



**The role of informal institutions in early-stage  
entrepreneurship**

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## **Abstract**

This thesis contributes to the literature that has sought to understand the Arabic socio-cultural phenomenon of ‘wasta’ in different aspects of business life. Until now, the relationship between using personal connections (“wasta”) to achieve goals and early-stage entrepreneurship has been neglected. The aim of this thesis is to evaluate the role of “wasta” in early stage entrepreneurship in Saudi Arabia. To do so, the thesis examines how wasta, as an informal institution, affects four entrepreneurial domains: liabilities of newness; entrepreneurial orientations; tax morality and the level of start-ups’ formality. Wasta is here measured on both supply and demand sides including the institutions, activities, rewards and people participating in exchanging wasta with entrepreneurs. An exploratory sequential mixed methods approach has been adopted to achieve this. In the first phase, semi-structured interviews were conducted with 20 Saudi entrepreneurs, and analysed using thematic analysis. The findings of this phase helped to gain better and deeper understanding of the phenomenon, and design the quantitative questionnaire. The second phase, a web-based questionnaire was collected from 236 early-stage entrepreneurs in three main regions of Saudi Arabia. The data gathered in this stage was statistically tested using descriptive, correlation and regression analysis. The findings reveal a variety of positive and negative significant relationships between wasta practices on the both demand and supply sides and internal and external liabilities of newness, the four dimensions of entrepreneurial orientations, tax morality and the degree of start-ups’ formality. The practical and theoretical implications are then discussed. Recommendations for future research are then outlined.

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# **Chapter 1: Introduction**

1.0 Introduction

1.1 Background to study

1.2 Rational and significance of the study

1.3 Research aim, objectives and questions

1.4 Research design

1.5 Thesis structure

## **1.0 Introduction**

The purpose of this first chapter is to introduce this thesis by providing a general overview of the Arabic social networking phenomenon of ‘wasta’ and its relationship to the field of entrepreneurship. This introductory chapter also provides a brief outline of the rationale for, and significance of, this thesis, its aim, objectives and research questions. The chapter then concludes by briefly introducing the methodology adopted in this research and explaining how the thesis is organised.

This introductory chapter therefore begins by discussing the background to the thesis, followed in section 1.2 by the significance and rationale for studying wasta and its role in entrepreneurship. Section 1.3 introduces the aim of the thesis, and the objectives that will be achieved through answering the research questions. A general overview will be provided in section 1.4 about the methodology adopted in the thesis, followed in section 1.5 by an outline of the structure of this thesis.

## **1.1 Background to study**

The informal institution referred to by the Arabic term ‘wasta’ is one of the strongest aspects of Arabic and Saudi culture and society (Loewe et al., 2007; 2008; Berger et al., 2014). It can be defined as the use of personal connections and links with others to achieve goals (Smith et al., 2012), although it can also be defined as “favours that privilege individuals based on personal connections” regardless of rights or qualifications (Mohamed and Mohamad, 2011, p. 412). This socio-cultural phenomenon might be used for social purposes, such as marriage (Cunningham and Sarayrah, 1993), political goals (Branine and Analoui, 2006; Hutchings and Weir 2006) or for economic benefits (Mohamed and Mohamad, 2011).

This phenomenon has been studied by both Western and Arabic scholars, who have linked it to different knowledge fields. This includes early seminal work by Cunningham and Sarayrah (1993), through to more recent studies by Hutchings and Weir (2006), Ramahi (2008), Loewe et al. (2008), Fidler et al. (2011), Mohamed and Mohamad (2011), and Rizk (2014) amongst others. The concept of ‘wasta’ is similar to that of ‘guanxi’ in China (e.g. Yeung and Tung, 1996; Luo and Chen 1997; Carlisle and Flynn, 2005; Ledeneva, 2008), ‘blat’ in Russia (Williams and Onoshchenko, 2015; Ledeneva, 2008) and ‘jeitinho’ in Brazil (Smith et al., 2010). As mentioned, this controversial concept has been studied by scholars from a range of

perspectives, including employment and morality, commercial transactions, career success, and internationalisation and modernisation, but rarely within the field of entrepreneurship. Despite this, there is an emergent recognition that the connection between personal connections ('wasta') and entrepreneurship needs further enquiry, especially in developing regions (Almobaireek, Alshumaimeri and Monolova, 2014).

