatriates, which are equally disapproved by the Saudi culture. For example, a number of Saudi executive directors in leading organizations are not married. *Hence, the vast majority of working Saudi women finds it difficult to identify with those successful women as role models on the personal level.* For Saudi women pursuing a leading career, it would be very difficult for them to balance their work commitments and family obligations which results in negligence in one aspect for the sake of the others. Therefore, both men (56 %) and women (59 %) agree that a woman has to sacrifice some of her "femininity" to be a successful leader. Some would prefer to remain single or not have children in order to be dedicated to their career which is not socially accepted.

When asked about expressions they heard about working women, more women than men heard statements like "Saudi women are not suited for work outside the home" and "Saudi women with families do not have time for career progression." This is attributed to the cultural perspective of women as being wives and mothers who should put family before work. Although the issue of work-life balance is recognized as a universal concern to working women, it is of a specific interest to the Saudi culture due to its conservative nature. Some 50 % of Saudi men and 65 % of Saudi women surveyed agree that it is difficult for women to achieve work-life balance as they are expected to put work first before family if they want to progress. Moreover, 64 % of men and 53 % of women find it difficult for women to hold an executive position and have a family simultaneously.

(b) Gender segregation on the social level.

Saudi men (52 %) and women (56 %) agree that the personal characteristics of women make life at work difficult. Because of the nature of the Saudi culture, *men and women are segregated at an early age which makes it difficult for them to interact on a professional level.* Because of the segregation, communication gaps are created in the workplace. Men are more conservative when dealing with their female colleagues to avoid any misunderstanding and respect cultural norms. Some would use more caring tone and gestures with women that may not be accepted due to cultural expectation of preserved behaviour on the part of men and women equally. In contrast, women in Western culture would consider a caring tone and gesture as a form of discrimination. Women

in the West are more progressive in their views of interaction with men with the influence of Feminist Movements that called for equality with men in the workplace. As such, they consider caring behaviors and attitudes a form of discrimination rather than a gesture of respect.

(c) Readiness of organizations to retain and promote women leaders.

Table 7.3 Comparison of perceptions about organizational culture (% of those who gave "Yes" response)

Perceptions about organizational culture	Men (%)	Women (%)
The organization I work for is male oriented	54	54
Saudi women are obliged to compete on men's terms	62	73
My organization exhibits managerial gender balance	24	32
My organization has policies to support women's progression to leadership positions	49	39

Although organizations have shown efforts to recruit women, such organizations are not ready to retain and promote women leaders. Table 7.3 displays perceptions of men and women about organizational culture.

Around 54 % of men and women agree that their organizations are male oriented. However, more women (73 %) than men (62 %) agree that women are obliged to compete on men's terms. Both men (76 %) and women (68 %) agree that their organizations do not exhibit managerial gender balance. When it comes to organizational support to retain and promote women, 51 % of men agree that organizations have policies to support women's progression, while 61 % of women believe that they do not receive sufficient support.

Women have experienced sentiments about their lack of required skills and abilities to work in a certain sector. This is expected since such sentiments would be expressed when a woman is applying for a certain position, receiving feedback, asking for an assignment, etc. However, statements about insufficient qualifications to progress or lack of competitive attitude to be a successful leader were less commonly exchanged in the workplace. This indicates that both Saudi men and women acknowledge that women have sufficient qualifications and are competitive enough in the workplace.

Saudi Arabia is a family-based society where the prestige and wealth of families would determine the level of power and influence, i.e., *wasta*, not only to position their members in desired jobs but to influence their career advancement as well. Because of the nature of organizations and the overall culture, women would face gender-based challenges throughout their careers. Although women receive equal educational opportunities as their male counterparts, career progression opportunities are limited. Opportunities such as international

assignment and training or field experiences are limited or impossible for women. Thus, women would consider *wasta* a powerful tool to facilitate their career progression and reach desired goals.

Marital Status: Does It Make a Difference?

In a society that still considers publically calling women by their first name a taboo, having them leave their homes to go work with men as professionals is disdained. Working women would be exposed to negative perceptions relating to her inability to progress while having a family. It would be assumed that only women with families would be a target for such perceptions. However, single and engaged women have been exposed to statement like *women are not suited to work outside the home* or *women with families do not have time for career progression*. Such utterances are frequently heard when a woman intends to apply for or accept a job in a male-dominated sector. They are also more common with younger or newly hired women in an attempt to persuade them to leave their jobs. Some would also experience threats of losing marriage opportunities if they accept nontraditional jobs. As such, sociocultural barriers are the same to women regardless of their marital status which strengthens women's need for *wasta* to overcome career barriers with sociocultural roots. Regardless of marital status, both Saudi men and women have heard comments that communicate messages like "women must sacrifice her femininity to be a successful leader." Although women are already aware of the difficulty of reaching a work-life balance, they would feel pressured by skeptical views of their ability to progress while being wives and mothers.

As for married men, 65 % believe that it is difficult for Saudi women to hold an executive position and have a family simultaneously, while 56 % of single men disagree with that opinion. Married men have experiences with family commitments and obligations. Therefore, they appreciate the role women play as mothers which makes *them understand more the difficulty women would face to create a balance more than single men*.

Perceptions About *Wasta*

Wasta is critical in decision making in the Arab world. Although Arabs argue against it, they continue to use it heavily (Danet 1989). Table 7.4 shows the survey on different perceptions of men and women about *wasta*.

Table 7.4 Comparison of perceptions about wasta in relation to professional rank (% of those who gave "Yes" response)

	Men			Women		
Perceptions about wasta	All (%)	Leaders (%)	Professionals (%)	All (%)	Leaders (%)	Professionals (%)
Wasta is an unfair practice that forces unprivileged employees to lose their rights	76	70	79	61	48	66
Wasta is a corruption that brings about low morale and demotivation in organizations	80	74	79	57	44	64
Wasta is a fair networking practice that allows men/women to succeed in the workplace	28	28	29	54	53	53
Wasta is a tool to overcome many of the barriers men/women face in the workplace	66	72	66	67	73	63
Wasta is an advantage that could help women achieve managerial gender balance	33	32	35	56	55	58
Saudi men/women promoted through *wasta* are less competent than others	77	75	74	46	49	51
Saudi men/women promoted through *wasta* have low morale than others	54	58	56	33	38	33

Around 59 % of the surveyed Saudi women perceive *wasta* as an unfair practice that forces unprivileged employees to lose their rights in work progression and a corruption that brings about low morale and demotivation into organizations. *Some 50 % of Saudi women perceive women promoted using wasta as less competent, while 35 % perceive them as having low morale*. This could be seen as a way of building solidarity with women who managed to become leaders through utilizing *wasta*. Another interpretation is that those women understand the influence of *wasta* in the Saudi culture. A third explanation is that those women do not object using *wasta* to obtain professional gains and thus would not accept perceiving themselves as less competent or having low morale. In addition, respondents understand the significance of morality to women in the Saudi culture, and thus a lower percentage of women agreed to perceptions associated with low morality. This is not to indicate that women using *wasta* have lower morality standards than others, but to confirm that women consider *wasta* a legitimate tool for the disadvantaged population to progress in a male-dominated workplace.

Some 54 % of surveyed women consider *wasta* a fair networking practice that allows women to succeed in male-dominated organizations. As presented by Mohamed and Mohamad (2011), the contradiction between the respondents' negative attitude toward *wasta* and their preference to use it is explained through cognitive dissonance theory. The theory states that dissonance occurs when a person says or does something that is contrary to an internal belief or attitude. Inducing a reward to the behavior will make the latter justifiable (Harmon-Jones and Mills 1999). As such, *wasta* is disdained socially but is still widely used for the benefits users reap when *wasta* is exercised. Being promoted in a male-dominated organization that operates in a patriarchal society is a significant reward for Saudi women. The barriers they face in their careers encourage them to utilize *wasta* although it contradicts their attitudes toward it. As such, 56 % of respondents consider *wasta* as an advantage that could help them achieve managerial gender balance.

As shown in Table 7.4, only 33 % of Saudi men consider *wasta* as a tool that helps women achieve managerial gender balance. This could be explained by men's perceptions that most of the organizations operate in a fair environment. Thus, women could have available opportunities to reach managerial levels without utilizing *wasta*.

It is interesting to note that more women in the professional track (65 %) hold negative views about *wasta* than women in the leadership track (46 %). This means that women leaders understand the importance of *wasta* in their career progression as some might not have progressed without it. Similarly, more women leaders (73 %) than professionals (63 %) perceive *wasta* a tool to overcome many of the barriers they face in the workplace. Regardless of professional rank, around 78 % of Saudi men hold negative perceptions about *wasta* as an unfair practice and a corruption that impacts morale and motivation among employees. However, 66 % agree that *wasta* helps to overcome many of the barriers they face at work. More leaders (72 %) than professionals (66 %) hold this stance. This means that leaders recognize the importance of *wasta* to facilitate career advancement. In line with the cognitive dissonance theory, *wasta* plays a great role in men's career progression. It helps them progress in a highly competitive work environment and thus men use *wasta* despite their negative views.

Unlike women, Saudi men perceive other men promoted through *wasta* as less competent (77 %) and having low morale (54 %) than others which is in line with their negative perceptions about *wasta*. Saudi men tend to discount other employees' competencies and morality when *wasta* is used to get a new job or obtain professional gains. It is evident that Saudi men hold more negative views about *wasta* and its users than women because they are more exposed to the influence of *wasta*. Men constitute the major population of the workforce, and they have more opportunities to get additional qualifications and experiences which increase the percentage of qualified candidates to hold a certain position. Thus, the power of *wasta* will override all qualifications and influence the selection decision. Therefore, disadvantaged candidates would consider their peers promoted through *wasta* as less competent and having low morale.

Wasta as a Facilitator

Wasta to Overcome Social Barriers: From the table below, Saudi women use *wasta* to overcome barriers like getting social acceptance as working women (51 %), creating more friendly work environment (51 %), and having flexible work hours (46 %), illustrated in Table 7.5.

Table 7.5 Comparison of utilizing wasta in relation to professional rank (% of those who gave "Yes" response)

Wasta as a facilitator	Men			Women		
	All (%)	Leaders (%)	Professionals (%)	All (%)	Leaders (%)	Professionals (%)
Overcome a cultural barrier	52	54	49	55	58	50
Convince father/spouse to accept your work position	NA	NA	NA	35	43	35
Create a more friendly work environment	44	50	38	51	61	48
Have flexible work hours	39	48	34	46	46	42

It is interesting to note that using *wasta* to convince a father or spouse to accept a woman's work position scored lower than other factors (35 %), which indicates a cultural change in perception toward working women. *It is part of the Saudi regulations that the approval of a woman's guardian is required before signing a work contract*. This further strengthens the cultural superiority of men over women. Changes in the Saudi culture encourage women to work outside the home and thus *wasta* is used less to obtain supporter's approval. *Wasta* could be more commonly used to get social acceptance as working women in nontraditional sectors. For example, an influential person would intervene to facilitate a marriage arrangement or prevent disagreement of the extended family with regard to a woman's career. This could be attributed to the fact that the vast majority of Saudis still find it difficult to accept women working in a mixed environment. In addition, women use *wasta* to create a friendly work environment and have flexible work hours. The Saudi culture expects women to put family obligations before work which is difficult to achieve while pursuing a career. For example, women having connections in hospitals could obtain medical reports to reduce work hours or restrict their mobility.

Women leaders might be facing more challenges than professionals. From Table 7.5, a higher percentage of leaders have used *wasta* to get social acceptance as working women (62 %), create a more friendly work environment (61 %), and convince guardians to accept their work position (43 %). The leadership path is characterized by high level of commitment, ongoing assignments and relocations, as well as constant travel. Such work demands are not commonly accepted for Saudi women. Therefore, Saudi culture shies away from accepting women presuming leading positions in nontraditional sectors as they are perceived as breaking away

from social expectations. As described by a supervisor in a leading company, families would not allow their daughters to mingle with ambitious or “radical” women pursuing a career in nontraditional sectors.

Saudi men do not show the same level of *wasta* utilization to overcome social barriers as women, specially creating more friendly work environment (44 %) and having flexible work hours (39 %). This could be explained by the fact that society mandates women to take care of family matters which makes flexible work hours more important to them. Likewise, women leaders would be competing with men who could commit more to their work demands. Therefore, women leaders’ need for friendly work environment is greater than others’ need for it. For example, refusing an assignment or taking maternity or childcare leaves would make a woman leader appear less committed to work when compared to her male counterparts.

Table 7.6 Comparison of utilizing wasta in relation to professional rank (% of those who gave “Yes” response)

Wasta as a facilitator	Men			Women		
	All (%)	Leaders (%)	Professionals (%)	All (%)	Leaders (%)	Professionals (%)
Assist in achieving career goals	58	56	56	60	59	57
Get experience for a certain position	44	58	34	57	61	51
Get an international assignment	40	33	40	44	33	45
Obtain additional educational qualifications	43	42	42	54	52	55
Get special training and skills development	49	52	44	62	65	60
Change a work policy to help you progress	33	35	29	35	48	29
Create a more friendly work environment	44	50	38	51	61	48
Get a promotion	47	48	45	54	59	49

Wasta to Overcome Professional Barriers: The stereotyping of women that they do not fit certain jobs that require commitments, qualifications, and experiences denies them equal opportunities in career progression. As a result, they consider using *wasta* to challenge such stereotyping. There is an obvious difference in men’s and women’s viewpoints of the amount of effort women have to put to progress. While 65 % of surveyed women agreed that they must work longer and harder to prove their credibility to achieve the same progress as men, 69 % of men hold an opposing stance. As shown in Table 7.6, a higher percentage of Saudi women use *wasta* to obtain additional educational qualifications (54 %) and get special training and skills development (62 %) in comparison to men. Since men control organizations,

women have limited opportunities to progress in their career. In male-dominated organizations, men have privileges of mentorship, networking, and role models which facilitate their progression, while women are denied such privileges.

Saudi women use *wasta* to help in career progression including achieving career goals (60 %) and getting required experience (57 %), promotion (54 %), or international assignments (44 %). The percentage of women using *wasta* to get an international assignment is the lowest because Saudi women with families might find it difficult to accept an international assignment. In most cases, they have to arrange for the family's relocation which requires approval from spouse. For single women, the consent of their male guardians must be obtained per the country's regulations.

Like women, it is important for Saudi men to use *wasta* to achieve career goals. It is interesting to note that almost 60 % of both men and women leaders have used, or know someone who has used, *wasta* to get the required experience for a certain position. Moreover, leaders, regardless of the gender, have noted the utilization of *wasta* in order to create a friendly environment and have flexible work hours more than professionals. Those findings show that *wasta* is utilized more by leaders for certain purposes. However, Table 7.6 shows a lower percentage of Saudi men (33 %) and women (35 %) using *wasta* to change work policies since most policies are based on governmental laws and regulations.

Hence, *wasta* cannot do much to make a change in one's favor. *For example, female engineers are not allowed to work in fields which limit their experiences and give their male counterparties an advantage over them in promotions and leadership positions. Policy could be one of the greatest obstacles in career progression.* If a policy is difficult to change, some would use *wasta* to waive it. More women leaders (48 %) have used *wasta* to change a work policy than professionals (29 %). Being able to change or waive a policy through *wasta* could have significantly influenced leaders' progression.

The Importance of Wasta as a Facilitator

Table 7.7 shows the level of agreement to the importance of *wasta* in the workplace. Around 63 % of Saudi men and women agree that *wasta* is more important than knowledge, qualifications, skills, and talents to progress into leadership position. More women (61 %) than men (51 %) see that friends and family members in high positions are needed to get promoted. One interpretation of this perception is that men have more access to different channels of *wasta* beyond family members. These channels could be developed through social and professional networking opportunities that men use to their advantage. Similarly, more women (54 %) than men (38 %) believe that *wasta* is more important for women in progressing into leadership positions. Because women believe that they need to work harder than men to progress, they would believe that *wasta* has a special importance to their career advancement.

Table 7.7 Percentage of those agreeing to the importance of wasta in relation to professional rank

Statements about the importance of wasta	Men			Women		
	All (%)	Leaders (%)	Professionals (%)	All (%)	Leaders (%)	Professionals (%)
To get a promotion, friends or family members in high places are needed	51	48	52	61	47	69
To get promoted, *wasta* of the candidate is more important than qualification	61	55	64	62	53	66
When it comes to promotion to higher positions, who you know is more important than what you know	65	60	66	65	62	66
Wasta is more important for women than for men in progressing into leadership positions	38	36	40	54	49	56
Wasta is more important than gender to be promoted to leadership positions	59	52	61	62	60	63
Wasta is more important than skills and talent to be promoted to leadership positions	60	50	64	57	45	64
Wasta is important to get the right training for women to develop in the workplace	51	38	57	66	68	65

Men's level of agreement to gender-neutral statements is consistent. However, in the statement about *wasta*'s special importance to women, men's level of agreement dropped, which shows that men perceive *wasta*'s importance to both genders equally. This further confirmed the agreement of both men and women (61 %) that *wasta* is more important than gender to get a promotion. Women could be more sensitive to statements that highlight importance of *wasta* to them specifically, and therefore their responses are skewed toward agreement compared to men. For example, 66 % of women agree that *wasta* is important for women to get the right training in order to progress, while only 51 % of men believe so although both men (63 %) and women (71 %) agree that women do not receive equal opportunities to training and assignments as men.

Professionals regardless of their gender acknowledge the importance of *wasta* at a higher percentage than leaders and that *wasta* is more important than skills and qualifications. Despite their negative perceptions of *wasta*, professionals consider *wasta* as highly influential in career progression. Leaders would tend to show that

they have been promoted because of their qualifications not because they have the right connections. In addition, 57 % of male professionals agree that *wasta* is important for women to get the right training, while 62 % of leaders disagree. Professionals work closely with their female counterparts and recognize the limited opportunities available to women. Thus, they understand women's need for *wasta* to be enrolled in development programs. Some organizations consider quotas of the total employees in developmental programs. Since women are minority in nontraditional sectors, their opportunities are limited which is in line with Metcalfe's (2006) findings that men are given priority to training over women.

There are a few exceptions of successful women who managed to break through to leading positions like *Lubna Olayan*, *the CEO of Olayan Financing Company*, *Nahed Taher*, *the first Saudi female CEO to an investment bank*, and *Huda Al-Ghoson*, *the first Saudi female to be an executive director in Saudi Aramco*. The success of such role models might inspire others to reach executive positions, but *they remain an exception to the general population of Saudi female employees*. Men's aspiration to lead is high to reach a CEO or board member level. However, those with *wasta* would be given an opportunity to exceed other qualified professionals to a more senior position.

Generational and Gender Differences: Does It Really Matter?

Compared to the older generation of women, the younger Saudi women hold more negative perceptions about *wasta* in the workplace (63 %), consider *wasta* as a means to achieve managerial gender balance (58 %), and consider women promoted through *wasta* as less competent than others (52 %) as shown in Table 7.8. The negative side of *wasta* is more obvious to the younger generation as professionals are equally competent, but privilege is given to those with the strongest *wasta*. The generational differences in perceptions could be explained by the increased number of Saudi women participating in the workforce. The percentage of Saudi women participation in the private sector has drastically increased by more than 700 % in the past 5 years (SAMA 2014). In light of women empowerment initiatives in the Kingdom, the younger generation of women has more opportunities in education, alternative career options, and aspiration to lead which makes competition high. Therefore, opportunities would be given to candidates with the strongest *wasta* denying other qualified candidates such opportunities. The older generation faced lots of obstacles because of scarce educational opportunities, cultural resistance of women working in mixed environments, and lack of policies that support women career progression. Therefore, the older generation's resort is to use *wasta* to get the required attention as professional individuals.

Table 7.8 Comparison of different perceptions about wasta in relation to age and gender (% of those who gave "Yes" response)

Perceptions about wasta	Men		Women	
	Younger (%)	Older (%)	Younger (%)	Older (%)
Wasta is an unfair practice that forces unprivileged employees to lose their rights	78	82	65	44
Wasta is a corruption that brings about low morale and demotivation in organizations	78	75	61	48
Wasta is a fair networking practice that allows men/women to succeed in the workplace	28	32	55	60
Wasta is a tool to overcome many of the barriers men/women face in the workplace	62	65	65	72
Wasta is an advantage that could help women achieve managerial gender balance	35	28	58	47
Saudi men/women promoted through *wasta* are less competent than others	72	78	52	27
To get a promotion, friends or family members in high places are needed	59	50	54	63
When it comes to promotion to higher positions, who you know is more important than what you know	59	73	59	59
Wasta is more important for women than for men in progressing into leadership positions	26	45	54	71

Compared to the younger generation of women, women of the older age group see the need for influential friends and family members to progress (63 %), consider *wasta* more important for women than for men to progress (71 %), and believe that *wasta* is important for women to get training opportunities to develop in the workplace (73 %). One interpretation of these findings is that the younger generation feels more confident in their skills and qualifications to compete with men. Another interpretation is that the older generation was not privileged with educational and training opportunities similar to those available to the younger generation. Therefore, they believe that *wasta* is important for women to develop. Moreover, the Saudi culture held negative views about mixed environments in the past. For a woman working in such an environment, there would be social pressures not only on her but also on her family that would limit her development and thus *wasta* is used to facilitate her career.

On the other hand, Saudi men hold negative views of *wasta* regardless of age. They realize the role *wasta* plays in career progression as well as other life aspects. Since the sectors understudies are male dominated, men have always had access to educational and experience opportunities which make competition high among candidates with the same qualifications. As such, *wasta* is one of the main influential factors in the selection criteria of candidates. From Table 7.8, a higher percentage of the older Saudi men (73 %) believe that when it comes to promotion, who you know

is more important than what you know compared to the younger generation (59 %). One interpretation is that the older generation's response is based on what they have experienced themselves. Qualified professionals of the older generation could have been capped through glass ceiling that restrains them from holding executive positions.

