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**DOING BUSINESS IN THE ARAB WORLD: THE ROLE OF WASTA
AND NETWORKING IN RELATIONSHIP SATISFACTION AND
PERFORMANCE**

Abstract:

Managers of multinational enterprises (MNEs) from developed economies are often cautioned to understand the cultural environment of countries in which they would do business. This is particularly true in the case of emerging economies, and even more so in those like Arab countries with which most MNEs would have relatively limited experience. This study examines mechanisms that are pertinent to Arab business culture, particularly following the 2011 Arab Spring. It does so by analyzing three major groups: leaders (politicians and business professors), business persons, and postgraduate business students, all Palestinian nationals located in the Palestinian authority. We discuss the Arabic culturally based business structure called Wasta, a system of reciprocal favors that relies upon social networks. We develop an instrument to measure three dimensions of Wasta and test whether they elicit different reactions among these three different groups of Arabs regarding relationship satisfaction and organizational performance. Our results indicate that the groups are affected differently by these dimensions, and thus see different utility in Wasta. This insight can be crucial for MNEs that would enter Arab markets, seek to employ younger Arabs, partner with Arab businesses, or deal with government officials.

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