Globally, the field of entrepreneurship research has demonstrated the importance of social and cultural factors on entrepreneurship, such as networking and personal connections (e.g. Aldrich and Zimmar, 1986; Anderson and Jack, 2002). Regarding the definition of entrepreneurship, there remains little consensus on a definition. This thesis therefore adopts one of the most commonly used definitions of entrepreneurship proposed by the first report of Global Entrepreneurship Monitor (GEM): "*Any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business.*" (Reynolds et al., 1999. p. 3).

Recently, different theories have emerged to explore the link between personal connections and entrepreneurship, such as social network and social capital theories (Hoang and Antoncic, 2003). Nevertheless, research examining the networking practices of entrepreneurs, and the characteristics of their networks remains scarce (McAdam and Soetanto, 2017). There is a need to develop the theoretical foundations of research in this area. Recently, an increasing number of studies in entrepreneurship have been grounded in institutional theories, especially in the sub-field of entrepreneurship and informality (e.g. Welter, 2011; Sautet, 2011; Williams and Shahid, 2014; Ketchen et al., 2014; Williams and Vorley, 2016). The seminal work of North (1990) divides institutions into formal institutions (laws and regulations) and informal institutions (norms, traditions and habits). These institutions might support entrepreneurial behaviour and actions or challenge and constrain it (Welter and Smallbone, 2011). Wasta in this thesis is considered as an informal institutional practice, and so far, few publications have studied this phenomenon from the perspective of institutional theory (e.g. Cunningham and Sarayrah, 1993; Loewe et al., 2007; Barnett et al., 2013).

To the best of the researcher's knowledge, no research work has explored the role of wasta practices on early stage entrepreneurship. This thesis, therefore, addresses precisely this relationship between early stage entrepreneurship and receiving and providing wasta practices (institutions, activities, rewards and people). Four areas of investigation are encompassed in this thesis. Firstly, the study examines the relationship between both sides of wasta practices

(i.e., the supply and demand sides) and the internal and external liabilities of newness encountered by early stage entrepreneurs. Secondly, the thesis tests the role of wasta practices on entrepreneurial orientation dimensions, which include innovativeness and proactiveness, autonomy, risk taking and competitive aggressiveness. Thirdly, the relationships between wasta practices and tax morality are examined. Fourthly, this study tests the relationship between wasta and the level of formality and registration among start-ups. The rationale to choose these four areas will be explained in the literature review chapter.

## **1.2 Rational and significance of the study**

As will be discussed in the literature review, most research studying formal and informal institutions has been conducted in developed economies. Whilst this offers some scholarly insights, there is a need to also explore formal and informal institutions in developing nations (Williams and Shahid, 2016). The importance of studying wasta as an informal institution, and its practise within the field of entrepreneurship emerges from several considerations. Firstly, a range of reforms have recently been put in place in Saudi Arabia. Secondly, there has been a growth in studies tackling issues related to entrepreneurship, formality and corruption in order to enhance the economic development of the country. Thirdly, wasta, as a socio-cultural phenomenon, touches on different aspects of society: people's relationships, power, tribes and clans, laws and regulations, and also religious teachings, and entrepreneurs are part of all those aspects. Fourthly, most of the limited number of studies on wasta and its relationship with business life have limitations, which this thesis attempts to overcome. All these three considerations will be extensively discussed in the literature review chapter.

It is also important to study the wasta phenomenon amongst entrepreneurs in Saudi Arabia. Saudi Arabia has an influential role in the Islamic world due to its geographical position and its status as the home of Islam's most sacred sites. In addition, the government's desire to expand and diversify business activities opens up potential opportunities for starting new ventures and a need for a deeper understanding of this socio-cultural phenomenon of 'wasta' in the country. This need is reinforced in light of the huge number of foreign workers and investors (both Muslim and non-Muslim) hoping to work or engage in entrepreneurial practices. In respect to the above, it is suggested that the researcher's status as a Saudi Arabian citizen offers some advantages for this research:

1. Wasta as a socio-cultural phenomenon could be better understood by an indigenous person who is part of this phenomenon and who can speak the local language (Arabic).

