

# Wasta in the Arab World

## Implications on Entrepreneurship and SMEs

[Nasser Ali Alyahyaei]

**Abstract**— Wasta was originally a mediation mechanism in pre-colonial Arab societies which evolved into an intercessory tool to gain favourable access to positions and resources. It is both censured and abetted in present-day Middle Eastern countries like Oman where members struggle to balance Western standards of meritocracy and fair competition with the time-honoured values of solidarity, allegiance and mutual responsibility. Borne of a collectivist society where consultation and reciprocity are prized, the practice poses a challenge to the individualistic ideals of entrepreneurship which drive SMEs, often leading to the subordination of the independent entrepreneurial spirit to the imperatives of family and close relations. The remedy lies not in a drastic alteration of an institutionalized practice but in modifying wasta in such a way that entrepreneurial traits like competitiveness and efficiency are fostered, while maintaining the cultural factors that contribute to the cohesiveness of Arabian societies.

**Keywords**—entrepreneurship, Oman, SMEs, wasta

### I. Introduction

The wasta phenomenon has been the subject of a number of studies in which its origin, advantages and disadvantages have been analyzed and solutions offered. Marktanner and Wilson [1] defines wasta as “the use 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.”

Cunningham and Sarayrah’s [2] seminal work on the subject classified the practice into two: mediatory wasta and intercessory wasta. The mediatory version goes back to the pre-colonial practice in which the tribal chieftain performed the role of arbiter in local disputes. “Wasta means the middle, and is associated with the verb yatawassat, to steer conflicting parties toward a middle point, or compromise. Wasta refers to both the act and the person who mediates or intercedes. The wasta seeks to achieve that which is assumed to be otherwise unattainable by the supplicant.”

The other type of wasta is intercessory wasta which is the one most associated with the current practice that bear similarities to cronyism, nepotism and favouritism. Cunningham and Sarayrah [2] further observes that “in recent years, wasta as intercession has become prominent, particularly in seeking benefits from government...as intercession or advocacy to obtain a benefit or to speed one's paperwork.”

The phenomenon is not unique to the Middle East. The Chinese have a business culture called guanxi which is based on strong family connections and networks. But while it is essentially similar to the Arab wasta, the Chinese version put more emphasis on the collective nature of their culture, while the Arabs seem to favor the consultative process [3].

A similar practice has also been observed in Indonesia where such networks come in the form of KKN, an acronym for koneksi (connection), kolusi (collusion), and nepotisme (nepotism). It is different from the Arabian wasta in its lack of strong tribal motivations. This may due to the decline of ethnic attachment and solidarity in the archipelago in view of improved communication and transportation [4].

In Latin America, wasta comes in the form of a cultural artifact called compadrazo, a ritual kinship system developed outside the biological family. This strong connection is forged when a person acts as a religious sponsor in the baptism of a friend’s child in the Roman Catholic Church. Having thus become the child’s “godfather,” he is granted the same rights and obligations as the parents. Reciprocity is henceforth expected when the present and future welfare of the child is concerned. This solid tie is eventually carried over to the business dealings of both adults who are now “compadres” [5].

The concept of using fraternal and familial connections as social capital can be observed in other cultures as well. Arabian culture is not unique in this regard. Ramady [6] noted that the same phenomenon can be observed in varying degrees in the British old boy network, the South African ubuntu, the Kenyan harambee, the Brazilian jeitinho, the Russian svyazi, and the Dutch naoberschap.

The Arabian concept of wasta has been analyzed as much for its disadvantages as for its advantages. Most of the criticism of the practice stem from its perceived connection to nepotism. The most scathing censure is that wasta “block[s] entry to those not in support of the power circle incumbents. Those granted entry have to reciprocate with loyalty. The circle becomes filled with family members, friends and cronies. It becomes an inner circle and as opportunities of entry decline, it becomes closed to outsiders” [7].

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Al Ramahi [8] refers to historical records and laments how the original practice has shed its originally noble intentions in favor of a purely mercantilist agenda: "The traditional tribal *wasta*, the *shaykh*, was a man of honour, whose word was his bond, and who would assume responsibility for his acts. Today's *wasta* is too often a middle man, seeking fame and fortune by doing favours."

Cunningham and Sarayrah [2] observe that intercessory *wasta*, especially when done in the extreme, "creates dependency relationships between the individuals preventing the development of self-esteem through challenge and failure, while rewarding sycophancy and risk avoidance." The same authors in a later paper suggest that *wasta*-based hiring results in the management's failure "to train, motivate, monitor, counsel and, if necessary, terminate" [9].