In comparison to the older generation (45 %), only 26 % of the younger Saudi men agree that *wasta* is more important for women than for men in career progression. The younger generation of men might be more radical in their views of women professionals. They see women as colleagues with equal qualifications and thus do not specifically associate *wasta* with women's progression. Saudi media is full of articles disdaining the use of *wasta* which could influence how people perceive it. The younger generation of Saudi men and women hold more negative views about *wasta* although they are usng it, as a journalist once commented, "It seems that the young men and women in our country are starting to dislike *wasta* and realize its long-term negative impact on the country" (Al Bishr 2014).

Wasta as a Barrier: Reverse Impact

Some Saudis have been impacted negatively by their connection to influential people such as father, uncle, husband, or in-laws. They, like their connections, are very successful as they have got the benefit of good education in reputable schools, fluency in more than one language, and international experience. Put together, such qualifications make them good candidates for attractive job opportunities and promotions. They attribute their success to their independent efforts and distinguished talents, not to their connections. However, they are fully aware that society does not look at their success as a mere response to their own hard work. The influence of *wasta* is so dramatic that every success is attributed to the power of the invisible hand of *wasta*. To those connected to influential individuals, the attribution is more evident as gossip about their *wasta* is spread like wildfire. People become blind to the talents and qualifications of that individual declaring *wasta* as the only stimulator and moderator of the individual's career. There have been occasions when such individuals speculate about some challenges at work, and the answer they get from friends and colleagues is, "why do not you talk to your father. He might be able to do something about it." As irritating as it might sound, being said publically, such an advice gives an indication to the advantaged individuals that "since you have got all what you got through your *wasta*, you might as well overcome your challenges through *wasta*." As a consequence, advantaged individuals look at their *wasta* as having reverse impact on them. It is a barrier rather than a facilitator. Not being recognized as professionals who have succeeded using their own efforts makes those individuals feel that they are less advantaged than others as one commented.

> The influence of wasta in my career is only a perception. Throughout my life, people believed I have been successful because of my connection to (name omitted). I could have been influenced indirectly, but I can't hide my name and I have never meant for my name to

> be a wasta. What bothers me is that my achievements are not attributed to my determination, qualifications and talents as if I am not good enough! This, however, makes me determined to prove the opposite. (Buhlaiga 2015)

It goes without saying that advantaged individuals could have used their *wasta* at a certain point of their life either directly or indirectly. The influence of their name alone could give them preferential treatment that is directed by mutual benefits since they mostly apply for jobs within their networks. Thus, advantaged people do not need to refer to their *wasta* for help as the influence of their name would do them well by default.

Conclusion and Recommendations

Perceptions about working Saudi women are shaped by three factors which are cultural expectations of traditional roles, gender segregation on the social level, and readiness of organizations to retain and promote women leaders. Saudi women believe that the Saudi culture has positive perceptions about working women as a result of government encouragement through women empowerment initiative. Men, on the other hand, hold an opposing stance. Despite that variance, Saudi men and women agree that the Saudi culture is neither considerate nor ready for women in leadership positions. Professional interaction is a challenge to men and women because of the segregation on social and educational levels. As a result, the personal characteristics of women are perceived to make life at work difficult. Although many organizations in nontraditional sectors are hiring women, their policies, procedures, and practices are still male oriented. Women, regardless of their marital status, heard skeptical views about their ability to have a family and progress in their careers simultaneously. Men, on the other hand, perceive women's ability to balance work and family commitments differently depending on their marital status.

As negative as it may sound, *wasta* is used to overcome barriers that men and women face in their careers. Some factors influence perceptions about *wasta* and its utilization in the workplace such as gender, professional rank, and age. In the Saudi culture, more women than men are challenged with social and professional barriers. Therefore, women use *wasta* more to overcome such barriers and hold less negative views about *wasta* and its users. Men and women acknowledge the importance of *wasta* in career progression, yet women stress its importance for women to get the right training and progress. Another factor is professional rank which impacts how employees perceive *wasta*. Although professionals hold more negative views about *wasta* than leaders, they stress its importance in career progression. Those in the professional track may not have access to *wasta* and therefore they acknowledge that *wasta* is needed to progress. When it comes to the age factor, generational differences are more obvious in the perceptions of women than men.

Although there have been several studies in the Arab world discussing the influence of *wasta* in recruitment and promotion, this study is the first to examine *wasta*

and its utilization in the Saudi work context. It is evident that *wasta* plays a vital role in the Saudi work environment despite the government effort to eliminate forms of corruption through the anti-corruption commission (*NAZAHA*). Although *wasta* is labeled as a form of corruption by researchers and journalists, the commission would find it difficult to eliminate its practice. Unless the Saudi culture undergoes a paradigm shift with regard to disdaining the practice of *wasta*, it will continue to inhibit fairness and equity in the workplace. As once reported,

> While the initiatives outlined above are notable in a region that has long tolerated corruption, the underlying cultural context needs to be addressed. Any effective crackdown will also need to take into account the hidden force in Arab society, namely: *wasta*. (Feghali 2014)

In order to control *wasta*, it is recommended that an external entity be established to assess and qualify graduates prior to applying for jobs and certify candidates to be legible to hold certain positions. With regard to encouraging more women to work, women-friendly policies like flextime and work from home are needed to help women achieve work-life balance. Also, it is recommended that feminization quotas are established and gradually implemented in different sectors to include more women in leading positions. This would help to change perceptions about working women and would avail opportunities for women to progress.

Chapter 8
The Psychology of *Wasta* and Its Impact on Nationalization and Expatriation

Radhika Punshi and David Jones

Introduction

> The GCC's talent landscape can sometimes be very like its roads. Sleek and modern infrastructure belies the quality of driving. Multicultural challenges of negotiating behavioral expectations of how to occupy the same stretch of tarmac at the same time as hundreds of other people from all over the world. With varying standards of training amongst drivers, a variety of vehicles and similar yet different destinations. All travel with the expectation that they are going to get somewhere fast—even if they often leave it a little late with an unrealistic expectation of how long the journey will take, often willing to bend, stretch or break the rules of the road. The speed and scale of the region's rapid road to growth and development can sometimes lead us to forget where we came from. In many ways, the past was a completely different place even if it occupies the same geography as the present or the future.

The Gulf States provides fascinating dichotomies in terms of its sociocultural landscape with its extremely diverse local and expatriate populations forming a rich social fabric of varied ethnic, cultural, national, and international influences. One of the most interesting settings where this plays out is within the region's labor markets. Over the past few decades, the speed and scale of expansion in economic activity and the accelerated development of the organized employment sector (both public and private) have been remarkable. Although most employers would claim that their organizational cultures and current workplace practices are extremely modern and contemporary, often drawing comparisons to London, Singapore, or New York, the truth remains that this perception of modernity is equally balanced

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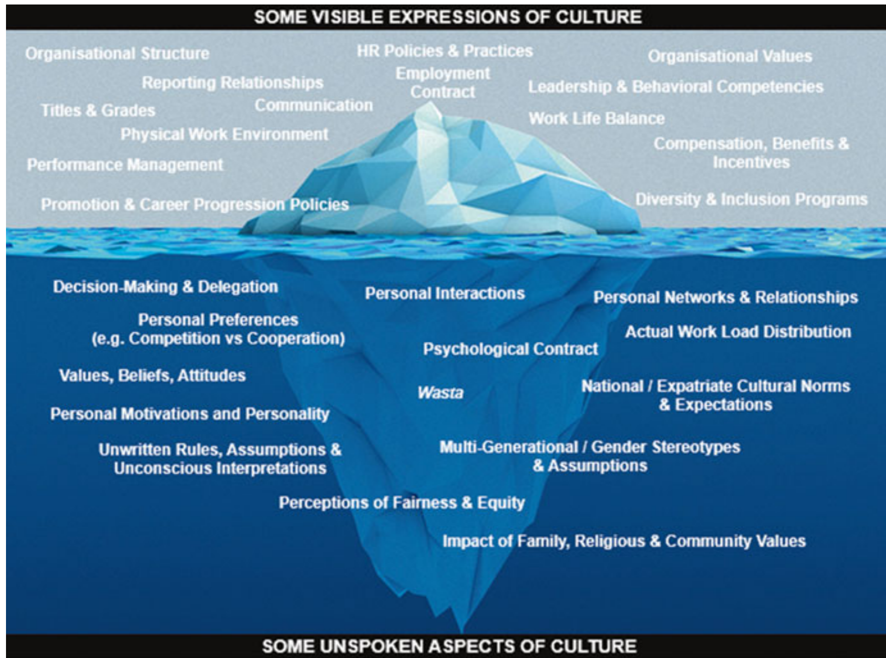
with the realities of extremely traditional practices, "below the surface" cultural norms, and unstated rules and expectations. There is a constant and visible dichotomy between a quest for modernity and a reliance on tradition, on how "things are always done around here." This could relate to aspects such as decision-making, leadership, employee engagement, and performance management. Primary among these traditional mechanisms for getting things done is *wasta* (Fig. 8.1).

Fig. 8.1 Visible and unspoken expressions of culture in the GCC



Source: The Talent Enterprise, Image from https://dribbble.com/shots/1104190-Iceberg

Wasta is variously translated into English as "pull" nepotism, intercession, mediation, connections, or clout. It is about obtaining scarce resources or getting something done through favoritism, social influence, or connections. By implication, *wasta* provides an alternative distribution method to competitive markets, and those without sufficient "*vitamin W*" may disproportionately suffer from social and economic exclusion in the region. Arguably, the impact of *wasta* is most likely to be felt by youth, women, and expatriates within the region's workplaces. It is described as the hidden force in Arab Society, pervasive and corrosive in terms of efficiency and competitiveness in its operation throughout Arab social and economic activities, including in the workplace. In essence, it promotes rent-seeking behavior among actors in the region's labor markets, where incentives exist to encourage a focus on obtaining a disproportionate share in the surplus economic "rents" afforded by the exploitation of the region's vast fossil fuel reserves, rather than through innovation, productivity, or other forms of competitive advantage.

From a sociological perspective, *wasta* can be argued to have a social function. In traditional societies, where family, kinship, and tribal ties between relatively small populations were critical in terms of establishing identity, loyalty, and trust, *wasta* could serve as a positive force for social cohesion and interaction. This positive *wasta* served as an efficient and effective means to distribute resources from a centralized authority across the social structure more broadly, thereby promoting leadership legitimacy, favoring excessive concern with preserving hierarchy, and conserving social stability at all costs.

However, within the rapidly growing and changing societies of the Gulf Cooperation Council (GCC), social dynamism and development can mean that key constituencies, in particular the growing numbers of youth, women, and expatriates operating in the region's workplaces, can experience heightened exclusion from the established distribution channels. The region's workforce and workplaces are renowned for being uniquely broad in terms of their diversity, although noticeably less so in terms of their inclusion. In particular, the concurrent focus on both modernism and traditionalism in GCC societies noted by other authors means that *wasta* becomes an inconsistent and incomplete social mechanism which competes with other "alien" imports, such as open markets, democracy, meritocracy, and class or caste systems. Thus, the operation of *wasta* in the workplace is not exclusive, and this can cause significant challenges in perceptions of fairness, managing expectations, promoting productivity, and achieving greater levels of employee (and social) engagement.

It would be assumed that the private sector and particularly multinational organizations pursuing "global best practices" are thus likely to be more open and meritocratic in their operation within the region, whereas public sector organizations are likely to be more opaque and reliant on *wasta* in their internal operation as employers. In the former case, the primary organizational currency of influence is achievement, contribution, performance, and productivity, whereas in the latter, loyalty, respect for hierarchy, trust, and compliance would likely be more highly valued. Interestingly, research indicates that the average level of employee engagement, productivity, and well-being among public sector employees is significantly lower than among those within the private sector (Qudurat 2011).

Two institutions have become enshrined at the core of the region's workplaces—expatriation and nationalization. Both phenomena segment internal and external labor markets, and each has its own further subdivisions and strata. This can serve to reduce labor market mobility, particularly of high potential talent across these boundaries, thereby reducing efficiency and engagement levels within the region's workplaces. Arguably, both need to be eradicated and readdressed in their current forms in order to unfreeze the region's sclerotic labor markets, particularly as the GCC aims to achieve a transition from an energy-based toward a knowledge-based economy. Expatriation, with its foundation built on the exclusive *iqama* and temporary/renewable sponsorship system, stymies productivity and discourages part-time working and flexibility in general. Nationalization, and its current focus on achieving higher quotas of GCC nationals within the workforce, encourages a sense of tokenism and reduces the incentives for individuals, employers, and the state to

invest in developing more sustainable productivity and human capital. Both expatriation and nationalization in their current forms are built on the operation of rent-seeking behavior, and *wasta* supports this pattern as a noncompetitive, nonmeritocratic means of securing opportunities within the workplace.

The structure of these two social shibboleths promotes the pursuit and operation of *wasta* in the workplace, wasteful competition within the key cohorts of the highly segmented labor markets rather than between them. A lack of significant social mobility means that workers compete for their share of economic rent not through a meritocratic demonstration of their productive potential, as per the tournament theory and ideas associated with human capital theory would suggest, but rather they seek to protect their knowledge, enhance their influence, and trade informal obligations and unspoken influence in order to get things done, outside of the official production or service process. This serves to further segment our divided workforce and to stiffen the sclerosis of hierarchical, bureaucratic, and anachronistic workplace practices. Moreover, it also reduces the potential benefits of positive competition between talent, which arguably ensures the most productive rise to the top of the organization and incentives exist for average levels of performance and productivity to rise, as the outcomes of these "tournaments" are determined by effort, engagement, and their resulting business impact. Any perception of the futility of these "tournaments," e.g., through a lack of consistency and fairness arising from excessive reliance on *wasta*, results in a negative impact on effort, engagement, and arguably productivity, well-being, and, ultimately, international competitiveness. Negative internal competition, aka dysfunctional organizational politics, between the multifarious segments of the internal and external labor markets across the region, can only serve to reduce external competition with our organizational and international rivals.

The interesting question remains: Whose interests does this system of rent-seeking behavior or *wasta* serve? Arguably, no one. Ruling elites suffer from a long-term diminishment of international competitiveness and the ultimate reduction in the pool of rents which they can seek to distribute through the established channels of munificent dictatorship. Employing organizations suffer from *Byzantine* formal and informal hierarchies and practices predicated on the peddling of petty influence as a priority over and above performance and productivity. Individual employees suffer from disengagement, frustration, and being *tufshan* (Menoret 2014) in colloquial Arabic—isolated, powerless, and adrift. More broadly, in terms of the overall dichotomy between modernism and tradition, society can suffer from a "saying-doing gap," a lack of authenticity, and a feeling of anomie between those excluded constituents of the community, thereby creating long-term uncertainty and instability as a result.

The most concerning trend from an organizational perspective is the significantly lower level of employee engagement, or general motivation, reported by local talent as compared to the rest of the workforce. Our work in employee engagement demonstrates that, on average, less than 50 % of nationals are fully motivated and

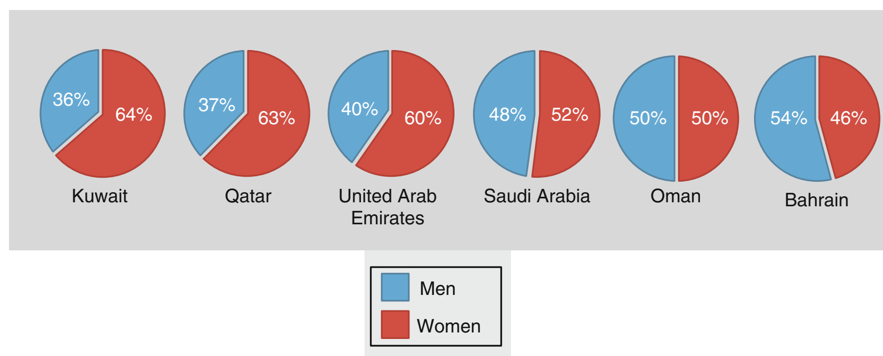
actively contributing to their jobs. This lack of motivation is generally pronounced among youth with our under 25 and 25–34-year-olds reporting alarmingly dismal levels of motivation among all age cohorts. It is not difficult to imagine the impact of this on individual performance and organizational productivity. A generally lower-level participation in the formal workforce, combined with lower morale among GCC nationals in general, creates a cycle of continued reliance on expatriates, particularly among truly commercial organizations in the region. Policy makers and organizational leaders need to proactively address these challenges to youth motivation and a general lowering of productivity expectations. However, the good news is that even incremental shifts in the level of engagement will have a disproportionately positive impact on key indicators such as performance and productivity.

A noteworthy fact is that across the Gulf States, local talent working in the private sector report much higher levels of engagement than those working in the government. This defies the traditional assumption that aspects such as high pay, better working hours, favorable benefits, and so on lead to higher levels of work motivation. This is emphatically not the case. National talent are looking for greater growth opportunities; personal and professional development; recognition; and fulfilling, challenging work offered by the private sector and are getting increasingly frustrated by the bureaucratic nature of public sector organizations, dominated by supreme hierarchies, a glacial pace of change, and an overall lack of meritocracy. A purely quota-driven, role-filling, supernumerary approach is no longer good enough. National Talent Advancement 2.0 is all about promoting a meaningful and enduring elevation of local capability to sustain the long-term growth and success of the region's organizations. At the same time, those groups who are largely excluded from this nexus are increasingly frustrated, namely, women and youth.

Why Are Women Losing Out in Our Labor Markets?

For women, the workplace remains one of the few places where they continue to experience relative disadvantage compared to their male counterparts. Arguably, in all other aspects of social life within the region, health, well-being, and educational attainment in particular, females are surging ahead with better outcomes than their male counterparts. The reverse is true for males. Men in general have easier access to high-paying, high-status employment, although they often achieve substandard educational outcomes compared to their female counterparts. According to Ridge (2014), "girls in the Gulf States are now attaining greater levels of education and out-performing boys across all subjects and grades in both national and international assessments." This positive trend continues in higher education, where women outnumber men in almost every Gulf Country with regard to university attendance (Fig. 8.2).

Fig. 8.2 University attendance in the GCC



Source: Davies (CNN) & UN Statistics Division

Table 8.1 Female workforce participation rate in the GCC

Country	Female workforce participation rate (15–64) (%)
Kuwait	43
Qatar	52
UAE	44
Saudi Arabia	17
Oman	28
Bahrain	39

Source: ILO Key Indicators of the Labour Market (2014)

With higher average levels of educational outcomes and stronger indicators of work-ready skills and attributes, such as greater flexibility, empathy, work preparedness, and a sense of determination, it is clear that women currently represent the single most significant latent talent pool available in our tight labor markets. However, paradoxically, despite making significant strides in educational attainment, they are losing out at our workplaces. Women in the Arab world have some of the lowest rates of female labor force participation at 26 % compared to a global average of 52 %. Within the GCC, these figures range from 17 % in Saudi Arabia to 28 % in Oman to 44 % in the UAE. Research indicates that Arab women are on an average twice as likely as men to be unemployed. Among female youth actively seeking work, 43.9 % are unemployed in the Middle East, twice the male youth unemployment rate at 22.9 % (Jalbout 2015). Also, ironically, the younger and the more highly educated women face higher unemployment challenges (Table 8.1).

Along with low levels of workforce participation, the fact remains that existing people policies and practices within organizations are not effectively supporting

working women, leaving much more to be desired in order to make the most of their contribution and performance at the workplace and to support their retention.

Traditionally largely excluded from the male-dominated *wasta* nexus, females currently report lower levels of employee engagement (50 %) compared to their male counterparts (57 %) (Qudurat 2011). One of the main reasons cited for this is a perceived lack of fairness at work. This is most visibly evident in the unequal distribution of pay and benefits. Even though many employers would claim to have equal pay and benefits from a philosophical point of view, the reality on the ground, in terms of actual pay differentials, is quite stark. It is estimated that the pay gap between men and women in the Middle East and North Africa (MENA) region ranges between 20 and 40 % (World Economic Forum 2012). At one level, the issue of pay discrimination is a social problem, where society may not see women's contribution to the labor market to be on the same level or importance as that of men. On the other hand, there is much lower tendency for females to enter into pay negotiations and a lack of awareness of their equity in the market.

Another significant area where females in our region are at a considerable disadvantage is due to their relative lack of access to networking, both formal and informal, during and after work hours. The power of these networks and alliances to strengthen business relationships is often underestimated, and we find that many critical work and personal decisions are made, largely by male peers, during informal *sheesha* sessions with colleagues late in the evening or during the more regular smoke breaks during the day. This is potentially when the male-dominated *wasta* nexus is most active and females often lose out because of their absence.

Often females do not often have the additional time or indeed the willingness to network. Many report that their domestic responsibilities demand that they have to leave work promptly, particularly in Saudi Arabia, where female employees are dependent on transport previously scheduled and provided by their employer or male relatives to drive them to and from work, since driving by females was formally banned in the early 1980s within the Kingdom. This results in women being absent from informal evening networking and prevents them from building their *wasta* in the same way which is open to men. Interestingly, some of these issues are not unique to the Arab world alone. A global research study found that, on an average, men found it easier to use informal means to persuade a senior colleague to back their development, whereas women benefit more from structured help because they are generally more reluctant to promote themselves with seniors and less inclined to spend as much time socializing during and after work (Twenty First Consultancy Research 2011). As a result, females are less likely to build up useful networks of contacts, which in our world would impact their dependence on *wasta* to get things done or get ahead in their careers. Hence, sadly, young women in the region who enter white-collar jobs tend to stay in the labor force for less time, and there is still a complete dearth of them at

senior levels. Building formal and informal opportunities to engage in these networks is thus highly necessary for female talent to succeed within their organizational hierarchies. To negate some of the negative impact of *wasta* at the workplace, females would benefit greatly from structured coaching, mentoring, and sponsorship programs.

Wastacracy Versus Meritocracy for Our Youth

While ongoing ethnic, religious, and/or geopolitical struggles and the impact of slumping oil prices have dominated the recent popular global discourse about the region, a much less debated issue that will also help to define the outlook of the region's economies has been a pervasive and persistent influence of government policies across the Middle East. Average youth unemployment rates within the broader MENA region are the highest in the world. A recent World Economic Forum report (2015) puts jobless rates among youth under 25 at 27.2 % in the Middle East and 29 % in North Africa. Combining this with *wasta*, the impact is particularly damaging for long-term productivity and efficiency.