2. To research *wasta* effectively one needs some cultural assimilation in order to gain access to, and the confidence and trust of, the participants. This is imperative considering the sensitive nature of this study.
3. The researcher's personal engagement with entrepreneurs before embarking on the study has made it possible to acquire some narrative accounts of the practice of *wasta* in entrepreneurship in the Kingdom of Saudi Arabia.

Finally, several points contributed to the emergence of this research project. Firstly, the direction of policy in Saudi Arabia has tended towards the promotion of entrepreneurship in recent years. This has led to the establishment of entrepreneurship centres in most of the universities in the country. For example, Umm Al-Qura University in Makkah city, where the researcher works, has recently established a number of start-ups, following encouragement given to students and academic staff to initiate entrepreneurial projects and transform their knowledge into profitable products.

A further driver for the research is the limited number of studies of *wasta* in the context of Saudi Arabia. This is partly attributable to negative interpretations accorded to the concept and religious and social hate (El-Said and Harrigan, 2009). As a consequence, a large research gap exists in terms of linking *wasta* to entrepreneurship in this particular context. Another factor that provoked the researcher's interest to undertake a research project on this subject was so as to contribute towards a more comprehensive and nuanced understanding of both the theorisation and the practice of *wasta* within the institutional and socio-cultural context of an Islamic society. Fourthly, the researcher's supervisors' have had an academic interest in the areas of informality and entrepreneurship, and their publications related to similar phenomena such as Russian *Blat*. This also motivated the researcher to study the Arabic phenomenon of *wasta* within Saudi entrepreneurs.

### **1.3 Aim, objectives and research questions**

The broad aim of this research is to **evaluate the role the informal institution “wasta” plays in early stage entrepreneurship in Saudi Arabia**. In order to fulfil this aim, four objectives were formulated:

- To obtain a deeper understanding about *wasta* practices amongst Saudi entrepreneurs.

- To identify the challenges faced by Saudi entrepreneurs and the role of wasta in overcoming these.
- To explore entrepreneurs' experience and practice of the demand and supply sides of wasta
- To analyse the relationship between both sides of wasta and entrepreneurship liabilities of newness, entrepreneurial orientation, tax morality and level of formality/informality in start-ups.

In order to meet these objectives, this research seeks to answer the following research questions:

Q1. How do early stage entrepreneurs perceive wasta, and how do they practise it when facing the challenges of starting their business?

Q2. How do entrepreneurs tackle the process of formalising their start-ups?

Q3. What are the characteristics of Saudi early stage entrepreneurs?

Q4. How is wasta (receiving and providing) practised by early stage entrepreneurs?

and testing the following hypotheses:

**H1. Receiving wasta reduces the liabilities of newness**

**H2. Providing wasta reduces the liabilities of newness**

**H3. Receiving wasta increases entrepreneurial orientations**

**H4. Providing wasta increases entrepreneurial orientations**

**H5. Receiving wasta reduces tax morality**

**H6. Providing wasta reduces tax morality**

**H7. Receiving wasta reduces level of formality**

**H8. Providing wasta reduces level of formality**

## **1.4 Research design**

In order to answer the research questions and achieve the aim and objectives, the researcher employed an exploratory sequential mixed methods research design (Tashakkori and Teddlie, 1998; Creswell and Clark, 2007; Saunders et al., 2009). This is a combination of two stages where the researcher develops an initial understanding of the topic using a qualitative approach



before conducting the quantitative part. The first stage was based on twenty semi-structured interviews with early stage entrepreneurs, and took place in the middle of 2016. The data collected was analysed using thematic analysis, supported by a software program (MAXQDA). The results of this initial stage contributed to a deeper understanding of the relationship between wasta and entrepreneurship, and the results also helped construct the quantitative questionnaire that comprised the second and dominant stage. In this second phase, which took place in the first half of 2017, an online questionnaire was distributed to entrepreneurs in three major regions of Saudi Arabia. 236 completed responses were collected and analysed using SPSS. Explanatory factor analysis, alpha Cronbach, descriptive, correlations and multiple regression analyses were performed to obtain the results.