## II. *Wasta* and Entrepreneurship

There is scant research on *wasta*'s specific impact on entrepreneurship in general, and in SME in particular. In probing the connection, it is best to begin by reviewing what entrepreneurship is to better show the specific aspects on which *wasta* has the most impact.

Iversen, Jørgensen, and Malchow-Møller [10], defines an entrepreneur as anyone who works for himself or herself but not for someone else" and someone who has "the ability to marshal resources to seize new business opportunities;" and entrepreneurship as the "the dynamic process of identifying economic opportunities and acting upon them by developing, producing, and selling goods and services." Harvard professor Howard Stevenson famously defined entrepreneurship as "the process by which individuals pursue opportunities without regard to the resources they currently control" [11].

The traits of independence and non-aversion to risks are often mentioned as core traits of an entrepreneur. The question is how these characteristics match up to the collective responsibility and transactional convenience that are offered by the practice of *wasta*. Initial analysis would suggest that the practice impacts entrepreneurship in a good way.

There is no question that Arab entrepreneurs have a favourable regard for *wasta*. As owner-managers, they often regard *wasta* as a natural consequence of establishing one's own business. As Talib [7] observes, owner managers find no moral issue in the practice of nepotism since it is expected that a business owner will hire relatives. Employing kinsfolks, in fact, addresses the problem of finding a trusted proxy to oversee the business in the owner's absence. Thus, the element of trust and shared responsibility fostered by the *wasta* may actually be conducive to economic effectiveness.

This advantage, however, pales in comparison with the negative impact of the practice of *wasta* when it "becomes not only an entrance ticket to the 'power circle' but also acts as a barrier to entry. *Wasta* acts as the gatekeeper" [7]. Makhoul and Harrison [12] note the resulting wastage of resources "where qualified people are unable to obtain appropriate positions through merit, and may never do so if they do not

have access to a *wasta*," a situation which may never improve as long as jobs are few.

Loewe, Blume and Speer [13] point to an even more problematic situation when "entrepreneurs tend to invest their time and money in social relations rather than in productive capital, because their success depends on their *wasta* rather than the quality of their products." This problem is exemplified by the sad fact that "owners of medium-sized and small companies, who cannot afford to employ a 'wasta-agent,' rely on building up contacts to influential people themselves. For example, one entrepreneur explained that she used most of her time at the office for making phone calls or attending business reunions to augment her *wasta*."

In the end, entrepreneurs are sowing the seeds of their own destruction, so to speak, by eliminating competition through the use of *wasta*. Talib [7] notes that "since *wasta* is the 'tool' that enables entrepreneurs to extract rents by getting access to decision-makers, it is rational for them to invest time and money in building up *wasta* instead of investing in efficiency. *Wasta* becomes a business!"

*Wasta* also has the unfortunate effect of discouraging would be entrepreneurs from launching their business. Oukil [14] states that "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." Furthermore, the author observes that if *wasta* advantages are "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."

The independent spirit of entrepreneurs, in particular, takes a hit due to the pervasiveness of the *wasta* phenomenon. Arab societies are collectivist by nature and the individual member is shaped considerably by adherence to a group in which the politics, culture, and leaders promote a certain ideology. Rebellion against these institutionalized values, although possible, can be punished by ostracization and exclusion [15].

An individualist who wants to demonstrate that he can succeed on his own by virtue of his enthusiasm, abilities and educational achievements is likely to be disappointed or to face formidable hurdles before he could be one of the rare exceptions who have made it without a *wasta*. Omani Entrepreneurs' View of *Wasta*

The pervasiveness and cultural rootedness of the *wasta* is expected to remain in the foreseeable future. Jordanians, for example, believe it is a part of their culture and therefore legitimate. They associate it with cherished values and norms such as solidarity, allegiance and mutual responsibility" [13]. Omanis have a similarly benign view of *wasta*. A survey of Omani entrepreneurs on how they regard and deal with *wasta* yielded some notable results.

A total of 119 Omani entrepreneurs were asked to complete a 12-question survey about their perception of the *wasta* phenomenon and its effects on the independence,

innovativeness and competitiveness of their SMEs. The majority of the respondents (60.5%) are owner-managers of small and medium-sized businesses. Slightly more than half (52.1%) operate service firms. Retailers and manufacturers make up 22.7% and 12.6 % respectively, while 2.5% are engaged in wholesaling.

A slight majority (30.3%) have been in operation from 3-7 years, while 21.8% have been in existence for less than 3 years. Almost three-fourths of the firms are privately owned while the rest are either public or a combination of both. 37% have 1-10 employees, 30.3 % have 11-50, while the rest are almost equally divided among those who have 51-100 and 101-250 personnel.