Interestingly and uniquely for the region, education has an unexpected effect on predicting joblessness. If jobseekers have been to college, their likelihood of being unemployed almost doubles, whereas in most other countries and regions in the world, graduates have a statistically significant higher chance of being employed. In the MENA region, graduates have an equal and opposite statistically significant lower chance of finding employment after graduating from college. In other words, the region's labor markets are not sufficiently efficient and outcomes are determined by other exogenous factors—including *wasta*. This provides further evidence that labor markets are not primarily driven by meritocratic imperatives or by potential productivity in the workplace to the same extent as they are elsewhere in the world. Rather, noneconomic factors are at play. Clearly more research is required, but *wasta* adds another element of inefficiency to the region's sclerotic labor markets, in addition to their highly segmented nature, both in terms of internal (micro) and external (macro) labor markets.

One of the first barriers faced by youth is at their entry point into the formal labor market. For most adults, finding a job is a daunting task, let alone the situation for a young jobseeker, with limited access to information and resources and limited opportunities to have developed significant contacts or connections. In a recent research by The Talent Enterprise (2015), the main source of finding a job for students was through their friends, family, and connections as compared to through their college placement counselors or establishing contact with employers directly. This was seen as a less likely option for UK students; interestingly, within the GCC, both national and expat youth responded in a similar way. Hence, this implies that students in the region are compelled to rely on personal connections or "whom they may know" versus more structured entry options into organizations (Table 8.2).

Table 8.2 Students' most preferred source of finding a job

	GCC National students (%)	Expat students (%)	UK students (%)
Searching online/job portals, etc.	23	14	31
Via your friends, family and personal contacts	24	23	13
Through securing part-time work, internships or apprenticeships first	13	21	17
1 don't know yet	15	17	18
Government agencies	10	2	2
Your school/college student placement cell	8	13	12
Recruitment consultants/talking directly with prospective employers	5	8	6
Advertisements/newspapers	2	3	2

Source: The Talent Enterprise Youth Employability Research (2015)

This research is supported by Bunglawala at Brookings Doha Center (2011) who highlights that

> the major obstacles most frequently identified to gaining labor market access included: lack of awareness of how to job-search, connect to employers, and access career advice; needing connections (*wasta*) to get a job. Many students said that despite their willingness to go through open competition (rather than rely on *wasta*) to find employment, they found it difficult to actually find a job by responding to job vacancies or through sending out CVs to potential employers.

This is further substantiated by the Silatech Index (2009) where

> needing connections to get a job, or selection system readiness, is another obstacle youth frequently mentioned. The perception that jobs are only given to people who have connections (*wasta*) is not dominant in any one region, but youth in Bahrain (32 %)…..are among the most likely to mention this. When asked separately whether knowing people in high positions is critical to getting a job, majority of youth in every country surveyed agree.

Although in theory, entry strategies such as access to internship programs would make sense in the provision of equal opportunities, the growth of internships within the region would imply that, increasingly, someone's fate could be determined not by "what" they know but by "who" they know. The private sector's growth of the use of internships (scholarships) elsewhere in the world has been an effective introduction to the professional/knowledge-based careers that are expected to provide most employment opportunities in the future. However, internships, instead of being a foot in the door for youngsters from all backgrounds, can be a barrier to those who lack the connections to get them or the financial means to forgo pay. Many placement schemes are run in a manner which often means employers are missing out on talented people and talented people are missing out on the opportunities to progress, themselves relying on informal recommendations. If internships are unpaid, then it is likely that you are going to limit the opportunity to those already from well-off, well-connected families.

The second obstacle if and when youth find a job is how they then manage to navigate the complex world of employment, especially related to their career progression, including promotions within their employing organizations. *Wasta* leads to patronage and a patriarchal approach to work, which younger workers often report as being patronized, and this is extremely frustrating for them to deal with on a daily basis. Loyalty, family names, and personal relationships often trump meritocracy, especially in the public sector, and this is something young, ambitious, and career-oriented youth can often find a hard pill to swallow.

Also, within the GCC, many of the older generations, occupying the highest echelons of organizational hierarchies and leading the largest businesses, were arguably in the right place at the right time in terms of the region's economic development and were able to secure monopolistic business deals and government licenses. In effect, this means that young entrepreneurs have many business opportunities which are made unavailable for them. Stereotypically, many local "entrepreneurs" remain full-time government employees who receive subsidies to start new businesses, typically in retail or hospitality, largely employing expatriates and limited by their nature of operating within their country of origin. Nonetheless, many of the entrepreneurs who have received support from the state to start their businesses also remain as full-time state employees, employing expatriate managers and staff to run their businesses on a day-to-day basis. In addition, the state support itself may prevent the "filtering" out of poor business ideas or a lack of execution of a good idea, from the usual evolutionary forces of full competition. Nonetheless, the popularity of TV programs, such as *The Entrepreneur* in the UAE and *Israr* in Saudi Arabia, indicate that there has been a slow but positive shift in favor of founding and operating your own business among the local population. Whether or not this *wanterpreneurship* develops into full-blown entrepreneurship remains to be seen.

Additionally, the digital divide plays out in a very unique way within the region. Firstly, over the next decade, the local workforce in our region will continue to become progressively younger, not older, as is the case in many other parts of the world. Secondly, the older generation who had influential positions within the GCC in previous decades during the drive toward independence and rapid fossil-fueled development were able to use their *wasta* to secure geographically exclusive business franchises and licenses and/or lucrative senior or strategic positions across public and/or private sector organizations. This serves to restrict the scope of entrepreneurial and employment opportunities for younger people, which in turn means they are unlikely to be able to develop their *wasta* to the same extent as their older compatriots. In addition, the younger generation are more likely to be better educated and thus more likely to concurrently compete at work in terms of their productive potential and own merits. This has created an increased "identity dissonance" among younger workers (Qudurat 2011). Furthermore, younger people in the GCC display some of the highest level of social media penetration anywhere in the world. This indicates an alternative approach to building and operating traditional *wasta* networks compared with the older generation. This is one facet of the process of social change involving the negation of a transition of power, influence, and patronage, i.e., *wasta*, from the older to the younger generation across the region.

The issues youth are facing in our region with regard to employment opportunities are complex and multifaceted, further escalated by the grim reality of *wasta* playing a significant role in terms of access to jobs, progression within their careers, and access to privileges and opportunities, leading to an overall lowering of engagement, optimism, and life satisfaction (The Talent Enterprise 2015). Policy makers, organizational leaders, communities, and individuals need to continue to invest crucial time and effort to positively impact youth disengagement and lower levels of productivity, ensuring their active contribution not just within our labor markets but in society as well. "Young people are worried about unemployment and being able to find an affordable home for their family. They are angered by the perceived favoritism in government services, and the need for a *wasta*, or contacts, to get many things done. They feel that they are not heard by officialdom, and they want more say in matters governing young people" (Murphy 2012).

Nationals and Expatriates: A Zero Sum Game?

Decades of reliance on imported labor have generated deeply entrenched views about many jobs as unattractive to nationals, precisely because they are associated with unattractive working conditions, particularly in the private sector. In turn, many private sector employers expect to receive more output from expatriates in terms of working hours than they would from nationals and at lower rates of pay than they would be prepared to pay their compatriots.

Another not so visible aspect is that expatriates may also tend to display rent-seeking behaviors within the region's labor markets. Our research indicates they often undertake a risk-averse and defensive position in terms of their orientation to work, rather than taking calculated risks and operating at their peak productivity. This is largely for fear of losing their job, which typically represents a great differential earning opportunity compared to what they would earn at home. Our research also indicates that "fairness" is a more important driver of employee engagement and retention for expatriate employees compared to national employees.

In many ways, to talk of "expatriates" is an anachronistic misnomer. It implies a unified social group with a common identity and shared interests. The reality is more of a broad spectrum of workers, operating within highly segmented labor markets and different identities and interests, which in most countries of the region represent a significant majority of the workforce and society more broadly. They range from construction workers, laborers, and domestic workers at the bottom of the "expat" labor market to globally mobile executives, technicians, and entrepreneurs at the top. Occupying the highest echelons of international expatriation affords high earnings, low or no taxes, and the opportunity to work closely with local elites and develop your own *wasta* network and influence. Those at the bottom are often exposed to widespread workplace abuse, low rates of pay, and no right to representation, all of which may sometimes be described as a modern manifestation of slavery.

Culture clashes and "expat failure" among white-collar workers are also a common phenomenon, with early return rates, i.e., attrition, within the first year of

appointment, as high as 30 % in some industries. Among the reasons most frequently cited for this expat failure are unclear or unrealistic expectations set by employers at the time of recruitment, inability for the family to adjust in the new environment or having the family remain in the home country, and, finally, a struggle to integrate within the local culture. Many of the expats we spoke to who were contemplating an early return were struggling to navigate the unknowns within their organizational cultures—how things got done, how decisions were made, and a general lack of transparency and meritocracy, even in the private sector. Often cited among this was the strength of personal relationships, where loyalty trumps performance and who one knows is more important than what one knows, i.e., directly or indirectly, the legacy of culture, tradition, and *wasta* at the workplace continues to be a significant hindrance, especially for new foreign workers.

Even when those expatriates stay, there still may be significant productivity issues, with lower overall labor productivity levels for both nationals and expatriates within the region compared to most international benchmarks. Also, expatriates are often employed for their technical capability and experience, regardless of their position in the management hierarchy. This has a big impact on the quality of leadership and the ability and willingness to coach and mentor national staff among expatriate managers. This is critically important if the region's labor markets are to make the transition to becoming more sustainable in the future.

Finally, we often see that an already segmented labor market is further characterized by a largely transactional nature of working relationships which exist between nationals and expatriates, between the sponsor and the employee. This can be attributed to the lack of permanence of employment and long-term residency prospects. This sometimes impacts the sense of personal ownership, investment, and accountability of expatriates as decision-makers and business leaders across the Gulf States.

The most concerning trend from an organizational perspective is the significantly lower level of employee engagement reported by national talent as compared to the rest of the workforce. On average, only one of every two nationals is fully motivated and actively contributing to their jobs (Qudurat 2011). It is not difficult to imagine the impact of this on individual performance and organizational productivity. A generally lower participation in the workforce, combined with lower morale among GCC nationals in general, creates a cycle of continued reliance on expatriates, particularly among truly commercial organizations in the region. The good news is that even incremental shifts in the level of engagement will have a disproportionately positive impact on key indicators such as performance and productivity.

The fundamental question here is: Whose interests are served by the persistence and pervasiveness of *wasta* in the workplace? Traditional forms of nationalization and *wasta* both serve to cement dependence on patronage for advancing personal interests in all aspects of life, including at work. Serving to legitimize the status quo and strengthen the position of those at the top of social and organizational hierarchies has proved a functional model, in a situation with significant rents to distribute, along with securing the position of relatively nascent ruling elites across most of the GCC. Social stability has been the great prize of the current system of privilege and patronage. However, such a system has limitations in dealing flexibly and effectively with the implications of social change and modernization, specifically

within the workplace. Changes in the modes of production, specifically in technology and organization of the workforce, mean that collaboration and flexible social networks (holacracy, Robertson 2015) could perhaps prove more competitive in some circumstances than the rigid hierarchies promoted by *wasta*. The question remains how sustainable current modes of production are in the region when the rents start to run out, when environmental degradation accelerates, and if those more marginal social groups grow further and continue to be excluded from the center of existing *wasta* networks. The frustrations expressed in the so-called Arab Spring and the globally poor levels of employee engagement and productivity in the region need to be addressed. This will require a socially negotiated transfer of power from the older generation to the younger generation.

Artifacts of status, such as job title, size of office, and other grade-related benefits, are disproportionately greater drivers of employee engagement for GCC nationals than expatriates. Given that these are more important triggers for motivation in the GCC, somewhat ironically, multinational companies are becoming more flexible on people's job titles, business card, etc., than regional companies. Such flexibility in regard to artifacts of status often incurs little cost and has a great impact on retention and connection to the workplace.

It is clear that traditional forms of nationalization, or national development, have negative unintended consequences, in that they effectively serve to reduce the productivity and positivity of national talent in the workplace, with the resulting impact on their attractiveness to private sector employers. With youth unemployment at the highest average levels anywhere in the world, this is alarming to say the least. If *wasta* is broadly taken to be a social mechanism for building trust, belonging, and identity, loyalty lies at its core. The system provides a mechanism for cementing the legitimacy of the leader who bestows resourcing or controls the distribution of economic rents. Piketty and Goldhammer (2014) highlight that in traditional societies, endowments of wealth and patronage mattered more than any potential income earned from labor. With the availability of cheap expatriate labor, the incentives to invest in our own human capital in order to be able to increase our own productivity and earnings are limited. This means that work and its role in determining our identity are necessarily more peripheral to GCC nationals than to their expatriate counterparts.

Conclusion

Wasta is described as the hidden force in Arab Society and moreover, as the very expression, an archetype and apotheosis of rent-seeking behavior. With the drive toward unleashing the full economic potential of a highly educated and growing workforce, with increasing numbers of young men and women entering the workplace, providing jobs and not privilege is increasingly important.

Essentially, the persistence of *wasta* in the workplace is inconsistent with the stated commercial modernization philosophy of most GCC nations. All six GCC countries are members of the International Labor Organization (ILO) and signatories to the Declaration on Fundamental Principles and Rights at Work (which

includes the right of workers to associate freely and bargain collectively, the end of forced and compulsory labor, and the end of unfair discrimination among workers), and yet their formal commitment to international standards of modern work practices is not necessarily consistently reflected in the practical experience of work within the region, particularly among the 22 million expatriates. To date, the expectation is that a unique, traditional society be based on the social norms and cultural doctrines of the region and at the same time run a modern, global economy. This is a fundamental tension in the future trajectory of the region's model of government-directed development. The operation of *wasta* in the workplace represents a major facet of this dichotomy between the traditional and the modern.

The persistence of *wasta* within regional employing organizations operates at many levels, principal among them being the individual, employer, and state levels in terms of determining behavior, setting priorities, and shaping social and economic outcomes. Rent-seeking behavior requires the existence of economic rent and higher wages in order to persist. As the economies of the region all aim to diversify into knowledge-based economies, international competitiveness and productivity will continue to become more important, as workers in the region will effectively compete with workers from across the world. History elsewhere would suggest that such high wage rates are not sustainable in the long term without similar sustained increases in productivity. Post-communist Eastern Europe could serve as a constructive, if salutary, comparison. The decline of party affiliations and the *nomenclature* system of influence upon the fall of communism in 1989 led to a "lost generation" of workers. Many were unable to make the successful transition to compete within the alternative and alien meritocratic, modern capitalist, economic and social system. This phenomenon persists today to the extent that average living standards, wage rates, and employment levels among many other social and economic outcomes remain significantly lower in Eastern Germany than Western Germany to this day, more than a quarter of a century after the fall of communism. Moreover, the pervasiveness and persistence of anticompetitive approaches to organizing work will likely create further tensions in workplaces in the future as "best practices" and reality continue to diverge. We also have to accept that modern work practices themselves may not be wholly ideal by any means. As Piketty and Goldhammer (2014) say, "many people believe that modern growth naturally favors labor over inheritance and competence over birth. What is the source of this belief, and how can we be sure it is correct?" Moreover, if the growth in earnings from capital continues to outpace the growth in earnings from labor, then this may further complicate the operation of *wasta* in the workplace in the future.

Nonetheless, from a positive perspective, all the ingredients are in place—a young, growing, and educated workforce and an increasingly supportive government policy framework. Forward-thinking organizations now have the opportunity to demonstrate thought leadership in implementing a new and improved recipe for sustainable success. Understanding more about the drivers of more positive and productive experiences of working life in the region is necessary. People policies are changing rapidly across the GCC, and those companies which transcend the mere legal minima and embrace standards of diversity, development, and inclusion will prevail in the continuing war for talent in the region.

Part III
Wasta, Development and Career Aspirations

Chapter 9
Wasta and Development in Arab and Muslim Countries

M-Said Oukil

Introduction

Many if not all developing countries, including Muslim and Arab countries, do face difficulties to secure permanent jobs, adequate housing, good medical coverage, quality education/training, sustainable environment, and consequently happiness, well-being, and prosperity for their citizens. Presumably, the problem is not due to lack or shortage of resources but rather to deficiencies or shortcomings in management and governance. There is also a fact that wealth and power in those countries are held by individuals who are not all competent, elected, ethical, or sincere. This situation puts respective governments in much difficulty to remedy the situation, with reform efforts complicated further by rapid population growth and resulting demand deficiencies.

In general the Muslim, Arab, and Middle East and North African (MENA) countries are not poor in terms of natural resources and financial and human capital. Nevertheless, it is often reported in private and public media that there are people who suffer from a practice that renders life hard and consequently morality, dignity, and citizenship are just words on paper. Most people consider this practice as part of corruption and call it *wasta*. This is a phenomenon widely spread across all the above countries, to the point that it seriously threatens public spirit and democracy. Some available data from the World Bank indicates that the percentage of people expecting to use *wasta* is as high as 90 % (Devarajan and Mottaghi 2014). Moreover, the phenomenon concerns all social categories, except the poor and those who do not have connections in either the governmental sphere or public and private sectors.

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For interested researchers, observers, and particularly people who are directly suffering from *wasta*, the unacceptable consequence is not only when it prevents systems and organizations to guarantee equal opportunities and preserve ethics but also when it withholds individuals, not within the *wasta* circle, to create their own entrepreneurial firms and therefore benefit society. As an entrepreneur without *wasta* or connections, you would be seen as a threatening competitor to existing well-established companies, and every obstacle is there to prevent you from launching your business. The astonishing quick spread of *wasta* is because of its being personal, intangible, and hard to formally track through records. People who are directly or indirectly involved act in such a way as not to be caught, particularly when things go beyond helping out and reach the stage of bribery. Here, one should note that contrary to general thinking, benefiting from *wasta* is not always easy and spontaneous, since not every attempt is successful and not every intermediary is effective. This could therefore make *wasta* either a worthy or a disappointing experience with resulting moral consequences.

If there is nothing wrong in finding public figures' relatives in highly remunerated, prestigious, or coveted positions, the problem is when that occurs in a way to hide incompetence, missing requirements, or even unauthentic documents at the expense of deserving citizens. For the sake of stability, fairness, and well-being for the benefit of all, it is crucial to pay an urgent attention to the issue. Towards that end research and diffusion of knowledge and public debate and action through awareness and legislation should help. Letting things become worse could damage the social capital networking, which is vital for peace and progress. Public policy in Muslim and Arab countries and the MENA region must therefore evolve more rapidly to ensure that the aspirations raised from the so-called Arab Spring bring a chance to regain sincerity in behaviors and practices at both the individual and collective levels. Otherwise, the image of the concerned nations and the credibility of their governments will remain at stake, and class conflicts may not be avoidable, eventually leading to unrest.

Clarifying the Relevant Meaning of Terms

Etymologically, *wasta* is an Arabic word meaning medium or intermediary with a loose translation into favoritism and nepotism (Wikipedia 2015). It is among the very few Arabic words which invaded the English language. It has become largely widespread nowadays, particularly among the young generation, including students and graduates, who are instilled with the idea that education and competency are the requirements to find a job or start their own professional life. In French-speaking countries, the equivalent word *piston* is also very much used and means a "valve," which is a device used in mechanics to give a push to components within an engine through air compression. In its secondary or figurative sense, the word *piston* refers to the action of a person who intervenes directly or indirectly in, for example, recruitment of another person, either through internal action, as introducing and

following up the candidate's application, or by making a recommendation to an organization's member who holds a decision-making position. In North Africa, and specifically in Algeria, the words *ktaf* and *maarifa* are extensively used as equivalent to *wasta*, meaning reliance on someone's shoulders or acquaintance to bear the burden of solving a given problem or satisfying a specific socioeconomic or even an ordinary personal desire.

More precisely *wasta* could be described as referring to the behavior of ordinary or influencing individuals who, for their benefits or that of others, bypass normal and formal procedures and consequently disturb moral stability and shake fair attitudes, acceptable customs, and democratic manners. Individuals do that either by courtesy, obligation, or reciprocity or as a way of overcoming the inequity of the administrative and socioeconomic system prevailing in their countries or organizations. In the literature, *wasta* is referred to as a social network (Lies et al. 2012), an informal institution (Tonoyan et al. 2010), and an implicit social contract (Barnett et al. 2013). Popular descriptions consider *wasta* as the "new disease" and a soft currency that individuals use to reach their objectives.

However, the use of *wasta* these days has a more significant resonance, especially in social relationships of Muslim and Arab people, referring to rather imposed recourse to anyone who can "decode nodes" or influence in a way to ease things, such as going around a common law or practice in favor of someone. The benefiting individual could be a relative, a close friend, or a recommended person with whom one shares a trust relationship, reliance, and interest. Generally, where there is corruption, there is *wasta*, with a possible predisposition or tendency to solicit others to act in their favor. Alternatively, they will find their issues or problems pending or dropped once and for all. In general, individuals who may intervene in *wasta* cases would belong to one of the three following main sectors: the administration, the army, and the business world. In Muslim, Arab, and MENA countries, influential power is mainly held by members, groups, or families from these sectors. The type of culture dominating in these sectors leads members to rely on preserved connections as a normal way of life.

Although the world is supposed to advance in terms of positive ethics, better attitudes, and best practices, societies and organizations do not cease to witness scandals, corruption, injustice, and ethical outrages. In the twenty-first century, despite the fact that globalization has made qualification and competence as key conditions to get a job worldwide, in developing countries, both nationals and expatriates could still face difficulties in getting an offer even if they satisfy all the requirements. Worse, without *wasta*, doors may remain closed forever, and this is even for numerous ordinary things, such as avoiding queuing, obtaining best items, benefiting from scarce products or goods, making a quick or short appointments, having first access to information, etc.

If *wasta* is not an exact synonym to corruption, many people consider it as a key part of it. Therefore, as corruption cannot be ignored because it is a kind of crime (Smith et al. 2012a, b), so should be the case for *wasta* particularly for its devastating negative effects on social relations, economic development, and ethics. Plausibly, most people and the youth, in particular, will not any more support to live in

conditions where rights are taken to be privileges through *wasta*. In the end, such a situation could have uncontrollable consequences (McGinley 2013), as seen during the events of the “Arab Spring.” The argument that hiring preferences of relatives, friends, or recommended individuals is because of spontaneous trust (Rice 2003) still raises the question of whether that always goes with skills and competency needed for performance.