## **1.5 Structure of the thesis**

The overall structure of the thesis takes the form of six chapters. This first chapter introduces the thesis. Chapter 2 critically reviews the literature to show the reader what existing research has been conducted in the areas of wasta and entrepreneurship globally, in developing and Arabic countries and, particularly in Saudi Arabia. Chapter 3 presents the underlying thesis paradigm, strategy and design, including explaining its two sequential stages and discussing issues of validity and reliability, population and sampling, data collection procedures and data analysis tools. Chapter 4 displays the results obtained from the semi-structured interviews conducted with 20 Saudi entrepreneurs to develop a deeper understanding of the wasta phenomenon and which helped to inform the design of the questionnaire. These interviews were analysed thematically. Drawing upon data from the online questionnaire, Chapter 5 presents the results of the quantitative research, including of statistical tests undertaken assessing relationships between wasta practices and entrepreneurship as represented by liabilities of newness, entrepreneurial orientations, tax morality and level of formality. Finally, Chapter 6, is the discussion and conclusions chapter. It offers an overview of the thesis, discusses key findings connects them to the literature, it also identifies the contributions of this study and its policy and practical implications, there is also some reflection on limitations of this study, as well as discussion of areas for further research.

# Chapter 2: Literature Review

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## **2.0 Introduction**

This chapter provides a critical overview of the literature on entrepreneurship as well as that on the phenomenon of *wasta*. The chapter is organised into eight main sections besides the introduction and summary. Section 2.1 provides a brief overview of the entrepreneurship field, including key definitions and perspectives, as well as reviewing work on religiousness, business ethics and entrepreneurship. Section 2.2 explores the Saudi entrepreneurial environment, shedding light on socio-cultural issues relevant to entrepreneurship in Saudi Arabia. The practice of *wasta* in Saudi Arabia and other Arabic nations, and its measurement, costs and paradoxes is discussed in section 2.3. Section 2.4 provides an overview of similar phenomena in other areas of the world. Entrepreneurship in the informal economy, and the theoretical explanations of informality are presented in section 2.5. Finally, section 2.6 discusses the phenomenon of *wasta* and the role it plays in the Saudi entrepreneurial field from four perspectives: liabilities of newness, entrepreneurial orientations, tax morality and level of formality. The outcome of this review will be an identification of gaps in knowledge filled by this thesis, and the research questions being posed in order to do so, which is presented in section 2.7.

### **2.1 Entrepreneurship: An overview**

Recently, entrepreneurship as a practice and entrepreneurs as individuals have increasingly been used, particularly in developing regions, by decision-makers or individuals as a solution for social and economic issues (Kayed and Hassan, 2011). Salimath and Cullen (2010) identify entrepreneurship as critical for successful economies, meanwhile Sautet (2013) argues Schumpeter's (1945) view that entrepreneurship is a significant means for economic growth might be correct in developed countries but still needs to be proven in developing nations.

A great deal of research has been done by scholars on entrepreneurship in Western countries or the East Asian regions. According to Lingelbach et al. (2005), the majority of these studies have been undertaken based on Western theories and fundamentals even where the implications and samples are taken from other areas. In other words, entrepreneurship research tends to just take theories and frameworks developed from research in western economies and apply them uncritically in emerging and even developing economies. In entrepreneurship research it is important, however, to consider different cultural and societal factors present in other parts of the world, and to distinguish between those theories made in a Western context that are

appropriate and valid elsewhere, and those that are not (Lingelbach et al., 2005). Lingelbach et al., (2005) furthermore call for more studies to be conducted taking into account citizens' attitudes and values in emerging economies.