The survey questions sequentially tackle three aspects of the *wasta* phenomenon as it relates to SMEs. Questions 1-5 probe the necessity of *wasta* in the SME context. Question 6 gauges the personal difficulty of dealing with *wasta* entreaties. Questions 7-11 deal with the perceived effects of *wasta* on entrepreneurial ideals. The final query aims to determine the entrepreneur's judgement on the phenomenon as far as overall performance of his business is concerned.

Results show that the number of those who agree and disagree with the practice of *wasta* in SMEs is evenly spread, hovering just over the 20% mark both ways. The rest are distributed among those who have varying degrees of agreement or disagreement on the issue. The results are also roughly the same between those who find it difficult and those who consider it easy to deal with *wasta* entreaties from close relations. What is interesting is that despite these roughly equal numbers, twice as many owner-managers practice *wasta* as those who do not. This shows a marked discrepancy between personal opinion and actual practice.

This difference is even more apparent in the numbers showing that twice as many believe that *wasta* negatively impacts entrepreneurial independence, innovation and competitiveness as compared to those who believe otherwise. Finally, the percentages of those who think that *wasta* is generally instrumental to their success as entrepreneurs and of those who do not think so are almost the same, reflecting roughly the figures of those who agree and disagree with the practice of *wasta* in the first place.

The survey results show a cognitive dissonance among the respondents: Omani entrepreneurs ostensibly believe that *wasta* goes against entrepreneurial ideals but nonetheless resort to this practice due perhaps to expedience or extreme pressure from family and relatives. In addition, the respondents seem willing to accept a measure of loss in terms of competitiveness, independence and innovation for as long as cultural imperatives are satisfied and the business remains, on the whole, viable. It is likely this scenario will continue until an audit of opportunity and actual losses is done showing results that will sufficiently convince the entrepreneur to act otherwise.

### III. Modifying the Status Quo

Given these findings, the best way to improve situation for entrepreneurs is not to try to upend, but to amend, the status quo. *Wasta* need not be taken out completely for fair competition and meritocracy to thrive. "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" [15].

In the case of a family business, for example, Sidani and Thornberry [16] proposes "a kind of business that captures the necessities of proper economic and competitive behaviour on the one hand, while at the same time addressing the needs of family business. In such an environment, the family business would still accommodate some degree of nepotism, but through making sure that family members, who are hired to fill positions in the business, are qualified in the first place, and are also held accountable for their performance. Nepotism thus will not cease to exist, but its presence in its current form will not be sustained either."

Similarly, Cunningham and Sarayrah [9] recommends that the *wasta* intercessor be considered as a guarantor who would take responsibility for the performance of his client. In other words, the practice of *wasta* can double as quality control. Should inefficiency occur, this arrangement could operate as an early warning system, or a feedback mechanism telling the guarantor to do the necessary follow up on his client.

Weir, Sultan, and Van de Bunt [17] propose that international organizations operating in Arab countries develop hybrid models that blend western management thought with the best practices of the developing 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 modernization."

### IV. Conclusion

*Wasta* dates back to the pre-colonial history of Arab countries. It began as mediation tool in collectivist desert societies and has since transformed into an intercessory tool that preserves the consultative spirit of the tribe. It is a practice that is both decried and observed in modern Arab societies where members struggle to balance western standards of meritocracy and fair competition with the time-honoured values of solidarity, allegiance and mutual responsibility.

A dilemma inevitably occurs when the individualistic spirit of would-be entrepreneurs encounters the collective demands of doing business in Arab societies. The usual ending is a subordination of the independent entrepreneurial spirit to the imperatives of family and close relations. This seems to be the case with Omani entrepreneurs who exhibit cognitive dissonance in continuing to practice *wasta* despite their acknowledgement of its drawbacks.

Doing away completely with *wasta* in the near term would require a drastic alteration of institutionalized practices which might only serve to destabilize a functioning order. In view of this, the practice will more likely continue as a conveniently unacknowledged but potent force in Middle Eastern societies as studies in Oman and other regions suggest.

Instead of pursuing the elusive dream of purely egalitarian business transactions (which remains just as elusive in Western countries) it would be better to modify the practice of *wasta* by retaining the noble qualities of the original concept and adapting it to the need to maintain competitiveness and efficiency. Other societies, notably China, have their own versions of *wasta* and have succeeded in varying degrees to co-opt this cultural phenomenon or modify it to respond to the requirements of a growing and competitive economy. If these cultures have managed to thrive despite such cultural imperatives, there is no reason why the Arab world cannot do the same.

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