Regarding development, a number of authors of different tendencies have long discussed its concept. A particularly interesting definition is provided by Todaro and Smith (2013) considering development as a multidimensional process aiming at improving the quality of life through better living standards, social cohesion, and peace and freedom. Another relevant theory is the distributive justice theory, which essentially states that development should benefit people evenly. The central and crucial point is that as social justice, access of all citizens to public goods and services with equal civil rights, is at the heart of the notion of citizenship, distinctions cannot therefore be a matter of relationship, connections, age, gender, and status (Arler 2007). Society will otherwise witness disintegration, waste of resources, and less progress, prosperity, and even happiness (Helliwell et al. 2015). In the present era of global connectivity, people are more informed about events and people’s reactions across the world, and this makes them more alert and inclined to take certain actions to defend and preserve their interest when negative effects go beyond certain limits. Without an appropriate treatment, stability and peace will certainly remain at stake.

Accordingly, development in this paper means striving for growth and efficiency and preserving a decent life, well-being, and justice to all citizens. Cases of irregularity, subjectivity, abuse, disparity, and abnormal behavior should be rare exceptions to be firmly dealt with. Being far from societal perfection models, a number of countries are classified as developed. This is not just because of economic welfare and modern infrastructure but also because of the rigor, fairness, and quality of their legal, administrative, and organizational systems. In such a context, the benefits are usually reflected in the full preservation of civil rights, the effective application of laws to all, and the real possibility of correcting mistakes, deviations, and outrages when they occur. A fair society is one in which all citizens feel fully respected and protected by their governments.

Whether development should essentially denote the absence of *all imperfections* and shortcomings is however worth considering. As already mentioned, corruption with all its various forms prevails everywhere. This is true regardless of the economic conditions and even spirituality of society. For some authors, the issue is rather cultural and concerns both mature and emerging market economies and depends on the type of trust: while in “high-trust” societies, there is lower corruption, in “low-trust” societies, there is high corruption (Tonoyan et al. 2010). In the case of Jordan, for example, *wasta* prevails even though it economically performs better than most other Arab countries (Loewe et al. 2008). In a highly religious society like Saudi Arabia, *wasta* also exists. In fact, it constitutes an important part of the national culture, though public and private banks are endlessly fighting

against it (Fawzi and Almarshed 2013). "Evidence also suggests that high levels of corruption face low levels of productive entrepreneurship and vice-versa" (Avnimelech et al. 2013).

The question therefore is not simply of measurable economic growth, performance, and competitiveness, or even religiosity, but of evolving culture, sincerity, civism, morality, ethics, and responsibility at individual and collectivist levels. In this context, dynamic governments are needed now more than ever before to negate immoral behaviors and shape overall social conduct and networking. According to Neo and Chen (2007:1),

> dynamism is characterized by new ideas, fresh perceptions, continual upgrading, quick actions, flexible adaptations and creative innovations. Dynamism implies continuous learning, fast and effective execution, and unending change. Dynamic institutions can enhance the development and prosperity of a country by constantly improving and adapting the socio-economic environment in which people, business and government interact. They influence economic development and social behavior through policies, rules and structures, and create incentives or constraints for different activities.

Misbehaviors, errors, mistakes, abuses, and all unethical actions or behaviors are part of life, but this should not become habits or a general trend and let people be accustomed to keeping them quiet and ignoring the effects. The major difference between humans and animals is that the former has a brain and can therefore distinguish between right and wrong and see what is fair and what is not, although higher animal orders have also been witnessed to protect weaker members of their groups. Giving preference to collective interest is a quality that allows for control of selfishness and reduction of subjective differences. A major argument against all unfair and unethical behaviors is that if everyone thinks only about himself/herself, the result will be tension and conflicts, matters that are unfavorable to intellectual minds. Trying to extinguish a fire using another fire, instead of water or an appropriate liquid, will never work. Development, evolution, and progress imply close follow-up of events and situations and find appropriate solutions.

Types of *Wasta* and Some Examples

The 1990s researchers and authors like Cunnigham and Sarayrah (1993) distinguished between intermediary and intercessory *wasta*. While the former helps to facilitate the resolution of conflicts between members or groups, the latter involves intervention of influential people on behalf of a particular person to obtain an advantage for that person. Broadly, it could be possible to distinguish between two broad types of *wasta*: positive and negative. *Wasta* can be classified as positive or negative depending on a number of factors, such as the reason or justification of using it, the purpose or intentions behind it, the effects it results, the tools and means used, and the resulting behaviors and consequences. Table 9.1 provides a broad summary.

Table 9.1 Positive and negative uses of *wasta*

	Positive *wasta*	Negative *wasta*
Reasons/ purpose	– Voluntary support for someone in need	– Voluntary/involuntary
		– Discrimination against someone having merit
Intentions	– Do good for someone without any counterpart	– Feeling more important and connected than others
	– Providing friendly service	
	– Compensate for previously received service or help	
Effects	– Benefiting or overcoming difficulties of someone	– Directly/indirectly harming someone
	– Consciously/unconsciously	
Tools/ means	– Approval of particular files	– Refuting all files
	– Introduction of certain individuals to decision-makers	– Rejecting all receptions of individuals with no recommendation
	– Preselection before announcement	– Hidden selection criteria
	– Reducing time processing	– At the expense of others more qualified
Behavior	– Unconsciously or not aware of the incident of the action	– Consciously knowing the effect

As can be deduced from the above table, *wasta* in itself is not always problematic. A number of aspects render it either "good" or "bad," acceptable or unacceptable, harmful or not harmful, and ethical or unethical. The other important element concerns its frequency, which, when it is high in an organization or a country, could point at major weaknesses or shortcoming in the legal, social, economic, organizational, and cultural system that governs them. The real problem with *wasta* is that it is practically impossible to guarantee that negative aspects will be only few and exceptional. It is also important to mention that *wasta* is not a phenomenon specific to Muslim and Arab countries. The equivalent could be found anywhere around the world, as in for instance Brazil, China, and the United Kingdom (Smith et al. 2012a, b), with varying effects.

However, the fundamental trouble with *wasta* in Muslim, Arab, and MENA countries concerns *its incompatibility with Islamic principles*, with more and more people admitting its existence and highlighting its importance. Under the umbrella of corruption or along with it, *wasta* runs freely in both formal and informal sectors. Denial of public cases is usually and superficially defended by the right of everyone to get any job or any benefit including public figure's relatives. In the absence of first-hand quantitative information about *wasta*, a substitute could perhaps be using data on *perception of corruption* measures. In this respect, the corresponding corruption perception index indicates that none of the above countries are among the top 10 out of 175 countries. This is clear in Table 9.2, setting out scores and ranking of countries in the MENA region 1 year before the uprising of 2011, with the United Arab Emirates in the 25th position, followed immediately by Qatar in the 26th position, and Bahrain in further late position (55th) (TI 2014).

Table 9.2 Scores, ranking, and changes of MENA countries in terms of corruption perception index as a reflection of *wasta*

Country	Positive or negative shift and points		2014[a]		2010[b]	
			Rank/175	Score	Rank/178	Score
United Arab Emirates	3	+	25	70	28	6.3
Qatar	5	–	26	69	19	7.7
Bahrain	7	–	55	49	48	4.9
Jordan	5	–	55	49	50	4.7
Saudi Arabia	5	–	55	49	50	4.7
Oman	23	–	64	45	41	5.3
Kuwait	13	–	67	44	54	4.5
Tunisia	20	–	79	40	59	4.3
Morocco	5	+	80	39	85	3.4
Egypt	4	+	94	37	98	3.1
Algeria	5	+	100	36	105	2.9
Mauritania	19	+	124	30	143	2.3
Iran	10	+	136	27	146	2.2
Lebanon	9	–	136	27	127	2.5
Syria	32	–	159	20	127	2.5
Yemen	15	–	161	19	146	2.2
Libya	20	–	166	18	146	2.2
Iraq	5	+	170	16	175	1.5

Source: [a]https://www.transparency.org/cpi2010/results [b]https://www.transparency.org/cpi2014

The data in the above table reveals the following important points: First, 11 out of 18 (61.1 %) or the majority of the listed countries have fallen back in their ranking from 2011, just 1 year after the “Arab Spring,” compared with 2014. Second, seven or 38.8 % of the abovementioned countries have made some progress. Third, from the second column from the right, it can be seen that positive changes range from the lowest 3 (the United Arab Emirates) to the highest 19 (Mauritania). Fourth, from the same row, it can also be seen that negative changes in positions range from the lowest 5 (Qatar, Jordan, Saudi Arabia) to the highest 32 (Syria). A major conclusion from all this data is that the majority of the countries in question have not made significant progress since the year 2010–2011, which could mean that the 2011 uprising did not change things much.

As the largest Arab country, outside the MENA region, Sudan scores 11 and is ranked 173. Other main Muslim countries are not in a better position. Malaysia scores 52 and is ranked 50th, and Turkey scores 45 and is ranked 64th. In Palestine, *wasta* is reported as a common manifestation of corruption in the country (Chene and Hodess 2012). All these figures indicate that the concerned countries have a very long way to go to reduce corruption and *wasta*. If, hypothetically, ranking is improved by one position a year, it will take the UAE, as the top ranked country in the above list, almost a quarter of a century or 24 years and Iraq, as the last country in the list, 169 years, which is more than a century and a half.

Behaviorally, people use *wasta* either consciously or unconsciously and the results do of course matter. When using *wasta* in a conscious way, it implies that an individual is quite aware about the potentially resulting negative and harmful effect when someone else loses his/her right as per his/her priority. By contrast, when people use *wasta* unconsciously, which may be rare, the effect may not be negative as long as no clear indication exists of possibly harming someone, as in the case of a candidate, for example, who is unique with no others more qualified and finds difficulties in sorting out his/her life matters. In this case, such a person may think that he/she is the only person qualified, and therefore that justifies a *wasta* action; otherwise, he/she will be considered as a victim or even naïve not to make recourse to every possible way out. However, the assumption that cases of negative *wasta* are not many—and they can therefore be disregarded—cannot be generally validated.

Constraining Recourse to *Wasta*?

In a Muslim and Arab countries' context, one could perhaps talk of a paradoxical situation. Claiming to be religious, civilized, or modern, hence correct, sincere, just, fair and right, etc., and then behaving otherwise is an indication of troublesome conditions in society. According to Hayek (1988), there is a struggle within individuals to either act in favor of his/her interest or prevent that as not to harm the group, tribe, or society. The problem becomes alarming when people keep silent about *wasta* and speak out only when they are victims of it. Overall, the fact is that "resorting to it is individually rational, but collectively harmful" (Loewe et al. 2008). When people realize that by opting for *wasta* instead of claiming their rights through legal procedures means that they are actually doing wrong by sustaining it, they may later regret it when one of their children or relatives is in need and cannot benefit from it. In general, Muslim and most Arab countries are deeply rooted in religion and customs. Specifically, being a Muslim implies adherence and serious implementation of Islamic principles and therefore avoidance of all vicious gestures and direct or indirect harmful behaviors. Helping or doing good things cannot therefore be synonymous to interference, particularly with negative effects, however small they may be on others. Unfortunately, the colonial powers, which had invaded Muslim and Arab countries, are said to have influenced the change in behaviors and way of looking at *wasta* by local populations, using segregation and other means (Barnett et al. 2013) to create powers and influences.

In practice, things are, of course, far from theory and perfection. It is not rare to hear intellectuals, students, and young and ordinary people who complain about the widespread use of *wasta* and its impacts in all spheres and sectors. People in the MENA countries share the effects of *wasta*, regardless of political regimes and governance. In nondemocratic monarchical societies, heritage of power and ruling processes creates different social status and gives birth to emergence and evolution of well-preserved relationships between various social classes. The same is also true

even in republics with authoritarian regimes, where the title of "VIP" standing for a "very important personality" places people in different categories with influence and discretionary and financial power.

The emergence and fast evolution of this phenomenon, particularly in developing countries, is therefore due to the incapacity of governments to establish justice and equal opportunity-based sound systems. The basic case is of centralized regimes with little capacity to efficiently manage the labor market. This shortcoming or inability may be severe in these countries to the point that a psychological state is generally created in the minds of young people that makes them believe that without *wasta* there are no jobs or even no future. Their job expectation perceptions are thus synonymous to connections, ranging from about 8 to 10 % in Libya, Morocco, Qatar, and Tunisia to less than 23 % in Egypt, Kuwait, Saudi Arabia, Djibouti, Palestine, and Jordan, while it is less than 29 % in Lebanon, Syria, Yemen, Iraq, and Bahrain (Alaref 2014). Talent is also subject to either marginalization or rejection, thus creating obligations to make recourse to *wasta* due to lags in talent management processes in the region (Sidani and Al Ariss 2014).

People who make recourse or benefit from *wasta* can be divided into three categories as follows: The first category includes individuals who, despite their qualifications and competencies, do not or are unable to go through normal processes to, for example, get a job and benefit from something, such as housing, scholarship, or something else. The second category includes individuals who do not have good enough qualifications and consequently are automatically rejected by the system. The third category includes individuals who have no skills, or basic qualifications, but express needs and aspiration for a better life, sometimes even at the expense of others, and act accordingly.

While an exceptionally valid argument for using *wasta* may apply to the first category, when openly revealed, the case of the other two categories creates abnormalities that go beyond personal gains. The case of the third category is particularly problematic, since the concerned person would not benefit society as he/she should and could harm society if he/she was chosen. Evidence exists of individuals being recruited in high security sensitive jobs, such as pilots without degrees and undergoing tests and worse even with falsified medical documents (Echoroukonline Newspaper 2015a). Unfortunately, the prevailing practice is that in discovering incompetence, the risk is either expulsion or stagnation, particularly in public sectors, where, once admitted, work and salary are entitlements until retirement or death, giving way to mediocracy.

Individuals who benefit from *wasta* on no merit basis can be in an unenviable situation, and to remedy and bear their part of social responsibility, they potentially face two extreme situations. The first is a real challenge to rapidly learn and keep upgrading their skills and competencies with a good intention in proving their capabilities. The second is to honorably resign and find an appropriate activity to ease self-consciousness. In between these two situations is that the majority of concerned individuals just hold on to their acquired privilege and disregard all critics, reproaches, and personal remorse. The case of students in Egypt, for instance, is much illustrative of the third category. For these students and perhaps many other people, all that matters is to work and live regardless of ethics and morality.

Other examples of *wasta* are of course unconfined and unlimited. In general, it is perhaps possible to range them from very simple cases with no effect to very complex ones with harmful and psychological effects. What follows are a few illustrative cases of using *wasta* for either personal or others' benefits, within work and educational, religious, and entrepreneurial contexts:

(a) A traveler arrives at his country's airport from a trip abroad. Instead of ordinarily queuing to pass through immigration control, just like everyone, he calls a friend working within the airport facilities who passes him through with no delay. Such a behavior would not perhaps have any psychological effect on the rest of the queuing travelers if the concerned person has not received help publicly. The behavior would also have less effect if the person has an officially true privilege, such as physical incapacity, which should be clearly identifiable to all. A basic and obvious question that other travelers could have in mind is why that person behaved that way while appearing quite normal physically and was among them in the same economy class. An explanation is the fact that in some cultures going around things often at the expense of others is a way of thinking and considered as a kind of *intelligence*, even though it appears to others as bad or unethical.
(b) A fresh graduate student makes recourse to *wasta* in order to be recruited by a famous or large organization which does not announce vacancies. Apart from the desire to join the big organization for its high wage pay, attractive benefits, or comfortable working conditions, the student wants to speed up the recruitment process. As the time for waiting to start working usually ranges between months and years, the student prefers to use his own or his relatives' connections. Another example is the intervention of a faculty to accept and list his child's name among the students to be selected for graduate studies without passing exams or with specific admission criteria applied to him. While there may be a valid reason to use *wasta* in the first case, particularly if the student is the only and qualified candidate, in the second case there is a clear and flagrant infringement to rules. Fundamentally, dealing with inefficiencies and bureaucracy through *wasta* cannot be the best just way.
(c) A person wishing to perform pilgrimage or *hajj* but given nationality quota restrictions kindly asks a friend of his in the office or ministry in charge of the matter to insert his request along with applications of those having registered through regular and official channels. As *hajj* is a highly religious task, it must fundamentally be free of sins, be they small or big, direct or indirect, such as taking the place of someone who has priority according to publicly announced rules or criteria. The matter here concerns not only the ordinary relationship between an individual and others but also the spiritual relationship with God or *Allah*. Hence, pleasing the latter by bypassing normal and ethical ways could leave the *hajj* performance at stake in terms of deeds and acceptance. To all believers, performing that act using *wasta* is a disgrace.
(d) Inventors, innovators, or entrepreneurs who have good ideas and wish to launch their businesses can exist everywhere. Finding difficulties to start up, some may not be able to resist using all sort of *wasta*, including political connection to speed

up matters (Erkal and Kali 2012), particularly when time is passing without being able to realize their dreams. Sticking to principles and values may otherwise lead some of them, at least temporarily, to disregard the idea of self-employment with the hope and expectations that things may change in the future. Similarly, with a low propensity to bribe, such as the case for many women (Trentiti and Koparanova 2013), activities and opportunities could just be reduced and wasted. Given the potential benefit for potential entrepreneurs, using *wasta* may be justified in the eyes of many, but if such a case is built at the expense of others or on illicit grounds, then the benefits could turn to be counterproductive and result in loss of entrepreneurial ideas and opportunities, which are desired and needed by all countries alike.

(e) A far more harmful example are cases of some foreign firm that uses local *wasta* to win large amounts of contracts. They do that by soliciting in a very rewarding way by using intermediaries between them and close individuals to decision-makers at governmental level. Given public interest, laws governing large public contracts usually stipulate that contractors should be transparently selected based on the best offer regarding price, previous track record, technology, management, and other competitive elements. However, in practice, it happens that some decision-makers or officials keep silent about awarding projects to unqualified firms, if not actually being involved in bribery themselves in one way or another. The case of the highway project in modern Algeria is one of the largest striking scandals of the country (Echoroukonline Newspaper 2015b). Early investigation indicated that the project had been subject to corruption and *wasta* at the highest level of public authorities. Where credibility, responsibility, and accountability are preserved, such behavior should not occur but should also be subject to sanctions. For the common good, there should be a reconsideration of bureaucratic and ministerial immunity, particularly, where corruption and *wasta* are proven to be facts and largely prevail.

Combating "Wasta"

If eliminating *wasta* totally is practically quite impossible in the real world, reducing it is very much desirable and should be undertaken. For this purpose, combating all types of corruption and unethical behaviors including *wasta* should be a social responsibility for all. On the other hand, it should be based on a good understanding of the motives and behaviors of the parties involved (Bardhan 2003). Among possible ways and methods at both individual and collective levels to combat *wasta* are the following:

(a) Education

This is a long-term strategy and way of combating all unfair practices and unethical acts and behaviors. Teaching children that *wasta* is not a correct civilized manner to deal with problems and imperfections would create a generation of citizens who could stand against any abuses or obstacles preventing them from benefiting or getting their rights as full citizens. At higher education levels, teaching public administration and public policy as a mandatory course, or as a

chapter in an ethics course, would help university graduates understand good governance and their incumbent role in modern society (Yannouka 2013). Overall, civic literacy must therefore evolve if development is one of a real value. Civilian societies and organizations could also play a positive role in whistle-blowing cases of *wasta* even when positive effects result, with the belief that the act is not the best way to remedy irregularities and shortcomings.

(b) Emphasizing ethics and updating laws

This could be a medium- and long-term strategy requiring awareness and training of children, workers, employees, and management about the importance of ethical actions and behavior. Knowing someone having power may not be the case for everyone, and the results are irregularities and consequently injustice and backwardness. Offering help is certainly good, but doing it only selectivity or abusively will leave moral responsibility at stake toward society and beyond that toward the Creator.

Due to the significant difference between the existence of formal institutions and laws on the one hand and their effective implementation on the other, it becomes crucial that new legislations are in tandem with societies' evolution. Laws have therefore to be updated and effective in order to keep up with modern times and standards. The problem in many Arab countries is that anti-corruption laws exist but are not ratified or implemented with little effect. Effectively protecting whistle-blowers represents a challenge for public authorities to demonstrate their determination to put an end to people's frustration. In various organizations too, codes of ethics could be found, but malpractices override, and female employees are affected by *wasta* as in Saudi Arabian banks (Alkhanbshi and Al-kandi 2014). Appropriate and perhaps new measures, methods, and tools may have to be developed to remedy this problem. Engagement of all, or at least the majority, could help. Leaving entrepreneurs, for instance, to informally go around a system for the many requirements or procedures to start up a business using *wasta* cannot be right.

(c) Technology

Technology is now a central part of modern life, and among its great advantages are connectivity, speed, low cost, and convenience. In a number of developed countries, electronic voting is a reality and helps in preventing frauds and mistakes. Therefore, technology could be used to carry out processes and operations particularly of a routine type. The problem of *wasta* could be tackled by developing and adopting systems of recruitment, for instance, whereby automatic selection can proceed based on a set of agreed or approved criteria and with full transparency. As deviations can of course occur even when using technological software, cases could be reduced and easily detected. However, if *wasta* is considered as a barrier to e-governance, as in Jordan, for instance (Fidler et al. 2011), attempts should not be stopped to overcome difficulties, and persistence will, in time, be in favor and benefit society.

(d) Transparency

Governments are directly responsible to ensure transparency and prove its efficiency. Indeed, transparency is necessary to conduct due diligence, particularly in large public organizations. In this regard, the Arab world is described as

far behind all Western countries (Feghali 2015), be they small or big countries, highly industrialized or not. Lack of information, deliberate destruction, and/or loss of documents prevents tracking of recorded acts and decisions affecting society. In such circumstances, *wasta* easily finds its way to mix up things and allows for unfair practices. The "grease the wheels" hypothesis, tested in 43 Western countries covering the period between 2003 and 2005, confirms that information helps revealing knowledge of the extent of problems with the aim of tackling them (Dreher and Gassebner 2013). The opposite is when information is made unavailable, constituting a major obstacle to reducing imperfections and irregularities. The role of the media cannot be underestimated either, as it can encourage people to report unusual practices or behaviors.