### **2.1.1 Conceptualisations of entrepreneurship**

Entrepreneurship is a complex and ambiguous phenomenon, for which there is no accepted consensus definition amongst scholars or practitioners (Bygrave and Hofer, 1991; Shane and Venkataraman, 2000; Gedeon, 2010; Carton, Hofer et al., 1998; Carland et al., 1988). This perhaps definitional ambiguity perhaps reflects the fact that many eminent scholars have written about the entrepreneurship phenomenon from a range of disciplines and adopting diverse perspectives (Sassmannshausen and Gladbach, 2010). The term 'entrepreneur' was arguably first introduced by the Irish economist Cantillon, and is based on a French word. He defined it as someone who takes a risk when purchasing a commodity with a specific price and sells it at an uncertain price (Cantillon, 1755 in Cuevas, 1994; Gedeon, 2010). However, this view did not recognise the creative or innovative aspects of entrepreneurship, which are proposed later by Schumpeter (Clarke, 2007).

Carton et al. (1998) identifies three key dimensions in the definition of entrepreneurship: venture creation to catch an opportunity; allowance for entrepreneurs to create new business within existing organisations; and, lastly, definitions of entrepreneur and entrepreneurship that focus on the action performed and changes in the individuals' activity. Drucker (1995) further advocates Schumpeter's definition, which focuses on innovative and new products, markets and manufacturing ways (Schumpeter, 2017), by linking entrepreneurship and innovation when he summarises the term as the management process to create and manage innovation.

Bygrave and Hofer (1991), however, notice that most researchers' definitions of entrepreneurship concentrate on the characteristics of entrepreneurs themselves, although they reject this approach by choosing to focus on the process of entrepreneurship and its tasks, effectiveness and contributions. A recent wider definition is produced by Gedeon (2010, p.30) who merges several theories, stating:

*“Entrepreneurship is a multi-dimensional concept that includes owning a small business being innovative, acting as a leader, or starting up a new company, it includes spotting opportunities to drive the market toward equilibrium or causing disequilibrium through “creative destruction”. It includes doing this on your own, in a team or inside a company. It involves starting without any resources and creating new values in the realm of business, social values, government or academia”.*

As with entrepreneurship, the term entrepreneur is also hard to define (Carland et al., 1988). Carton et al. (1998) define an entrepreneur as some person or team that recognises an opportunity, collects fundamental resources, and is in charge of venture creation consequences. After reviewing a great number of other writers’ definitions, Gartner (1988), however, adheres to the behavioural view, so, he considers entrepreneurs as akin to the versatility of basketball players, who should be managers, innovators, SME owners and vice president as well. Entrepreneurs’ key characteristics and traits are discussed in various studies, these include a desire for independence, locus of control, creativity, risk taking, and they have a need for achievement and knowledge amongst others (see Clarke, 2007; Carton, et al., 1998).

While a variety of definitions of entrepreneurship have been discussed, based on the purpose of this study, the researcher will adopt the commonly used definition of the Global Entrepreneurship Monitor (GEM). GEM defines entrepreneurs as *“people who are entrepreneurially active as adults in the process of setting up a business they will (partly) own and or currently owning and managing an operating young business”* (Reynolds et al., 2005, p. 209). This definition is close to, and makes it easier to describe the targeted entrepreneurial stage in this study. GEM is a leading entrepreneurship research consortium. The main objectives of the GEM project are to estimate individuals' involvement in national entrepreneurial activities, (Reynolds et al., 2005, p. 209), as well as shed light on social norms and personal features that contribute to or impede these activities (GEM, 2014). Finally, GEM is keen to link its investigations to job creation (Reynolds et al., 2005).

### **2.1.2 Early stage entrepreneurial process**

Every entrepreneur expects to face challenges and constraints within his/her entrepreneurial journey and wider business life. These challenges may begin from the recognition of an opportunity, and extend as this opportunity is exploited - often utilising limited resources - as well as when growth is sought. Most individuals' projects, even the simple ones, encounter difficulties during their first days, but this stage is very important because it is the cornerstone

of any start-up (Darley and Khizindar, 2015). As mentioned in the previous chapter, entrepreneurship as a term may be something relatively new in Saudi Arabia and therefore the majority of start-ups are in their first stages (Burton, 2016). As a result, these firms likely encounter higher levels of internal and external liabilities of newness that will be discussed later in this chapter.