Conclusions

In Muslim and Arab countries and organizations, where *wasta* or its equivalent is prevalent, it is seen as a sign of corruption in its different forms and therefore an indicator of societal underdevelopment. A profoundly affecting result is that true piety, citizenship, civism, and democracy then become absent. If *wasta* is not always reported and spoken about, it does not mean that organizations and societies are free of it but only that people tend to go with the trend, due to either fear, indifference, or impassivity. Islamic principles are clearly against any form and size of unethical conduct, be it corruption, *wasta*, harassment, etc. Refuting or neglecting these principles leaves Muslims and Arab Muslims spiritually under criticism for incompatibility between the body and soul and between good and bad. Truly, *wasta* is not among the qualities that Muslims and Arabs can be proud of. Absence of justice, fairness, and unethical doings and behaviors should be a concern to every government, organization, and member of civilian society. Transparent systems and democratic procedures allow everyone to enjoy his/her right as long as he/she satisfies the requirements or criteria, and any attempt to take into account specific conditions or exceptions cannot be at the expense of any other citizens or expatriates. If perfect societies, systems, and procedures will never exist in practice, this should not be an excuse to leave open doors for deviations and further imperfections. Muslim and Arab societies will lose much more than benefit from *wasta* as the positive effects are often overwhelmed by the negative ones, particularly in those countries where power is centralized, transparency is an exception, and governors rule for life. Dynamism and change are therefore needed to evolve toward societies that are seen as good to live in and work for. Having inefficient formal institutions without corruption and *wasta* is not better than efficient formal institutions with detrimental *wasta*. Consequently, the idea of "choosing between the plague and cholera" must be revisited and ultimately refuted. The "Arab Spring" is a turning point in the contemporary Arab world, and respective governments should learn from it in order to ensure a better future, at least for future generations.

Chapter 10
Quality-Oriented Education and Workforce Reform: The Impact of *Wasta* (Case Study of Bahrain)

Magdalena Karolak

Introduction

This chapter aims at examining the role of *wasta* in the context of tertiary education in the Kingdom of Bahrain. Bahrain is one of the Gulf Cooperation Council (GCC) countries that has recently entered a path toward reforming its educational system as means of tackling the problems of sustainable development. Indeed, in the past Bahrain's educational system, which is the oldest in the Arabian Gulf, suffered from a number of problem characteristics of countries with rapidly expanding educational services and lack of proper regulations. A study conducted in 2007 by the newly appointed Council of Higher Education, for instance, revealed academic and administrative irregularities in Bahrain's universities such as the issuance of degrees without the required credits, the trespassing of the required student-faculty ratio, or the delivery of courses and degrees without a proper license. These negative aspects proved a general flexibility in the educational standards, one that could be negotiated based on an individual's money or social standing. In addition, a mismatch between the skills and degrees acquired at the university level and the requirements of the job market was stressed. A holistic educational reform that began in 2004 ought to provide the foundations for a prospering and sustainable economy that maximizes the use of the human capital for challenges of growth. While the educational reform is since well under way, any such undertaking must also take into account unwritten practices that govern relationships between various groups and individuals in society. One such practice widely reported in the Middle East is *wasta*, a practice of using the web of relationship an individual possesses to achieve

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certain goals, which may not be attainable to him/her without the support of another, usually, more authoritative figure in the specific domain one requires to achieve the goal. Indeed, such practices have been studied and reported as widespread in the fields of employment, management, and provision of governmental services. Using *wasta* may secure an individual employment, a promotion, or access to a governmental service, among others, which without *wasta* could not be obtained for various reasons such as lengthy bureaucratic procedure, the bias of decision makers, or simply lack of skills, to name but a few. The practice of *wasta* functions especially in contexts where there is a shortage of access to a particular service or shortage of opportunities due to high competition.

This study specifically focuses on the educational environment. It strives to assess whether *wasta* is perceived as widely practiced in the context of tertiary education in Bahrain, which means that those involved in the educational field see educational standards as flexible depending on *wasta* they have. Such insights may help us understand the role of the reform in regulating the provision of educational services and providing clear standards to be followed. Second, this paper will examine how one can contextualize the educational reform given the conditions of the Bahraini job market. The economic conditions of the GCC countries, which are discussed below, present a peculiar challenge to Bahraini graduates who face significant competition for jobs. The educational system may well provide the graduates with the required skills, but jobs may be distributed according to *wasta* and not according to one's skills and merit, thus undermining the extent and the outcomes of social reforms.

The study was conducted using open-ended interviews to gain an insight into the perceptions about *wasta* of those involved in the Bahraini tertiary educational system whether as students or employees. Such a qualitative technique allowed us to discuss the subject that is overall silenced in society (Tlaiss and Kauser 2011) and not so easily examined, especially by outsiders. A qualitative approach allowed us to develop a rapport with the interviewees so they could share their perceptions with more ease.

Literature Review and Problem Statement

Wasta, defined as "using networks and connections for favorable outcomes" (Khakhar and Rammal 2013, p. 584), has been an integral and inseparable part of social practice in Arab societies for centuries. It originated as a way of solving conflicts between families, clans, and tribes through the mediation of powerful figures such as the heads of the social groups involved in conflict. During such negotiations, the head would seek a solution beneficial to his group while cementing, on the one hand, the group's unity and, on the other, his status. Indeed, the word *wasta* stems from *waseet*, meaning a middleman. In modern Arab world, the importance of *wasta* has not diminished but rather took on a different dimension. While it still plays a role in negotiations between groups and individuals, its functions extended to all sort of activities and outcomes that pose a difficulty in being performed or achieved: "The *wasta* seeks to achieve that which is assumed to be otherwise

unattainable by the applicant. In recent years, *wasta* as intercession has become prominent, particularly in seeking benefits from government" (Cunningham and Sarayah 1993). Consequently, *wasta's* impact is felt in legal and economic spheres apart from the traditional family and tribal ones. Based on these characteristics, some scholars differentiate between the "old *wasta*" pertaining to the initial use of *wasta* and the "new wasta" as it is currently practiced (Barnett et al. 2013, p. 9).

The rules of *wasta* vary based on the context and situation. *Wasta* allows some to bypass lengthy bureaucratic procedures, obtain jobs, get promoted, and obtain other benefits. As a result, *wasta* is seen as a controversial practice; at times it is praised for its role in solving conflict; at others, it has been equaled to "favoritism based on family and tribal relations" (Ali et al. 2013, p. 530), nepotism, and corruption. *Wasta* leads to preferential treatment of some based on kinship, locale, ethnicity, religion, and wealth (Sawalha 2002). Given these contradictions and also the fact that it is opposed to the egalitarian teachings of Islam (Bailey 2012, p. 1), *wasta* is rarely openly discussed by Arabs (Sawalha 2002). Nonetheless, while many argue against it, they practice it themselves (Danet 1989).

It is important to examine *wasta* as a social practice that stems from the sociocultural context of Middle Eastern societies. Hofstede's five-dimensional model (Hofstede 2001) provides a useful background for such an analysis. The dimensions, namely, power distance, individualism vs. collectivism, uncertainty avoidance, masculinity vs. femininity, and short-term vs. long-term orientation, were developed based on a statistical method and were calculated on a scale from 0 to 100. The first dimension reflects the power distance, i.e., the approval of less powerful members of the social group to accept and expect power inequalities (Hofstede, n.d., online document no page numbers). A high score of 95 for Middle East indicates that people naturally accept a hierarchical order of society in which inequalities are inherent and subordinates are expected to be told what to do. The second dimension with a score of 25 indicates the low level of individualism, which means that Arab societies are collectivistic. Consequently, people are born into extended families or clans, which protect them in exchange for loyalty (Hijab 2002). Emphasis is put on belonging to a group and opinions and the group predetermines one's decisions. On the scale of masculinity vs. femininity, with a score of 60, Arab societies are more masculine than feminine, which means they put stress on values such as strength, fight, and ambition that are expected from the men. Women should obey men, and unlike men, they are believed to embody emotions. The fourth dimension, with a score of 80, reflects uncertainty avoidance, which is anxiety of ambiguous or unknown situations (Hofstede, n.d., online document no page numbers). The last dimension with a score of 36 (Hofstede et al. 2010) indicates Middle Eastern societies to be short-term oriented. Within this sociocultural context, it is easier to understand the functioning of *wasta*. High need for affiliation to a social group, reputation based on the attainment of people in the social network a person belongs to, focus on preserving one's face, and a system of social obligations that links its members make *wasta* a compatible practice in this context. In addition, given the masculine orientation of the Arab societies, the use and the ability to exercise *wasta* differ depending on the gender. Women tend to borrow *wasta* from men in their network whether fathers or hus-

bands rather than become direct brokers of *wasta* themselves (Bailey 2012, p. 10). Consequently, they expect to generate *wasta* indirectly through the men, for instance, husbands and later sons, who can provide them with access to *wasta*.

The existence of *wasta* has several implications in the field of education. While oil-related wealth has prompted GCC countries to heavily invest in education, the growing awareness of a need to shift from oil to knowledge-based economies raises the question of quality in education and preparedness of GCC societies to become sustainable. The latter requires high participation of GCC nationals in the economy and involves their preparedness to take on employment and be highly productive. GCC countries, among them Bahrain, embarked in the last decade on a series of holistic socioeconomic reforms to tackle this need. Within the Bahraini reform, branded as *Bahraini Vision 2030*, education was targeted as the area of primary importance. The reform program sets a number of goals within the field. It emphasizes, among others, "highest possible quality standards (by setting) standards for quality across the education sector, regularly review the performance of (…) educational and training institutions," and it aims at encouraging research as basis for development of knowledge-based economy (BEDB 2008, p. 22). In line with these goals, Bahrain has begun the review of tertiary education institutions. Nonetheless, research reports stress the fact that the MENA region achieved minimal results in education (The World Bank's Report, *The Road Not Traveled: Education Reform in the Middle East and North Africa*) and that the region's human capital falls significantly behind the world average (UNDP's Arab Human Development Reports and the two Arab World Competitiveness Reports; 2002–2003 and 2005). Beatty, Berrell, Martin, and Scanlan stress the fact that "In considering the development of a tertiary institution's quality culture, it is necessary to examine the implicit and explicit cultural dimensions of both the target institution and the individuals and organizations engaged in the implementation process" (2009, p. 10).

Wasta as part of sociocultural context plays a significant role also in the educational spheres, and its impact on quality of education should be addressed at this point. Studies suggest, for instance, that *wasta* may secure the candidate not only an admission to the university (Sawalha 2002) but also favorable treatment by the university administration. Bailey who conducted a study in the UAE found out that female students who had fathers in high governmental positions or came from wealthy families were able to gain such privileges. In addition, Beatty et al. suggested "*wasta* might influence the awarding of contracts, the appointment of faculty or managers" (2009, p. 11). This may translate to hiring and promotion of faculty based on their connections within the university. *Wasta* thus transcends the educational system in the Middle East, but its impact continues beyond the walls of the university into employment. Indeed, other researchers highlight the fact that having a qualification does not guarantee employment in most Arab countries and that jobs are distributed according to one's ability to generate *wasta* (Ali et al. 2013; Tlaiss

and Kauser 2011; Shirazi 2010). A study of a Lebanese telecommunication company conducted by Ezzedeen and Sweircz (2001) found out that as many as 65 % of the employees were hired through *wasta*. Yet, while in other countries where practices similar to *wasta* exist, hiring through such a method usually ensures the employee's obligation to be highly productive in return, in the Arab world such an obligation is not always present (Hutchings and Weir 2006). In the work environment, *wasta* also secures training and personal development opportunities and promotions (Metcalfe 2006).

It may be inferred that *wasta* supports a socioeconomic system where access to privileges and opportunities is granted through connections rather than merit. Given its cultural background, it is an inherent part of Middle Eastern organizational culture, which makes the latter at odds with Western principles of human resource management (Tlaiss and Kauser 2011). In addition, recently conducted studies concluded that *wasta's* importance is strong despite the rising levels of education and empowerment among the generation of young Arabs. Tlaiss and Kauser conducted a survey of Middle Eastern managers and found out that "*wasta* remains traditional in its influence in the career advancement of individuals and business life and social life" (2011, p. 467). Such a situation is frustrating especially for those who do not have *wasta* but have skills and education. Such a situation punishes those who do not use *wasta* but makes everyone believe that nothing can be achieved without having it (Hutchings and Weir 2006, p. 148). In addition, Bailey (2012) discovered that those who do not have *wasta* do not see any ways to improve their personal *wasta* leading to a situation of quiet resignation. Whiteoak et al. (2006) concluded that *wasta's* utility is on the rise among youth. In a study conducted in the UAE contrasting the attitudes about *wasta* between older and younger generations, researchers found out Emirati nationals below 30 years of age see the utility of *wasta* as more important than do their older counterparts. The researchers see this rise as a result of a recent economic boom and accompanying social transformation that pushes young Emiratis into a highly competitive job market and "a work environment with very few policies pertaining to equity and equal opportunity" (p. 86).

This situation is similar in other countries of the Arabian Gulf where oil resources accelerated economic development. GCC job market consists in large parts of foreign workers who dominate the private sector. In the past GCC economies have been able to easily provide employment to their citizens in the public sector that yields high personal benefits and job stability. However, changing socioeconomic conditions and saturation of the public sector push young nationals to seek jobs in the private sector or remain unemployed. Indeed, low wages and tougher working conditions may deter nationals from employment in many areas of the private sector. Nonetheless, a study conducted in Bahrain revealed that even highly skilled jobs providing adequate benefits are in majority occupied by foreign workers (Karolak 2012). Data suggests that the lack of appropriate skills becomes a major deterrent in a broader participation of Bahrainis in the skilled workforce as illustrated in the table below.

Table 10.1 Growth of Bahraini and non-Bahraini workers by occupation

	Bahraini		Non-Bahraini	
Sector	1970	2009	1970	2009
Professional, Technical, and related workers	2886	11,604	1938	31,332
Administrative, Executive, and Managerial workers	549	4872	486	8242
Clerical workers	3933	15,036	1271	6814
Sales workers	4043	5163	1211	18,305
Farms, Fishermen, and Hunting workers	3122	302	1108	1648
Miners, Quarrying workers	173	82	45	465
Transport and Communications workers	3862	7257	1062	16,504
Craftsmen, Product process workers	13,126	9718	9720	121,327
Services, Sports, and Recreation workers	1468	5999	1732	48,042
Other occupations	1072	20,417	70	120,556

Source: Nakhleh (1976/2011), CIO (2009)

Improving the educational and skills standards seems to provide a solution for countries like Bahrain where, over the next decade, 100,000 Bahrainis are expected to enter the job market in a country of roughly one million inhabitants (Bahrain Factsheet 2009), creating fears of rising unemployment. In light of the above literature overview, the importance of the practice of *wasta* seems to be at odds with the quality improvement attempts. It also suggests that investment in education alone may not provide the expected results in terms of greater equity and employment opportunity (Shirazi 2010, p. 26) and ultimately economic growth. There is a strong need to monitor and ensure a quality of education. Yet, Beatty, among others, stressed the fact that the quality movement in education originates in the Western culture and transferring it to a different cultural context such as the Middle East seems at least problematic.

Education Reform in Bahrain: Overview

As noted, this contribution to the volume focuses specifically on the case of Bahrain and its strategy toward ensuring quality in the education system and a workforce that drives economic growth and delivers high-quality public services. The *Bahrain Economic Development Board* set up in 2003 the education reform program. The program aimed to qualify and equip Bahrain's manpower with the highest levels of knowledge and skills to allow them to compete and succeed globally. In 2004 a national strategy for Bahrain was formulated and education was identified as a priority concern. Subsequently, a national reform of the entire educational system was launched in 2005. The reform prompted important changes in the legal system regarding the quality control of higher education. The next step followed in 2008 with the creation of the *Quality Assurance Authority for Education and Training* (*QAAET*). One of its units, the *Higher Education Review Unit* (*HERU*), reviews

public and private institutions and conducts institutional as well as program reviews. Its role within the educational system includes the enhancement of the quality of higher education in Bahrain by conducting reviews, the enforcement of the public accountability of higher education providers, and the promotion of quality assurance in higher education. In 2014 the Higher Education Council released its 10-year national strategy at the same time as the first national strategy for research. Key elements of the national strategy include providing graduate skills that are relevant to employers and industry, upgrading of the higher education sector by the introduction of accreditation, and improving teaching and curriculum. Additional key elements of the strategy included creating lifelong learning opportunities, increased use of technology, and an increased focus on entrepreneurship and enterprise education. A key driver behind these elements is the dissatisfaction of employers with the output of the education system in Bahrain. In 2014 as part of the higher education reform, a national industry steering committee was established to allow the higher education sector to understand the issues that employers face. As part of this work, an improvement report was published which cites the issues of those employers in Bahrain in recruiting graduates. Issues raised include the lack of twenty-first-century skills, the inability of graduates to think critically and solve problems, and the lack of communication skills and ability to work in teams.

In supporting education reform, there have been significant contributions from NGOs, notably *Tamkeen* and the Economic Development Board. *Tamkeen* was established in August 2006 as part of Bahrain's national reform initiatives and Bahrain's Economic Vision and is tasked with supporting Bahrain's private sector and positioning it as the key driver of economic development. *Tamkeen's* two primary objectives are (1) fostering the creation and development of enterprises and (2) providing support to enhance the productivity and growth of enterprises and individuals. Much of this support is given to the 12 private universities that exist within Bahrain through subsiding of various projects and capacity building of Bahraini staff.

However the introduction of a Bahrain qualification framework in the 2009 Bahrain's Education Reform Board has created a national qualification framework which will help create a universal language by which *all stakeholders* in the vocational and academic education markets can assess their training standards. The project is jointly managed by *Tamkeen*, Bahrain's Labor Fund, and the Scottish Qualifications Authority (SQA) who were selected out of four international firms through a tendering process. The project seeks to create a framework that will formalize the description of various qualification levels, policy documents, and the quality control accreditation system for future implementation. Among many initiatives conducted so far to examine the status of labor market, the *Qudurat* survey of 2013 conducted by *Tamkeen* surveyed both employers and students in Bahrain on the subject of the world of work. Of those employers surveyed, only 29 % of private sector employers were satisfied with the quality of graduates from higher education. In addition, of those students interviewed, 56.8 *% would use personal contacts as the main source for finding a job after graduation*. The imbalance between employer's needs and how graduates find employment is clear.

The above measures provide a holistic view of education reform in Bahrain over the last decade. Yet, as stated previously, the movement to quality has been a concept transplanted from the West. The effectiveness of such strategies needs to be contrasted with the practices and perceptions of the organizational culture in the field of education and employment in which *wasta* may play an integral part. Indeed, despite the reform measures introduced over the last decade, a report produced by Ernst & Young in 2014 called "Perspectives on GCC Youth Employment" concluded that young people in Bahrain do not trust that their education is sufficiently preparing them for employment, with 69 % of students having the view that their education is providing them with workplace-relevant skills, training, and experience.

Methodology

For the purpose of this study, a qualitative in-depth interviewing methodology was selected to gain a deep understanding of the perception of *wasta* in the Bahraini society. Interviewing is defined as a conversation with a purpose, and the interviews were semi-structured allowing the researchers to get additional insights into the studied phenomenon whenever it was possible and comfortable for the research participants. The purpose of qualitative interviewing is to gain better and deeper understanding of the interviewee's thoughts, opinions, experience, perspectives, and conceptualization about the social phenomena under study; "we interview people to find out from those things we cannot directly observe". Such choice was dictated by the fact that *wasta* is a phenomenon that is not widely discussed in society, and the interviews would allow the researchers to get a deeper understanding of the phenomenon, also whenever necessary, by asking additional questions. In the context of this research, interviews as a method have a special significance since the research deals with perceptions, meaning construction, and interpretation, which are phenomena that can hardly be identified by observation alone.

The study involved a total of 15 participants aged 18–34 and included 11 women and 4 men, all Bahraini nationals. The research interviewees come from different economic and social backgrounds, yet all had completed secondary education. They also encompass different occupational and educational backgrounds. Of those females interviewed, eight are either currently in education or have graduated within the last 12 months; the remaining four female interviewees are employed. All the males interviewed are in full-time education except one who is full-time employed. Participation was voluntary and all participants received full disclosure of the purpose of the study. The interviews were conducted by a female Bahraini in English and transcribed using pen and paper and lasted between 30 min and 1 h. All interviews took place in the interviewees' workplaces, public settings, or place of study. The questionnaire used for the semi-structured interviews was modeled on

the questionnaire used in the study of career advancement of managers in the Middle East by Tlaiss and Kauser (2011, p. 427), but it was adapted to fit the context of education.

Data Analysis

Given the fact that the use of *wasta* is a widespread practice in the Middle East, all the participants were well aware of its existence and of its implications. The majority of the interviewees defined the practice in neutral terms as means of getting something done or achieving an objective through a personal connection to someone. Some mentioned that this person is of a "higher authority" and therefore he/she requires "honor" in return. The definitions were general enough to fit any context and any activity. Only three participants initially saw a negative aspect of *wasta* stressing that the objective will be achieved "at the expense of others" and that the person may not necessarily be "qualified" to obtain it, but more negative views appeared through the interviews at a later stage.

With regard to the scope of its use, all the participants explained that *wasta* is widely used especially in employment. Almost all agreed that obtaining jobs through *wasta* was highly effective and helped individuals getting hired quickly. It was also mentioned that some organizations put emphasis on interviewing the person who was recommended through another, but others just hire for the name or maybe hire based on a decision enforced by the management: "I have seen a person getting a job even though at the interview the candidate was weak. Later on once she had the job the connection was found out." One of the participants stated that back in the 1980s people worked hard and were rewarded based on their hard work, but nowadays it is more common to get one's way by *wasta*. This perception is in line with the findings of Whiteoak et al. (2006) who concluded that nowadays the importance of *wasta* was on the rise among the young generation due to a competitive job market. All the participants have experienced *wasta* one way or another but especially pointed at its use in the job market. Some expressed the loss they incurred due to *wasta* used by others, "I didn't get a well-deserved promotion, instead a trainee at my department got it because she was my boss's wife's niece," or somehow expressed its damaging side to the transparency of the process: "I have seen it in the work place, two of my friends in the department were going for the same job, but one had a better relationship with the manager on a personal level. The one with the better relationship with the boss got it even though the other individual had a better attendance level, always on time, and had a lot more experience," and "It is everywhere, at work, people are actually hired only if they know someone inside where I work. Moreover, if there are more than a candidate, for the same opening people select the person who will benefit them personally despite being inferior in terms of skills and education to the other candidate." The responses prove that in Bahrain, with weak labor laws in terms of discrimination of all kinds (racist, gender, ageist, religious), it is very important to have *wasta* to get employment. For some, it is very

important to enter the field and organization they want, not because they are qualified to do so but because they have good networks. *Wasta* will put people in front of the line for jobs because of connections they have. Without *wasta* the chance of getting a job is very small in Bahrain. Some also agreed that because of high unemployment rates, before a job listing is even posted, employees of the place call up family and friends to bring in whomever they know for the opening.

Wasta, however, does not necessarily result in employment. Respondents mentioned cases where someone was recommended by another, but the person was not qualified enough to take on the job. Many companies, especially foreign ones, look for people with actual skills compared to those with *wasta*. Nonetheless, *wasta* can't really hurt, as it will ensure that you at least get an interview, if not job guarantee, depending on how much *wasta* one can have over the specific job. *However, it seems that nationality is more important here*. If you are a local national, then you are pretty much guaranteed employment regardless of education. It is a completely different story if you are a non-national. It is important to have some sort of *wasta* or connection to get employment, as the likelihood of actually getting the job is much higher (almost guaranteed depending on the person who is giving you *wasta*). Overall the respondents saw resorting to *wasta* as a necessity of the present day: "I don't like it but yes, but it is a must to use your *wasta* to get an income sadly." "*Wasta* is like the evil you have to use to get by. Those who don't have *wasta* struggle a lot." "Personally no, but my family have pushed me to do so, in many places." "My daughter got a job the next day after my husband called a friend. Unemployment is high and it's hard to find jobs." Participants believe that the whole country runs on *wasta* and that's how everything functions. It makes it a lot easier; *wasta* is so common—it is how everything works. And in an environment like that, you must play along: "use whatever *wasta* you can get" to get by. Some respondents deplore this state of affairs: "It is sad a fact that people who know the right people get higher faster and in better positions than those who don't even though the latter could be better in every possible aspect." In fact, it may be difficult for an individual to move up the ladder after a certain point without these connections. You need *wasta* if you want to become one of the more important decision makers, i.e., ministers, politicians, etc. In fact, the family name already determines what you can and cannot do in many aspects. So, you are automatically given *wasta* if you come from a well-respected and well-known family.

Although ability and performance are sometimes considered, most often if the person at the top believes in *wasta*, often lack of skills and ability is overlooked. This overall perception of the hiring process puts into question the value of education obtained by the candidates. *Wasta* encourages people to bend rules and get easy solutions to issues. It encourages people, especially students, to find quick solutions when faced with issues, rather than work at them. It devalues education and the effort and hard work that need to go into it. Almost all participants agreed that they didn't experience *wasta* in their education but have seen some students offering their *wasta* service for better grades from professors in exchange of favors outside the university. Most professors don't accept that as it is unethical. Some expressed that *wasta* could get students into universities even if they were not pre-

pared or had the requirements. *Wasta* is definitely not the best for the learning/education of the individual.

Despite the fact that only some participants mentioned the use of *wasta* in the field of education, its widespread use in the workplace for hiring, promotions, and other benefits makes it challenging to support the move toward enforcing quality of education. This mismatch between the opportunities offered by education and, on the other hand, the feeble performance of best candidates lacking *wasta* on the job market was stressed in interviews. The interviewees agreed that many qualified applicants do not get jobs solely because of not having *wasta* and that the brightest minds and promising talents are sitting at home jobless or working any jobs they can get just to sustain a monthly income and such a situation can be blamed on *wasta*. Some interviewees saw it as a major problem for the country, a waste of huge potential and a practice that makes people lazy: “It makes the society to work and study less knowing that their links will make [them] have a job or degree.” Yet, they also agreed that *wasta* was inevitable and “a fact of life.”

On the other hand, the participants also distinguished *wasta* as a negative phenomenon of hiring underqualified candidates and other unethical practices: “It's [*wasta* is] unfair yes, however there is a difference between *wasta* and using connections; the latter is networking.” Others observed that some type of mobility exists also among those without *wasta*, especially the highly skilled. Nonetheless, “it takes much more effort for ambitious people *without wasta* to ‘make it’ in society. However, that is the case everywhere. Unless society changes, it is almost impossible to succeed and become very prominent without some sort of *wasta*.” Most participants agreed that for highly skilled jobs, they did not believe that *wasta* was more important than the degree, especially for jobs in the field of medicine and engineering, etc., where one actually needs a relevant degree and licensing to perform the job. They saw that *wasta* alone could secure a comfortable job where there isn't much substantial work. *Wasta* is less likely to be valued compared to the degree if the employer is looking for someone with specific skills to fulfill a job role. If one gets a job through *wasta*, the hired person is more likely to not be doing a lot of substantial work compared to one that found employment through education and merit. It is, however, also symptomatic that foreigners are most often hired in these highly skilled jobs as illustrated previously in Table 10.1. The local population may be then faced with a stark competition from the part of foreign candidates for highly skilled positions where the local candidates may lose out due to not being competent and educated enough for the job to be chosen and, on the other hand, other jobs where *wasta* connections prevail in the hiring process.

In terms of the use of *wasta*, almost all agreed that *wasta* works the same for both genders as it depends on the connections they have, while others believed that *wasta* was more prevalent among males, as they tend to be ones in influential positions in society. A couple of participants believed that with females it is less so as the woman can use her looks and charm to get ahead especially that men mainly occupy the senior positions.

Participants agreed that stamping out *wasta* will take another generation. But, until it happens, the country will still have incompetency, inequality, and a waste

of good resources in the country. They believe that it is inevitable and only used in this region, but it is clearly a tool used all around the world, but maybe overused here in the Middle East. Depending on the *wasta* case, it could be good in some cases and in other cases bad. For the employer, it is better to actually see someone who is recommended by someone which gives further guarantee that that person is qualified and will do a good job. If *wasta* is used to hire someone who is incompetent and is unable to find a job on his/her own, the participants think the company is missing out on someone who will actually add value to the organization. It has been also stated by some interviewees that *wasta* applies more in governmental jobs than in private companies. *Wasta* is very downgrading for any country, because it is not fair for the people who deserve it. They further agreed that heavy reliance on *wasta*, which support a non-merit-based society, is not good for the future development of the country.

Conclusion

Our analysis confirms that the use of *wasta* remains very common in Bahrain. However, from our findings, it is also clear that the use of *wasta* is limited in terms of education and achieving positive educational outcomes. The use of *wasta* seems far more prevalent in gaining employment and promotion particularly in the public sector, and our interviewees confirmed that its use has become more prominent in recent years. It seems that gaining employment and promotion in the public sector is almost solely dependent on *wasta*. This situation is further compounded by the economic problems that Bahrain has faced in recent years, which meant that fewer jobs have been created in the private sector. Normally those without jobs would be absorbed into the public sector however; with national budget cuts due to a significant national debt, it has meant that this absorption is no longer possible on a large scale; thus, *wasta* secures access to the sought-after employment for the selected few.

The impact of *wasta* on the public sector is significant; through the interviews conducted, it is clear that people are hired and promoted without having the relevant skills, knowledge, and experience for that post. Often those individuals are underqualified for the positions and the impact of this is significant. It means that due to *wasta* people in decision-making posts are ill qualified to make decisions, formulate policy, and lead teams; as a result, the public sector, which should be the driving force of a country, is not delivering high-quality services to its population as its workforce is ill qualified. Further impact of *wasta* is that people who are qualified are not getting promoted because of *wasta*. This disenfranchisement results in a further worsening of civil service performance and worsening of morale. The effects of *wasta* can spread far and wide with poorly qualified people in senior civil service posts often meeting delegations from other countries or going to conferences abroad. Their lack of knowledge or skills can reflect poorly on Bahrain with other countries being witness to senior public sector leaders with little credibility.

Through our research, it is clear also that *wasta* exists within the private sector, although less prevalent, and there is a key distinction to be made between domestic and international firms. *Wasta* will improve a person's chances of finding employment in Bahrain although more attention is given to the person's qualifications and skills than in the public sector. Often the use of *wasta* ensures a position is taken before being advertised, and in tougher economic times, *wasta* is still prevalent with domestic firms when hiring. However, international companies will still hire predominately based on skills and experience rather than *wasta*. The fact that the private sector companies are profit driven exerts a downward pressure on the use of *wasta* and therefore less prevalent than in the public sector. Although it may be less prevalent within international companies, the use of *wasta* does still exist however on a more strategic level to enhance chances of winning contracts and opening new markets. Within the private sector, particularly domestic firms, the use of *wasta* is still an important factor for career improvement and promotion especially for men. Again, the notion of *wasta* in the workplace intertwined with family connections goes hand in hand, with the end result probably being the award of new contracts.

From our study it is clear that *wasta* is prominent in the recruitment and promotion process especially for men in employment and that there is little evidence of the use of *wasta* in education. So, *wasta* can be considered crucial to a person's life chances in Bahrain, and yet nearly all interviewees agreed that the use of *wasta* is an unfair but accepted practice that is detrimental to the country. It is especially clear in light of the recently implemented holistic reform of Bahrain's educational reform that the effects of the reform will be limited overall due to job appointments mainly based on *wasta*. Thus, the country will not fully reap the benefits of the improved educational system offering graduates better skills since the latter do not guarantee employment and job promotion. This misalignment will have serious consequences on job performance, economic development, and morale of Bahraini graduates.

When considering the above, what can be done to limit the use of *wasta* to ensure that the public and private sectors are maximizing human capital to enhance the prosperity of Bahrain? Certainly, this is a challenge considering that *wasta* is an accepted part of culture and organizational processes. Certainly, in the public sector, the hiring and promotion of staff should become a centralized process controlled by the *Civil Service Bureau* (*CSB*) rather than ministries on an individual basis. A clear process should be made available with transparent recruitment and promotion guidelines based on qualification, experience, and relevant skills. This whole process should be managed by the independent *CSB* who should be given the autonomy to make decisions and operate without independence. It is important for this process to have an impact that is championed by a senior member of Bahrain's cabinet, and even then there is no guarantee that this new process will not be bypassed. Furthermore, training opportunities for staff should be based on potential and performance rather than being wasted on people who are appointed due to *wasta*. Those who are in senior positions due to *wasta* should be surrounded as much as possible by skilled, capable people who can influence and reduce the risk of poor decision making.

The working culture in Bahrain needs to change, and strong messages at organizational level need to be directed to staff that performance is the key to growth at both organizational and individual levels. The key to this is strong governance and management structures wherein human resources recruit and pro- mote people on criteria and performance. HR managers should have policies that are transparent and that should be adhered to as much as possible. In addition more needs to be done to build trust in organizations and to capture the "hearts and minds" of all staff through introducing mentoring, increasing access to staff to training opportunities, and having a short list of candidates for promotion rather than just one candidate. The potential negative damage on staff morale and career development through *wasta* cannot be underestimated, and by introducing previously mentioned policies, it may act as a catalyst to prevent frustrated staff from being disenfranchised.

Finally, *wasta* is embedded into local culture in Bahrain; while trying to negate the influence may be challenging, the negative effects caused by its use on public services, private sector, and society can be managed better. Policies and processes can be put in place to mitigate some of the negative impact caused; however, this requires some transparency and strong leadership at all levels. Society needs to see progress and actions; otherwise, the effect on those aged 25 and below could be significantly negative.

Part IV
Wasta, Ethics and Culture

Chapter 11
Koneksi, *Kolusi*, and *Nepotisme* (*KKN*): Culturally Embedded? The Indonesian Experience of Combating Negative *Wasta*

Azyumardi Azra

Introduction

The Arabic term *wasta* is not common in Indonesia—the country with the largest Muslim population in the world (Muslims represent some 89 % of 250 million total population). But a related term *wasatiyyah* is very popular in the country referring to the kind of distinctive Indonesian Islam which is "a middle path Islam" or "justly balanced Islam," not to say "moderate Islam."

Despite the absence of the term *wasta* in Indonesia, the third largest democracy in the world after India and the USA, it is clear that the practice of *wasta* is quite common in the country. In Indonesia the terms used that carry the meaning and substance of *wasta* are *koneksi* (connection), *kolusi* (collusion), and *nepotisme* (nepotism)—all are usually abbreviated in Indonesia as *KKN*. All terms are of English language; it seems there are no particular terms in local languages that have the same meaning with *wasta*, *koneksi*, *kolusi*, and *nepotisme*.

One of the ways to address the problem of *KKN* is the creation of good governance. The momentum for this came when Indonesia became a democracy in 1999 following the resignation of *President Suharto* from his more than three-decade rule in 1998. In 1999 the Indonesian Parliament (*Dewan Perwakilan Rakyat/DPR*) enacted a law against *KKN*, as *Indonesia's Law No 20 of 2001 on Corruption Eradication.* In line with this, under the Law No. 30 of 2002, a special body was formed, that is, the Commission for Corruption Eradication (*Komisi Pemberantasan Korupsi/KPK*).

Despite resistance of some political elite—both in the legislative and executive branches of government—the *KPK* is considered as the most effective anti-corruption agency in Indonesia. *KPK* so far has arrested some high-level politicians

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(many of them are members of parliaments at national and local levels), ministers or ex-ministers, governors, mayors and chiefs of districts, and some other high officials.

But at the same time, every country needs a vibrant and dynamic civil society that can put a lot of pressure as moral force in the *jihad* against *KKN* as well as play a crucial role in the creation and empowerment of good governance. This chapter will be a preliminary attempt to discuss the *wasta*—with different terms—in Indonesia. It will also look into Indonesian experience in combating *KKN* through the creation of good governance in bureaucracy, particularly in the context of the role of Islamic-based civil society.

Wasta in Practice

Despite the absence of the very term *wasta* in Indonesia, its practices—both "positive" and "negative"—were widespread among various ethnic groups, each of which has its own cultural tradition. But it is perhaps quite surprising for some that ethnicity together with religion—particularly Islam as the single largest religion adhered to by the Indonesian population—has never been the strongest identity that can be assumed to create a favorable atmosphere for *wasta* practice. It is of course not uncommon that ethnic primordialism naturally became a factor in the appointment or promotion of someone from the same ethnicity to a certain position in both government and nongovernment positions.

These kinds of *wasta* are practiced by different ethnic groups in Indonesia. The positive *wasta* in the country, different from the one in Arab countries, is not based on tribalism (*qaba'il*) since basically there is no *qabalah* or tribalism in the Indonesian archipelago. In fact ethnic identity is in continuous decline; with improved transportation and communication, the process of "becoming Indonesian" has been accelerated in the two decades at least at the expense of ethnic attachment and solidarity.

On the other hand, one can find practices of negative *wasta* or the so-called KKN, once rampant during President Soekarno (1945–1965) and President Suharto's periods (1965–1998) in the worlds of business, civil service employment and promotion, local administration for ID card, politics, education, legal and law enforcement institutions, banking system and cash assistance, and access to service and information, for instance. It was common that people had to bribe those who were in deciding position in order to get what they wanted. These no doubt involve *kolusi* and *nepotisme* that as a rule led to *korupsi.* That is why the three are called in one single breath as *KKN.*

The introduction of democracy in the post-Suharto period (1998–onward) led to the momentum for eradication of those kinds of *wasta* to accelerate. People were fed up with negative *wasta* that was said to have become a "culture" in Indonesia implying that it ran very deep in almost every aspect of people's lives. Some Indonesians asserted that *KKN* has been embedded in Indonesian culture. The efforts to combat negative *wasta* are far from easy. In the period of more than one and half decades, there have been some positive signs in the reduction of negative

wasta with the introduction of certain aspects of principles of good governance, but *KKN* is still a very serious problem in Indonesia. According to *Transparency International*, Indonesia has improved its perception index of corruption from 1.9 in 2003 to 34 in 2014—a score of 100, indicating that the public sector was clean. With that index, Indonesia ranks 107 out of 175 countries; as a comparison, China is 100th on the list and Russia is 137th.

Being the largest Muslim nation, it is unfortunate that the noble ethical religious and cultural values and norms against the abuse of power for *KKN* have failed to eradicate this evil in the country not only because of cultural and social disorientation among people but also because of unfavorable political realities. Political liberalization and introduction of democracy following the fall of President Suharto from his long-held power in 1998 have in fact tended to bring more widespread abuse of public positions. With the implementation programs of decentralization and local autonomy, some practices of negative *wasta* or *KKN* seem to have become more rampant than before. The erosion of the power and authority of central government, lack or almost absence of law enforcement, and the demoralization of law enforcement agencies are some of the contributing factors responsible for survival of *KKN* in present-day Indonesia. Even though Indonesia has a number of laws and regulations that could be used to combat negative *wasta* or *KKN*, the country has not been very successful to address this issue. This has a lot to do also with the realities of Indonesian political culture and leadership. Although Indonesia is now becoming more and more a consolidated democracy, its political culture is still dominated by a patrimonial one, which is, among others, characterized by patron–client relationship between the ruling elite and the people. This patrimonial political culture—as has been shown by such scholars as Max Weber, Benedict Anderson, Syed Hussein Alatas, and others—is also responsible for the spread of *KKN* through the use and abuse of public offices.

With the continued prevalence of patrimonial political culture in Indonesia today, it is difficult to expect that anti-*KKN* laws and regulations can be fully enforced. In fact, it is no secret that some, if not most, *KKN* cases are settled behind closed doors. This in turn creates demoralization and apathy among people to commit themselves to anti-corruption campaign. Worse still, public leadership, particularly political leadership, from national to local levels has largely failed to show their political will and translate this into concrete action to combat negative *wasta* or *KKN*. In contrast, there is a lot of reluctance to address the issue of negative *wasta.* If they do talk about it, it is only for political consumption, rather than serious political will and action. The failure of public leadership in general to combat negative *wasta* and *KKN* has a lot to do also with their failure to present themselves as moral examples for ordinary people.

Combating Negative *Wasta* or *KKN*

By formulating strategies, anti-negative *wasta* or *KKN* can be eliminated or reduced significantly. Briefly, the anti-negative *wasta* or *KKN* efforts include a two-stage process: first, a stage of policy formulation to address the main root causes of *KKN*

and, second, the stage of creating and enhancing political will which is very crucial for the implementation of anti-*KKN* programs.

The two-stage processes reflect the crucial role of government and bureaucracy in the war against *KKN*. This is of course one of the first steps toward the creation of a democratic, credible, accountable government in the management of public sector. Therefore, the first crucial step in the eradication of *KKN* is to accelerate the demands and pressures for reforms at government level, then at the level of business sector, and finally at the level of the general public.

One the most important determining factors in the success of the anti-*KKN* efforts is the political will of the highest leadership of the government. After conducting a number of researches on corruption, Morgan points out that one conclusion that has emerged from many studies on corruption is that "a sincere commitment by high level leadership to counter-corruption efforts is a crucial component of successful campaigns" (Morgan 1998: 6).

The failure of the anti-*KKN* programs in many countries does not lie on the "incomplete" or insufficient laws and regulations or lack of anti-corruption bodies, but more often because of the absence or lack of commitment, seriousness, and sincerity on the part of the government's highest office holders. As a result, there is a strong impression that talk about *KKN* is only for political publicity or for additional legitimacy through the issue of *KKN*. In fact, there is a strong tendency among politicians to apply the analysis of political cost-benefit analysis in deciding whether or not to implement the anti-*KKN* policies and programs.

Basically, there are three kinds of policies that can be taken by government policy makers in order to effectively minimize—if not wholly eradicate—various kinds of negative *wasta*: first, reforming policies that in one way or another could be abused by public officials to do *KKN*; second, reforming the structure of salary and other material incentives that apply in bureaucracy and other public institutions; third, reforming law enforcement agencies, expanding their capacity to enforce law and order; and fourth, strengthening the rule of law. There is little doubt that the success of anti-*KKN* eradication depends very much on the ability to carry out the three reforms in a simultaneous, comprehensive, and consistent way.

In a next stage, the three kinds of reforms mentioned above can be integrated with recommendations issued by World Bank (1997: 105) on the strategies to eradicate corruption comprehensively. There are three main components that include a strategy to eradicate corruption in particular:

> *First*, developing a bureaucracy that is based on a rule of law, with a salary structure that honors employees for their honesty. There should be empowerment of a merit system in the process of recruitment and job promotion, so that it will be able to prevent the political interference in both. There should also be empowerment of financial control in order to prevent misuse of public funding in an arbitrary manner.
>
> Second, preventing employees from conducting corrupt acts by limiting their authority in the formulation of policies, as well as in the management of funding.
>
> Third, enhancing the accountability of government employees by strengthening monitoring; anti-corruption agencies and public in general should also enhance their control and monitoring.

The empowerment of control and monitoring functions of such institutions also needs certain strategies, so that the eradication of corruption can be conducted comprehensively. There are at least three strategies in this respect:

> *First*, strengthening the official institutional and mechanism control in order to supervise and monitor employees, officials, and other holders of public office.
>
> *Second*, enhancing public pressures for these institutions to function in a more effective way; this can be done through free press, decentralization of administration, and greater transparency on the part of government in decision-making processes.
>
> *Lastly*, educating the public to put moral and political pressure for the eradication of corruption. The public should also be taught such concepts as "public office," "public service," as well as the social, economic, political, and religious consequences of corruption for public life.

The Creation of Good Governance

Despite some skepticism among the public whether or not *KKN* could be abolished, the Anti-Corruption Law (KPK) became the only hope among the public. It has recently become increasingly more powerful to investigate corruption cases among high public officials and bring them to justice.