Most existing research into start-ups is based on data collected from large developed countries, especially on what makes it easier for entrepreneurs to do business, and obtain efficient feedback, especially in early stage processes (Paradkar et al., 2015). Bygrave and Hofer (1991) identify important features of the entrepreneurial process, namely; that it is an initiative at an individual level, it is holistic and dynamic and involves change, discontinuity and uniqueness. Being innovative, creative and a risk taker are characteristics that are suggested to distinguish early stage entrepreneurs from late stage entrepreneurs (Dafna, 2008; Darley and Khizindar, 2015).

In the same vein, the main reasons why entrepreneurs establish start-ups are to be independent, to boost income and personal fulfilment, or because they are disappointed with their previous job, in addition to solving their and others' unemployment, meeting customer needs, and social status (Smallbone and Welter, 2001; Bird, and Schjoedt, 2009). In order to achieve these goals, Greve (1995) asserts that at the early stage, entrepreneurs need knowledge and resources more than control. Furthermore, networking is vital, although the degree of networking and its impact on start-ups' success differs from one sector to another (Witt, 2004), and there is also an expectation that the proportion of successful entrepreneurial ventures is higher for individuals whose families have a business background (bonding social capital) and community networks (bridging social capital) (Davidsson and Honig, 2003).

This thesis will draw on the Global Entrepreneurship Monitor (GEM) entrepreneurial process model (see Figure,1), which classifies entrepreneurs aged 18-64 into three stages: first, potential entrepreneurs who have ideas and knowledge, and a plan to follow opportunities; second early-stage entrepreneurial activity, which is divided into two stages, nascent entrepreneurs who have set up a business for less than 3 months, and the owner-manager of a new business up to 42 months old; and the third stage is being an owner-manager of a business for more than 42 months (GEM Report, 2014). This leading research consortium surveys this

age group due to the fact that entrepreneurial activity and new enterprises are prevalent among this adult population (Herrington et al., 2009).

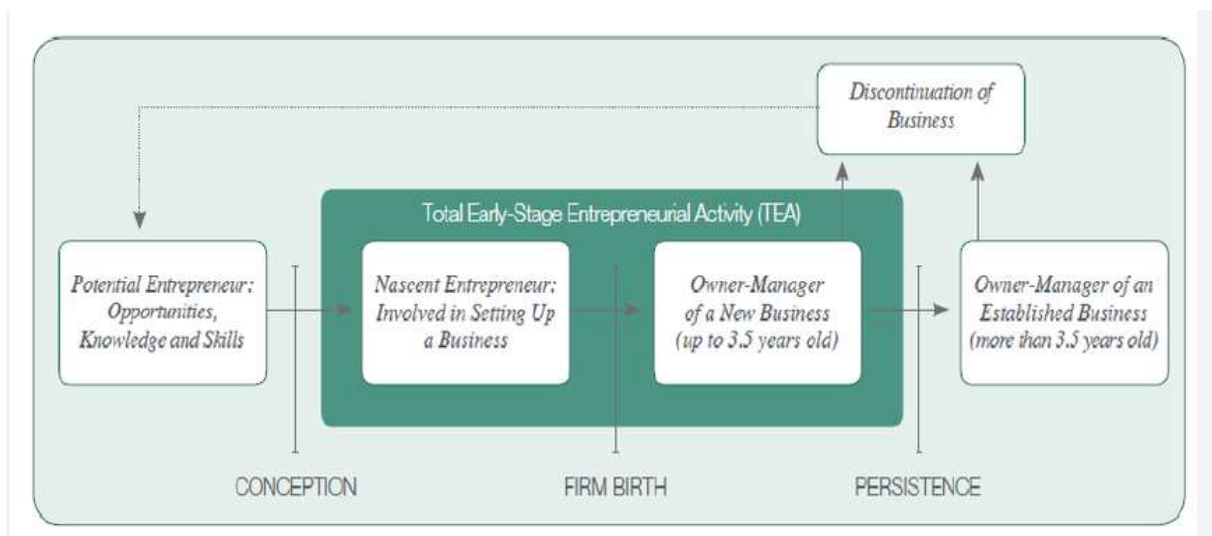


Figure 1: The Entrepreneurship Process and GEM Operational Definitions Source: GEM (2010)