On the other hand, civil society organizations have also been trying to play a greater role toward that end, by forming, for instance, a number of "watchdog bodies"—like the powerful *Indonesian Corruption Watch* (*ICW*)—that attempt to oversee the workings of government institutions and other public offices. Since then, a number of policies and programs have been implemented by the government. However, despite all efforts, one has to admit that not much progress has been achieved (Ricklefs 2005; *Jakarta Post*, May 30, 2005). There are a number of inhibiting factors that make the effort to create good governance in Indonesia seem a very difficult task.

One of the biggest hurdles toward the creation of good governance is the fact that Indonesia, as far as the political culture is concerned, has long been a "soft state." Employing the Weberian framework, Indonesia could be arguably included in the category of *soft state*. Among some important features of Indonesian political culture as a "soft state" are:

> Firstly, the existence of culture of "patron–client" relationships among state officials and many segments of society, particularly the business sector. This kind of relationship gave rise to strong "patrimonialism" in almost all levels of society that in turn manifests itself, among others, in the culture of "ABS" (*Asal Bapak/Ibu Senang* or "yes men").
>
> Secondly, unclear and inappropriate practices in government and bureaucracy with no clear boundaries, for instance, between those things that are officials and those are personal in nature.
>
> Thirdly, weakness in social and public ethics.
>
> Fourthly, weakness in law enforcement as well as low ethics, credibility, accountability, and *moral* of law enforcement agencies.

Furthermore, according to Indonesia's *Partnership for Governance Reform*, there is very little understanding among state officials as well as society at large of the concept and practice of good governance. This is not surprising, since during the period of the Old Order under President Sukarno until the era of New Order (since the late 1960s under President Suharto), the executive branch of government was the most dominant and unchallenged institution at the expense of society in general. The executive branch of the government was almost without control. Good government is of course only one of the actors in governance. There are many other actors outside the executive branch of government, including the legislative and judicative branches which play an important role in the decision-making process. Even in a wider sense, other "nongovernment actors" that also play a role in decision-making or in influencing the decision-making process can be called as "actors" of governance. They are, for instance, civil society organizations and groups, NGOs, research institutes, political parties, the military, religious leaders, public intellectuals, and others. But, above all, it is government especially that is central in the creation of good governance. The role of civil society in the eradication of corruption is explored later.

The creation of "good governance," no doubt, needs an accurate understanding of the concept and practice of "governance." According to the concept of "participatory governance," "governance" basically is good governance and good order of public life for a better shared life. Therefore, "good governance" is an order that makes it possible for the public to share a better life and at the same time is free from any kind of disorder and imbalance. Good governance includes eight major characteristics: *participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law.* With these characteristics, good governance assures that corruption, for instance, is minimized.

There is a great deal of very complex constraints in the creation of good governance: first, lack of understanding of the concept and the necessity of good governance; second, lack of trust and cooperation between government bodies and agencies on the one hand and civil society on the other; and, third, the absence of precedence and experience in Indonesia of the implementation and development of good governance. As suggested earlier, good governance in many ways is identical with governance that is free from what is in Indonesia called *KKN*. The creation of good governance which is a clean and healthy government can be created by reforming bureaucracy and public service. The aim of the reforms is to create transparency in bureaucratic processes and public service. To achieve this aim, it is necessary to improve the quality of human resources in bureaucracy. Human resources development in bureaucracy should be more professional from the recruitment of employees, their conduct of public service, to their job promotion.

The reform of governance can also be called as "reinventing of government." Using the framework of Osborne and Gablaer (1992), "reinventing government" has an orientation to the creation of 10 kinds of "governance models," that is, (1) *catalyst government, which leads rather than dictates;* (2) *society-owned government, which gives authority rather than being served;* (3) *government with mission, which transforms organization of bureaucracy from simple works by*

regulations to missions; (4) *competitive government, which emphasizes competitiveness in public service;* (5) *result-oriented government, which has an orientation to results rather than simply the presence of employees;* (6) *society-oriented government, which aims at fulfilling the needs of society rather than those of bureaucracy;* (7) *entrepreneurship government, which produces revenues rather than simply spends;* (8) *anticipative government, which prevents rather than cures mistakes and failures;* (9) *decentralized government; and* (10) "*market-oriented*" *government, which encourages changes through market and public.*

It is clear that the creation of good governance needs the participation of civil society and the public as a whole. Indonesia's first vice-president *Mohammad Hatta* once stated that *KKN* has been "part of culture" of many Indonesians. *Bung Hatta*, the other proclamator of Indonesian independence besides Sukarno, is to a great degree right, particularly now, as *KKN* seems to be so rampant that it seems as part and parcel of Indonesian culture.

With the same token, rampant practices of power arrogance and *KKN* in Indonesia have also been caused *by public apathies*. This originates from the public's lack of awareness of their rights as both citizens and subjects of public service of government bureaucracy. The public either does not know how to file complaints or does not want to be bothered by complications resulting from their complaints of bad practices of bureaucracy. Therefore, dissemination of the ideas and practices of good governance is absolutely necessary to know what good governance is all about; the benefits that the public can derive from good governance; and, in reverse, the disadvantages or even loss resulting from bad governance.

Civil Society and War Against *KKN*

At the public level, the anti-*KKN* campaign has been conducted mainly by relatively small NGOs with limited influence. Large social organizations—especially Islamic-based civil society organizations such as the *Nahdlatul Ulama* (*NU*), *Muhammadiyah*, and the like—which exert strong nationwide influence have shown a special interest in the anti-*KKN* program. In cooperation with the Partnership for Governance Reforms, they have conducted anti-*KKN* and attempted to implement principles of good governance in their organizations. But there are yet a lot of things to be done before they can play a greater role in the creation of good governance. These organizations must be further empowered and oriented not only to anti-*KKN* programs but also to the creation of good governance.

A number of studies on civil society in Indonesia such as those done by Hefner (2000) and Nakamura et al. (2001) have concluded that Muslim or Islamic-based civil societies and their leaders played a major and crucial role not only in the "better ordering" of Indonesian Muslim society at large but also in the eventual fall of President Suharto's regime in 1998. Many leaders of Muslim or Islamic-based civil society organizations, the most prominent among them were Abdurrahman Wahid—also well known as *Gus Dur*—(then the national leader of the *Nahdlatul Ulama/*

NU), Muhammad Amien Rais (then the national chief leader of *Muhammadiyah*), and Nurcholish Madjid (the former national leader of the Association of University Muslim Student Association/HMI), were the most outspoken critics of the Suharto regime and took a leading role in the increased prominence of civil society's opposition to the autocratic rule in Indonesia since the 1990s.

Indonesian religious-based civil society has a long and rich history. As have been shown by the many Indonesians mentioned above, the earliest forms of nationwide civil society in the country were Muslim social-religious organizations such as *Muhammadiyah* (established in 1926), *Nahdlatul Ulama*, or NU (founded in 1912) and many other national and local organizations. The *Muhammadiyah* and NU were (and still are) the largest Muslim organizations in Indonesia, each of which now claims membership of some 45 and 50 million, respectively. Voluntary, independent from state, self-funded, self-help, and self-regulating, the *Muhammadiyah*, *NU*, and many other Muslim organizations operate as mediating and bridging forces between state and society since their foundation until today. These Islamic-based civil society organizations since the colonial period until today have been conducting a variety of programs and activities, ranging from religious activities to social, cultural, educational, health, and economic ones.

The second kind of civil society organizations in Indonesia mostly appeared during the economic modernization period of President Suharto, roughly from the early 1970s to the second half of the 1990s. They are nongovernmental organizations (NGOs), known in Indonesia initially as *Lembaga Pengembangan Swadaya Masyarakat* (*LPSM*), or more precisely society's self-development groups, which in the current usage are popularly known as *Lembaga Swadaya Masyarakat* (*LSM*) or literally Institutions for Social Empowerment. Most of these *LSMs* (NGOs) are non-religious based, even though their activists by and large are Muslims, but an increasing number of Islamic-based NGOs have also made their appearance. These NGOs can also be regarded as advocacy NGOs working for the empowerment of society in such fields as democracy, human rights, gender equity, environmental preservation, and others.

The third group of civil society organizations that exist in Indonesia are professional associations like associations of teachers, medical doctors, journalists, labor movements, and the like. Some of these associations are Islamic-based, like the All-Indonesian Association of Muslim Intellectuals (ICMI or *Ikatan Cendekiawan* Muslim se-Indonesia), the United Muslim Labor Movement, etc. Even though these associations have increasingly become more vocal in furthering their own interests, they are rarely involved in much wider social, political, and cultural issues.

The first two groups of civil society organizations have been directly or indirectly involved in many political, social, cultural, and economic issues. That is why many leaders of civil society organizations during the last years of the Suharto government tended to be heavily politicized. Soon enough they turned to be politicians in the period following the downfall of President Suharto from his long-held power of more than three decades in May 1998. The question was whether or not they would be able to live up with the expectation of public in general.

This can be clearly seen in the case of *Abdurrahman Wahid*, the national chairperson of the NU, who founded the Nation Awakening Party (*Partai Kebangkitan Bangsa/PKB*), or *Amien Rais*, the national chief of *Muhammadiyah*, who established the National Mandate Party (*Partai Amanat Nasional/PAN*) in the period after President *BJ Habibie* who had replaced Suharto who later introduced liberalization of Indonesian politics as well as multiparty political system. Following the first democratic general election of 1999, Rais was elected as the speaker of People's Consultative Assembly of Indonesia (*Majelis Permusyawaratan Rakyat/MPR*), and Wahid was elected President of the Republic of Indonesia.

President Wahid, the former civil society leader, however, failed to meet public expectation and was impeached by the MPR in 2001 following his controversial policies and statements as well as mismanagement. He was replaced by his vice-president, *Megawati Soekarnoputri*, the national chairperson of the Indonesian Democratic Party of Struggle (PDI-P) and one of the daughters of Sukarno, the first president of the Republic of Indonesia.

Despite the failure of Abdurrahman Wahid, many other civil society figures and public intellectuals continued to be tempted by power politics. The most striking example is *Nurcholish Madjid*, one of the most prominent Indonesian independent public intellectuals in contemporary times, who in the end could not resist political temptation. He joined the presidential bid through the convention of *Golkar* party in 2003 but soon withdrew from power politics. Other public intellectuals such as Sjahrir and Ryaas Rasyid founded their own parties, but their respective parties fared poorly in the 2004 general elections.

This tendency continued during the times of the 2004 general elections. A number of figures, known mainly as civil society leaders, such as *Hasyim Muzadi*, the national chairman of the NU and *Shalahuddin Wahid*, Vice Chief of the Indonesian Human Rights Commission, joined the political battlefield. Muzadi became vice-presidential candidate of Megawati Soekarnoputri in her bid to win another term of presidency, and *Shalahuddin Wahid*, the younger brother of Abdurrahman Wahid, was the vice-presidential candidate of the retired general *Wiranto*. They failed in their bid. The winners of the direct presidential elections were *Susilo Bambang Yudhoyono* and *Muhammad Jusuf Kalla*, the current president and vice-president of the Republic of Indonesia.

As discussed elsewhere (Azra 2003b, 2004, 2007), the involvement of civil society figures and public intellectuals in Indonesian power politics during the so-called Reform Period (*Masa Reformasi*) has resulted not only in their failure but also in the unmaking of civil society in Indonesia in general. The involvement and eventual failure of civil society leaders in Indonesian politics has resulted in some frustration and disorientation of civil society organizations and groups. This is true not only in the case of religious-based civil society organizations like *NU* and *Muhammadiyah* but also of advocacy NGOs, since many figures of the latter groups have also been pulled into politics. The implication has been far-reaching up to grassroots level. There are cases where members of *NU* and *Muhammadiyah* were involved in mass brawls during the period of President Abdurrahman Wahid.

With the continued stabilization of Indonesian politics under President *Yudhoyono* and Vice-President *Kalla* in the post-2004 general election and *Yudhoyono-Boediono* in the 2009 general election, some crucial agendas have been put forward not only by the president but also by Indonesian society in general. Among the foremost agendas already mentioned above is the creation of good governance, eradication of *KKN*, continued recovery of the Indonesian economy, and improvement of enforcement of law and order.

Teachings of Islam Against *KKN*

In addition to emphasizing the role of government, *KPK*, and civil society in combating *KKN*, it is important to be reminded of the teaching of religion—in this respect Islam—relating to ethics that support the efforts to eradicate corruption as well as to create good governance. Islam puts very strong emphasis on moral and ethics (*akhlaq al-karimah*) both in personal and communal life. In fact, the Prophet Muhammad was sent in order for human beings to achieve noble morality and ethics (*innama buìthtu li utammima makarim al-akhlaq*).

Therefore, Islam is opposed to any kind of transgression of noble ethics, such as corruption and injustices and many others. Furthermore, Islam unequivocally prohibits bribery and stealing, not to say robbery. Islam forbids Muslims to steal private and public funds and wealth. Islam empathically prohibits corruption that is defined as "illicit or illegal activities for private or group material gain" and/or "the abuse of trust, power, and public office/position in the interest of private or group gain." Islam teaches that power and public positions held by leaders are *amanah* (trusteeship) endowed by God to human beings. Holders of public offices are accountable to both God and the community. As *khalifah*, representatives of God on earth, they are also responsible for the enforcement of justice (*al-àdalah*), not only on the people but also on themselves. Otherwise, they will be responsible for making corruption (*al-fasad*) in life.

Islam prohibits Muslims to practice any excessive attitude and act (*ishraf*) in any aspect of life. Therefore, Islam is against the excessive accumulation of wealth by way of unlawful or illegal means such as corruption. The accumulation of wealth is allowed only through *halal* (lawful) and *tayyib* (good) means, and a certain amount of the *halal* wealth should be donated to the poor and the weak and other disadvantaged people as almsgiving (*zakah, infaq, sadaqah*).

Islam is also opposed to greed; those Muslims who fail to control their greed—especially to material things—are regarded as having downgraded their own humanity even to the level of animals. Therefore, Muslims are obliged to conduct *jihad* against their greed. This is in fact the greater *jihad* as opposed to lesser *jihad* that is waging the war against the aggressive enemy of Islam. Islam urges Muslims to live in a modest and middle way (*wasat*). Islam also encourages Muslims to feel satisfied (*qana'ah*) with what they have gained through *halal*, permissible or lawful means. These teachings are in fact part and parcel of Islamic spirituality (*Sufism*)

that is commonly practiced by independent *Sufis* and those who are affiliated with the *tariqah* (*Sufi* brotherhood).

Furthermore, Islam urges the leaders to "exemplary" (*uswah hasanah*) for all people: giving real example, not simply by talking. The religion also appeals to believers to continually give reminders to others (*tawsiyyah*) to refrain themselves from any wrongdoing in a wise way (*bi al-hikmah*), good example (*mawìzah hasanah*), and civilized discussion (*mujadalah*). If necessary, Islam allows Muslims to enforce Islamic prohibition of corruption in a forceful manner based on the principle of *al-amr bi al-ma`ruf wa al-nahy `an al-munkar* or the propagation of good and forbidding of evil.

Similarly, local cultures in Indonesia in general basically regard corruption in particular as a shameful act that must be avoided. Various cultural systems and groups emphasize that people should live in a modest way, not being misled by uncontrollable lust and greed. But with the penetration and intrusion of materialistic and hedonistic lifestyles, these local cultural values have eroded significantly.

Scaling Up the Momentum

With such noble values and a vibrant civil society, the Indonesian war against corruption eradication has now gained new momentum in the *Susilo Bambang Yudhoyono* administration. With a stronger *KPK*, the efforts to combat corruption have reached a new level. The disclosure and trials of big corruption cases involving some high officials of the *Bank Mandiri*; figures of General Elections Commission (KPU); former ministers; high-level officials of *Bank Indonesia*, including *Aulia Pohan* (father-in-law of President Yudhoyono's son); a good number of ex-ministers, provincial governors, mayors, head of districts, and members of national and local parliaments; and many more provide an even stronger hope of the eradication of corruption in the country.

A stronger *KPK* creates a lot of enemies among high officials, parliament members, and top police officers. This can be seen in what Indonesian media calls *lizard versus crocodile*—the first represents *KPK* and the other represents police. The confrontation is basically efforts by the police to systematically weaken *KPK*. Up until now there have been three series of the confrontations between *lizard versus crocodile*—the last confrontation took place in the early months of 2015 when President Joko "Jokowi" Widodo's candidate of Police Chief, *Budi Gunawan*, was made a corruption suspect by *KPK* (Giacomo 2015).

This strong resistance from certain sides is one of the most important factors that make corruption remain rampant. The combination of a corruption prone system and public office holders lacking integrity in addition to inconsistent law enforcement makes the problems worse. Not only that, law enforcement agencies and anticorruption bodies responsible for investigating and bringing corruption cases to court have not been supported by sufficient funding. There is also strong evidence that many of the responsible and related institutions are still lacking the political

will to fight corruption. There should be continued scaling up of the momentum of the efforts to combat *KKN* to create good governance at all levels of society. Civil society organizations and groups in Indonesia—as suggested above—have been involved in the war against corruption and creation of good governance. As mentioned, the two largest Muslim civil society organizations in the country, *NU* and *Muhammadiyah* since 2003, in cooperation with Indonesia's Partnership for Governance Reform, have launched a program to combat corruption. *Muhammadiyah* chairperson, Ahmad Syafii Maarif, and his *NU* counterpart have signed in mid-2005 an agreement to work together to fight corruption taking place inside and outside the two organizations. These organizations will also implement the practice of good governance in their respective organization (*The Jakarta Post*, July 7, 2005).

Indonesian President *Susilo Bambang Yudhoyono* (*The Jakarta Post* July 7, 2005) in his remarks at the opening ceremony of *Muhammadiyah* national congress said that this predominantly Muslim country "should be very embarrassed by the fact that it was still considered one of the most corrupt nations" in the world. President *Susilo* did not blame Islam for the widespread corruption, but said that some Muslim individuals were to blame for failing to embrace the Islamic teachings that, among others, prohibit Muslims to be involved in *KKN* cases.

Education, no doubt, could play an important role in developing future leaders that have strong commitment to public ethics and morality. Therefore, the teaching of ethics, morality, and noble religious values should be empowered. The teachings of these values should not only be for memorization but more importantly for practical application in real life. In that context, in 2005 the *Syarif Hidayatullah* State Islamic University, Jakarta, has begun to prepare the introduction of a new course in the curriculum called *Pendidikan Anti Korupsi* (Anti-Corruption Education) in cooperation with the UNDP and Partnership for Governance Reform. According to a nationwide research conducted in preparation of the new course, many professors and lecturers believe that the anti-*KKN* course can give students a better perspective of many aspects of KKN and the ways to combat them. The course in turn was also introduced to all state universities and other interested universities across the country. Thus, despite skepticism and pessimism among Indonesian public, it is important to keep the flame of optimism alive. As Ricklefs concludes, one should not give in to pessimism about Indonesia. There are many creative, honest, hopeful people there and many positive things going on that are crucial to win the war against *KKN* as well as to create good governance.

Chapter 12
Social Capital Networking in China and the Traditional Values of *Guanxi*

Yuan Li, Jingshu Du, and Sylvia Van de Bunt

Introduction

This chapter highlights Chinese core values, in particular in interpersonal relations. The ultimate judgement about how to behave in the Chinese ethical system is not based on 'any distant religious ideal conceived in abstract terms', but instead on something which is immediately accessible and which is largely acted in terms of relationship rules (Redding 1990:62). Unlike in the Western context, trust and commitment play a key role in interpersonal relationship (Morgan and Hunt 1994; Wang et al. 2008); what guides relational exchange behaviours in China is *Guanxi* ('关系'), which is a kind of reciprocal obligation and mutual assurance. A salient feature of Chinese culture is the pervasive role of *Guanxi*, as delicate fibres that are woven into every Chinese individual's social, political and business life (Brunner and Koh 1988; Brunner et al. 1989; Liu 2009; Tsui and Farh 1997). Developing networks of mutual dependence and creating a sense of indebtedness and obligation is a lubricant for exchange and a key to building successful and long-term relationships with Chinese communities (Standifird and Marshall 2000; Wang et al. 2008; Yang 1994).

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Guanxi is not merely a special relationship between two sides; it also implies a continuous exchange of favours (Alston 1989). The maintenance of *Guanxi* is through a reciprocal interaction, but the reciprocity of both sides is complementary instead of being equal; in other words, the reciprocal favour is evaluated by the consistency of quality rather than the quantity. Concerning the time of reciprocity, there are some Chinese old sayings including 'be my teacher for a day, be my father for a lifetime', 'A single drop of favour should be returned like a bubbling spring' and so forth, implying a concept of lifetime reciprocity or even a generational reciprocity, which can be maintained and developed by one's descendants.

Guanxi works on the basic, implicit principles of mutual obligation, assurance, trust, bonding and sympathy and so forth. Individuals belonging to a *Guanxi* network are expected to fulfil their *Guanxi* responsibilities. Failure to do so will result in damaged prestige, loss of face and subsequent loss of trust by other members of the *Guanxi* circle (Hwang and Staley 2005). *Guanxi* is closely related to the other three Chinese concepts involving *Renqing* (人情), *Baoen* (报恩) and *Mianzi* (面子).

Here we will explain *Renqing* and illustrate how *Guanxi* and *Renging* are interconnected and rooted in the traditional Chinese culture. When dealing with daily problems, Chinese people are much more concerned with emotional factors than scientific and rational factors. The original definition of *Renqing*, according to Li Ji (礼记), is as follows: all natural feelings including happiness, anger, sadness, fear, affection, hate and desire are acquired at birth (from Liji. Liyun (礼记.礼运): '何谓人情? 喜, 怒, 哀, 惧, 爱,恶,欲, 七者弗学而能'). A person who knows *Renqing* is well equipped with sympathy. As *Confucius* says: 'Do unto others as you wish done unto yourself; do not do unto others that which you would not wish done unto you' (from Analects 12.2: '己所不欲, 勿施于人'). A person versed with *Renqing* tends to keep a tolerant and charitable attitude when dealing with others (especially the in-group members), can see a situation from someone else's perspective, can understand another's feeling, can anticipate others' needs and can offer help to others without being told. Also, *Renqing* indicates a resource that can be used as gift in the course of social exchange. It is extremely difficult for Chinese to calculate and be able to pay off debts of *Renqing* to others as it could be material as well as invisible and abstract (Hwang 1987:954), such as giving spiritual support. This kind of *Renqing* gift reinforces the sense of obligation of friendship and kinship, the affective sentiments and *Guanxi* ties (Yang 1994:122). Therefore, *Renqing* connotes certain *Guanxi* rules, which should be obeyed when people associate with each other, and it provides the leverage in interpersonal exchange of favour. By weaving one's web of *Renqing* obligations, one can enhance his/her *Guanxi* network; while enjoying the benefits of the *Guanxi* network, one also takes on a reciprocal obligation that must be repaid sooner or later (Hwang 1987; Qian et al. 2007).

Another word that is related to the concept of *Guanxi* is *Baoen* (报恩). The Chinese character *Bao* (报), which means 'to repay', 'to respond' and 'return', is the foundation of *Renqing* and *Guanxi* (Chan et al. 2003; Hwang 1987; Yang 1957; Zhai 2007). '*Renqing* is much more highly elaborated and more tightly bound up with the ideas of reciprocity (*Bao*) than it is in many other cultures' (Hwang 1987:946). When one acts towards others, he/she normally anticipates a response or return.

The most common Chinese words containing *Bao* are *Bao'en* (return a favour, 报恩) and *Bao'chou* (revenge, 报仇) (Zhai 2007:87). It is uncertain and ambiguous for a person to evaluate value of a particular event or behaviour and subsequently do the action of *Bao* according to different people, situations, time and places. It is a kind of social sentiment and spiritual resonance as it ties up tightly with real life. Normally, the exchange of *Renqing* and returning favour is not disposable; it is a long-term relationship (Fei 1983:75). 'A social response in China is rarely an independent single transaction but rather an additional entry in a long balance sheet which registers the personal relations between two individuals or two families' (Yang 1957:303).

In the Chinese context, *Mianzi* (面子*face*) is essentially the recognition by others of one's social status and position and thus must be defined by situation rather than part of personality (Ho 1976:868). When the Chinese use *face* to refer to some social activities or mentality, it means a kind of either visible or invisible situation; as Lin Yutang (1895–1976, a famous writer, scholar, translator and linguist in modern China; he is also a notable representative of the modern school of thought of '*Taoism*') puts it, 'It is not a face that can be washed or shaved, but a face that can be "granted" and "lost" and "fought for" and "presented as a gift"' (1936:190). One can either gain his/her *face* by one's illustrious origin, by means of personal effort and particular talent, by clever manoeuvring or just by exchanging one's *Guanxi*. In Chinese society, *face* is both the measure of the strength of one's personal relationship and a means to ensure the harmony of interpersonal relationship and the proper social order (Chang and Holt 1991; Jia 2001; Zhai 1995; Zuo 1997). Through the exchange of *face*, the reciprocal interpersonal relationship (*Guanxi*) can be established, maintained and strengthened; as Lewis (2006:16) puts it, 'giving and receiving of face, either positive or negative, governs almost every conceivable relationship in almost any behavioural setting available to the Chinese'.

The Origin of *Guanxi*: *Guanxi* and Confucianism

As an ancient Chinese form of networking, the concept of *Guanxi* comes from Confucianism, which has been codifying social rules, values and structures in Chinese society since the sixth century B.C. Confucianism and traditional Chinese philosophy in general are 'relationship based'. The ultimate concern of Confucianism was to establish a harmonious order in society. The basic link in a Chinese person's network is defined in terms of a dyadic social tie (*gang* 纲), which is the term to define the three closest relationships (*sangang* 三纲): ties between father and son, emperor and official and husband and wife. These interpersonal ties are known in Chinese as the original *Guanxi*.

For Confucianists, *Guanxi* is not an instrumental connection, although it could be useful in real social practices. In Confucian thought, individuals are encouraged to develop relationships of respect and responsibility in accordance with virtue and rituals, and not use others as instruments towards objects of desire (Bell 2000). According to Confucius, a man of '*ren* (仁)' is one who is motivated by duty towards

others and who suppresses inclinations towards desire and personal gain. Roger Ames believes that the Confucian ethics is role ethics, which implies that when socialising with others, one should judge his/her role relation with others and show his/her inner virtues (such as *ren* 仁) through ritual (Li 礼). For Confucians, things in the world vary in nature, so people should also admit their differences, including social status, talents, characters and so forth, between each other. As a result, different reactions in interpersonal relations should be based on the relative degrees of natural affection and the relative grades of honour we have towards each other.

Chinese networks can be viewed as concentric circles with the family members as core. Others are located in a near or distant position of these circles, depending on the intimacy in between (Park and Luo 2001; Fei 1983) and social space radiating from the centre like ripples from a stone dropped in water. Thus, we can see that *Guanxi* finds its roots in the kinship associations, specifically under the Confucian principle of *Wulun* (五伦 the five cardinal relationships). The Confucian *Wulun* consists of the behaviour guidelines for the five types of relationships according to the ancient Han (Han is the major ethnic group in China). These five relationships are between monarch and officials, between father and son, between brother and sister, between husband and wife and between friends. According to Mencius (Mencius, app. 372 B.C. to 289 B.C., is a great thinker and educator in ancient China. He is a notable representative of the Confucius school of thoughts; together, they are typically mentioned as '*Confucius—Mencius*'), because of courtesy and integrity, officials should be loyal to their monarch; because of the hierarchy of order, sons (or daughters) should be filial to their father (and mother); because sharing the same blood and inheriting from the same root, brothers and sisters should love and care about each other; because of the deep love and desire between husband and wife (which is different from the love in a broader context with other people), such affection and desire should be deeply endured (instead of messing around); and because of the honesty and trust between people, friends should be kind to each other. The abovementioned guidelines are the basic ethical code of conduct for the Chinese people to deal with human relationships. The Confucian *Wulun* not merely established social rules, values and hierarchical social structure, but also formed factional networks (Lin 2011), as it extended beyond the domestic group into all other ethically supportable forms of relation. Interpersonal connections are usually emphasised above formal or legal regulations (Luo 1997).

How Does *Guanxi* Impact Chinese Local Business?

In recent decades, *Guanxi* has made its way into academic discussion and popular discourse as a result of growing interest in China's rapid rising economy and changing society. It has been omnipresent for centuries in every aspect of Chinese social and economic activities, as it not only has profound implications for interpersonal and inter-organisational dynamics, but it also acts as a lubricant in Chinese economy and business activities (Park and Luo 2001; Ramasamy et al. 2006; Xin and Pearce 1996). The establishment and development of *Guanxi* can be regarded as a competitive

advantage to overcome resource shortage and survive competitions, and it thus becomes the vital source of social capital (Lin 2007) and commercial activities in Chinese society.

In organisations, the overlap between the formal relationship and informal relationship (*Guanxi*) is much more pervasive in the Chinese context than in the West (Chen et al. 2004; Yg and Huo 1993). Organisations often meet business needs such as recruitment of employees through the social-economic network based on *Guanxi* (Chen and Easterby-Smith 2004). For instance, in recruitment, whether a person has a personal relationship with the employer counts much more than whether he/she is qualified for the job (Ip 2009). For the relationships between organisations, the normal way to enter a *Guanxi* network is to be introduced by friends or business partners who have the same background (birthplace, status, education and so on) who like you because of your ethical personality, who shared the same experience or who have sympathy towards your past experience. In business, whether prior ties exist between organisations is also important. Typically, when two organisations share prior working relationship, their mutual understanding and appreciation will help to boost and reinforce *Guanxi* because people know each other in the network and thus reduce collaboration risks.

Recent research shows how *Guanxi* plays an important role in the long-term financial success in mainland China (Yeung and Tung 1996). Kiong and Kee (1998) Observe that economic decisions are not only based on market consideration, but they are very often related to *Guanxi*. Good *Guanxi* fosters the development of reliable *xinyong* ('信用', credibility and trustworthiness). Chinese businessmen believe that interpersonal trust minimises fraud to ensure certainty and order, and informal contract based on *Guanxi* is more reliable than formal legal ones. Long-term business co-operations are more likely to be established and maintained through *Guanxi* and *xinyong* rather than through impersonal and formal laws.

However, at the individual level, *Guanxi* influences a firm's performance indirectly, as *Guanxi* networks alone do not provide competitive advantages. Other resources and technical competencies of a firm may also be important determinants of performance. So the *Guanxi* network at the individual level is only a necessary, but not sufficient condition for a firm's good performance (Chen and Xin 2004; Peng and Luo 2000; Vanhonacker 2004). However, it is undeniable that *Guanxi* remains in the firm and acts as an effective compensation for the lack of formal institutional framework, as a means to access scarce resources and to reduce the transaction costs (Zhang and Zhang 2006).

Peng and Luo (2000) distinguish two kinds of special *Guanxi* in Chinese organisations: *Guanxi* with managers at other firms and *Guanxi* with governmental officials. In transitional economies like China, interpersonal relationships with governmental officials are much more important than formal connections and have a more far-reaching influence on firms' performance (Zhang and Zhang 2006). Su and Littlefield (2001) also distinguish two types of Guanxi prevalent in the business world in contemporary China: favour-seeking *Guanxi*, which is culturally rooted, and rent-seeking *Guanxi*, which is institutionally defined. While the former is based on kinship, friendship and intimacy that oriented towards continued exchange of favour in an emotional way, the latter is based on rational calculation and imperfect

market condition. The Chinese people, especially those powerless, tend to seek a way to compensate their disadvantages through building up *Guanxi* with the person in power, which they can draw upon for certain favours or help (Seligman 1999). Both kinds of *Guanxi* are important for business people in China.

Guanxi: Theoretical Perspectives

Guanxi and Social Network Theory

The Chinese *Guanxi* can also be explained from the Western theoretical perspectives. Burt (1993, 2000) argues that there are three kinds of capital of a person to bring into the competitive arena: financial capital, human capital and social capital. Among which, human capital refers to the natural abilities of a person, such as charm, personality and intelligence. According to this view, inequality between people exists because those people who do better are 'more able' individuals. Social capital, on the other hand, results from the person's relationships with other persons, in other words, the big network he/she is embedded in. According to this view, people who do better are 'better connected' individuals. Particularly when the market is imperfect, social capital plays an important role for people to gain and exchange information. Such connectedness between people, in turn, can be understood as *Guanxi* in the Chinese context.

The social capital perspective can be further applied to explain two critical aspects of *Guanxi*: the origin of *Guanxi* and why is *Guanxi* critical in a developing context such as China. First, regarding the origin of *Guanxi* and how such interpersonal relationship establishes, according to the social network perspective, people develop relations with other people like themselves (Burt 1993). In the context of China, such 'likeness' can be either naturally inherited from birth or be acquired or developed later on. For instance, two persons who are from the same province or city, who can speak the same dialect, may find themselves socially proximate. Similarly, two persons who attended the same high school and share the same *alma mater*, who are members of the same social club, who love the same type of sports or who appreciate the same music band may have more common topics and find each other more closely related. Socially similar people, even in the pursuit of independent interests, spend time in the same places, and relationships emerge. In the Chinese context, such social proximity between two persons can be passed onto a different, third person or even to another generation, which makes *Guanxi* long-lasting. Second, why is *Guanxi* so important in the Chinese context can be explained by the network structure and its benefits. The rent-seeking nature of *Guanxi* promotes people to reach up higher levels of (or more powerful/resourceful) people in the social network. It is found that the predicting rate of return depends on knowing the resources of a player's contacts (Burt 1993). A player who knows how to structure a network to provide high opportunity knows whom to include in the network. As a result, social players with well-structured networks obtain higher rates of return, and such network structure helps to explain the importance of *Guanxi* in the Chinese society.

How a player is connected in the social structure indicates the volume of resources held by the player and the volume to which the player is connected (Burt 1993, 2000). In the Chinese context, social capital can create for certain individuals or groups a competitive advantage in pursuing their needs. In particular for an emerging economy where the market is not yet fully developed, prior relations among people and organisations in a market can affect, or even replace, information.

Guanxi and Institutional Theory

The Chinese *Guanxi* emphasises the informal and personal aspects of social structures. The institutional theory, on the other hand, concerns policy-making that emphasises the formal and legal aspects of government structures (DiMaggio and Powell 1983; Scott 1987). At the first glance, the Chinese *Guanxi* appears to contradict with institutional theory. However, when the market is imperfect, in other words, when there are institutional deficiencies in a certain market, relationship-based commerce will prevail where rule-based markets cannot flourish. For instance, the development of relationship-based business and government-business relations in China partly results from the country's lack of enforceable set of rules and regulations for doing business. Therefore, factors such as personal connections and informal information become important elements in doing business locally. Hence, even in the presence of institutions, market information can be very ambiguous. Subsequently, Chinese people may turn to *Guanxi* (local networks) as the source of best available information.

Intermezzo: *Guanxi* in Perspective of This *Wasta* Book

In this chapter we examined the *Guanxi* social networking in China, embedded in the other parts of this *wasta* book. Here we will discuss social networking and how on the one hand *Guanxi* in China and on the other hand *wasta* in the Arab world may differ and at the same time do share some basic characteristics. We cannot generalise on two such large regions of the world, acknowledging the immense social and cultural diversity in both regions. Nevertheless, the networked nature of both societies in China and the Arab world makes a comparison fascinating and relevant for today's increasingly international world of business and education. This paragraph explores some basic characteristics of both *wasta* and *Guanxi*.

What do *wasta* and *Guanxi* have in common? Similar to *Guanxi* in China, *wasta* in the Arab world is about building social relationships in daily life and in doing business. Both regions of the world are considered as communitarian cultures (Hampden-Turner and Trompenaars 2000) where building a trustful relationship is top priority before starting business or friendship. These relations are embedded in a rich history of traditional values for many centuries and are based on friendship, familiarity and/or intimacy. Building these *Guanxi* and *wasta* relationships is time-consuming and

has a long-term perspective. It is about building and maintaining trustful and reciprocal relationships. Weir and Hutchings (2005:93) illustrate the powerful (in)formal relationships in doing business; the verbal business contract and the individual word are stronger than a written business contract. In both *wasta* and *Guanxi*, the interpersonal connections facilitate favour between people. You treat your colleagues and friends as your brother or sister. There is a strong commitment to each other where awards and experiences are being shared. In both *wasta* and *Guanxi*, familiarity is important. Therefore, in the process of job recruitment, direct friends or family members may be employed.

How do *wasta* and *Guanxi* differ? According to Hutchings and Weir (2006), in China *Guanxi* is primarily perceived as a positive value in interpersonal relations. On the other hand, in the Arab world people may associate *wasta* with corruption, despite the positive implications of *wasta*. Cunningham and Sarayrah (1993) argue that in *wasta* people may make it their profession to befriend people in their *wasta. Guanxi* is more a way of life, while *wasta* is more a profession. Hutchings and Weir (2006) expect that China's internationalising agenda implies that '*guanxi* will decline in importance whereas *wasta* will continue to play an important part in business activities in the Arab world despite modernisation'. The authors highlight pertinent *wasta* and *Guanxi* issues, of which companies in these regions should be aware, among others:

Recruitment and Business Contacts

'In China and the Arab World selection is highly subjective, depending on personal contacts, nepotism, regionalism, and family name' (Hutchings and Weir 2006). This is confirmed by Tong and Yong (2014:45) in their research on the social (*Guanxi*) foundations and organisational dynamics of Chinese business firms. For example, one of their Chinese informants said that 'when he first started his business, he used his uncle and his ex-employer—both established merchants—as springboards for his business'. See also par. 2 of this chapter where it was stated that the normal way to enter a *Guanxi* network is to be introduced by friends or business partners who have the same background (birthplace, status, education and so on), who like you because of your ethical personality, who shared the same experience or who have sympathy towards your past experience. See also *Guanxi* and the culture of connections (van de Bunt-Kokhuis 2013:66).

Training and Development

'In China team-based consultation is the order of the day but in the Arab World consultation, while widely practised, is done, on a one-to-one, rather than a group basis' (Hutchings and Weir 2006). 'Both Arabs and Chinese do not consider use of

time as wasted effort as do most Westerners—so whereas many international manages will operate according to principles of sequential time with need for haste, when working with Arabs and Chinese it is important to remember their polychromic approach to time and the need for revisiting of issues' (Hutchings and Weir 2006:15–17; compare Hampden-Turner and Trompenaars (2000:295) on sequential versus synchronous time).

Compensation and Benefits

'In China and the Arab World leaders will often be those who have age, rather than qualifications as the basis of seniority, and employees will take their cues from leaders accordingly' (Hutchings and Weir 2006; compare Hampden-Turner and Trompenaars (2000:209) on achieved versus ascribed status).

Performance Appraisal and Discipline

'In China and the Arab World performance appraisals should be given to a group as a whole, but disciplinary action should be done in private so as not to cause loss of face/reputation to an individual and to their group' (Hutchings and Weir 2006). Further cross-cultural research is required to explore the impact of *wasta* and *Guanxi* in the increasingly international world with an intense exposure to modernisation. Thus, for example, the pace of economic, social and political transformation in some Arab Gulf countries is breathtaking. Also in countries such as Oman and Saudi Arabia, 'the advent of globalization and the Internet revolution has induced a change in attitudes not seen before' (Ramady 2012:xxi). Likewise, China's increasing economic competitiveness is impressive. China became the world's second largest economy in 2010 (Yuan 2013:1). In the next paragraph, we will present an outlook in a historical perspective on the possible future role of *Guanxi* in Chinese social capital networks.

Concluding Remarks: The Past and Future of *Guanxi*

Guanxi has *received* much attention beyond the China studies. In the past personalist forms of organisation such as *Guanxi* were often seen as opposite to bureaucratic and managerial rationality during the heyday of modernist optimism. However, in China studies these personalist forms of organisation such as *Guanxi* are now more often considered as related to flexible and humanistic organisational forms, offering competitive advantages in the move towards flexible specialisation, strong cohesion, agile manufacturing, broader social resources and so forth.

It is difficult to predict the role *Guanxi* will play in China, as China's economic development is emerging rapidly. Some scholars (such as Standifird and Marshall 2000; Vanhonacker 2004) argue that the influence of *Guanxi* will continue to be an important factor in Chinese society for a long time in the future, while other investigations (Fan 2002; Guthries 1998) claim that the significance of the effect of *Guanxi* is declining, as the Chinese economy transforms from a planned economy towards a market economy, the rent-seeking incentives will shrink and fair competition will be more imperative and paramount in the age of globalisation. Yang (2002) responds to the claim that the importance of *Guanxi* is declining. Yang argues that *Guanxi* must be treated historically as a 'repertoire' of cultural patterns and resources, which are continuously transformed in their adaptation to, and shaping of, new social institutions and structures. He predicts that *Guanxi* practices may decline in some social domains. At the same time *Guanxi* will find new areas to flourish, such as business transactions, and display new social forms and expression.

Fact is that in the increasingly disruptive global landscape, the China region is a major player, being the world's second largest economy in 2010 (Yuan 2013). The Internet age deeply impacts the everyday interpersonal Chinese networks. For future business research, the role of *Guanxi* is one of the major dimensions to take into account in the perspective of online interpersonal relations. Will the increasingly international, flexible and virtual character of companies, where local and international employees work together (online), erode the core value of *Guanxi*, namely, building long-term trust? What will be the future push and pull factors that build or erode trustful interpersonal relationships across cultures in the digital age? Tong and Yong (2014:60) argue that despite professionalism, legal rationalism and formalism in international business, the general structure of personalism such as seen in *Guanxi* will persist in China. 'Existing insecurities are keeping alive age-old feelings of vulnerability and this serves to perpetuate personalism. This is true especially of intra-firm structures, where control is still personal and retained by the family through ownership' (Tong and Yong 2014). Thus, this underlines the earlier statement in par. 1 of this chapter of Luo (1997) that in Chinese networks interpersonal connections are usually emphasised above formal or legal regulations.

In the Internet age, new types of domestic and international information-sharing platforms became more common in interpersonal relationships in China. Online social platforms such as *Blog*, *Renren*, *WeChat and Facebook* are prevailing in the Chinese society, which help to shape the Chinese *Guanxi* in new and more often disruptive ways. Previously, a tie between two persons was required before *Guanxi* gets started, either through their social proximity (as discussed in the prior section) or through a common third party between them. Now, facilitated through the disruptive Internet innovations, it is possible to (virtually) start a conversation with anyone anywhere in the world, at any time. Hence, the investment costs of building up and maintaining *Guanxi* is tremendously reduced. The potential scope of *Guanxi* is largely broadened, and multiple interpersonal channels start to emerge. At the same time, however, also because of the ease and the low investment costs of building your *Guanxi* network online, the potential long-term stability and the strength of the ties of *Guanxi* are at stake. *Guanxi* online can collapse easily, which

brings all relations back to their original status. These new online features of *Guanxi*, together with the new social, economic and institutional development of emerging countries such as China, are likely to affect the future development of *Guanxi* in a more profound way. More research is required to investigate the threats and opportunities of *Guanxi*—and similar social capital networks in other regions such as *wasta* in the Arab world—in the twenty-first (digital) century. Will *Guanxi* reinforce commercial activities in Chinese society and continue to be the vital source of social capital (see Lin 2007 and par. 2 of this chapter)? It is a calling for us all to share thoughts, research findings and learn about social capital networking in China of today and tomorrow, or in the words of Confucius: ‘Learning without thought is labour lost; thought without learning is perilous’ (Ratcliffe 2012).

ERRATUM

The Political Economy of Wasta: Use and Abuse of Social Capital Networking

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Overview: The name of the author Newbury-Smith was incorrect in the Overview as Westbury-Smith. This has now been corrected as Newbury- Smith.

Chapter 1: Email ID for Annika Kropf and Tanya Cariina was incorrect in the chapter as nikakropf1@gmail.com and tanyahsu@mindspring.com, respectively. This has been corrected as anikakropf1@gmail.com and tanya.cariina@exeter.ac.uk

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