This thesis focuses on these second early-stage entrepreneurs (the 0-42-month period) for three reasons. Firstly, as mentioned previously, start-ups and entrepreneurship have become increasingly important in Saudi Arabia, and the government have made good effort to support this sector. Secondly, the first published report of GEM in Reynolds et al. (1999) indicates the direct relationship between start-up activities and economic growth. Thirdly, most start-up failure occurs in the first few years after they are established (Marmer et al., 2011). Consequently, studying this early stage can be therefore a priority, especially in an emerging economy such as Saudi Arabia.

The GEM design distinguishes between the three stages of entrepreneurial activities and considers both registered and non-registered entrepreneurial ventures, which will be studied in this thesis. Other leading report, like the Ease of Doing Business, focuses only on registered entities (Estrin et al., 2012). Related to this, the owners of start-ups have different attitudes and propensities, which are referred to academically as the liabilities of newness (e.g. Miller, 1983; Morse et al., 2007; Lumpkin and Dess, 1996).



### **2.1.3 The relationship between religions and entrepreneurship**

Religion can be considered as “*a social phenomenon because of its spiritual and link to cultural identity*” (Ratten et al., 2017a, p. 230). Hitherto, only limited research has delved into the impact of religious views and practices on business life. More specifically, little work has examined whether there is a relationship between religion and entrepreneurial behaviour (Acheampong, 2017). Many scholars suggest that there is a relationship between religion and the environment for entrepreneurship (e.g. Weber, 1958; Basu and Altinay, 2002; Ram and Smallbone, 2003; Altinay, 2008; Parboteeah et al., 2009; Kayed and Hassan, 2010).

In exploring the role religion plays in work environment performance, particularly in Western countries, Weber (1958) found a positive relationship between individual and organisational success on the one hand and the Protestant work ethic on the other side. In another study meanwhile, Parboteeah (2009) survey more than 44,000 people in 39 countries to examine the influences of the most widespread religions (Islam, Buddhism, Christianity and Hinduism) on work values. The results of this study provide strong evidence that all four religions have a positive relationship with intrinsic and extrinsic work values, apart from Orthodox Christians who have a negative connection.

A key difference between Islamic entrepreneurship and entrepreneurship in other religions is that Muslim entrepreneurs have to deal only in Halal, these are lawful products and services that are permitted by and consistent with Islamic teachings (Davis, 2013; Ratten et al., 2017a). Recently, a considerable literature has grown up around the role of Islamic principles in entrepreneurship and economics (e.g. Darus et al., 2016; Omri et al., 2016; Rixon et al., 2017; Bagwell, 2017). However, religion is not totally separated from other factors in entrepreneurship, so cultural and historical background also influences the role a religion plays in respect to entrepreneurship (Ratten et al., 2017b).

### **2.1.4 Entrepreneurship from an Islamic perspective**

Islamic entrepreneurs can be defined as individuals “*who start businesses following Islamic religious guidelines, which incorporate equality and fair trading*” (Ratten et al., 2017a, p. 8). For Muslims, the Islamic religion is the light and straight path for every single activity of life (Ratten et al., 2017c). One has to take account of religious teachings when dealing with relatives or neighbours, in the workplace, and the wider surrounding environment.

Kayed and Hassan (2010) note that there are two contradictory views about whether Islam impedes economic development and modernity, or whether it is in fact conducive to the welfare of society and the achievement of progress in people's daily life activities. On the one hand, thinkers have adopted a view which supposes that Islam hinders development and innovation, in addition to negatively affecting achievement (Weber, 1958; Akbar, 1993; Kuran, 1997; Perkins, 2003). For instance, the findings of Akbar's study (1993) illustrate that Muslims are weaker than people from other religions in terms of entrepreneurship because some Muslims are not implementing their religious principles. The previous argument has shown, however, that the problem is not in the Islamic teachings but in how people follow and obey these teachings. Altinay's (2008) findings in his study of Turkish entrepreneurs highlight that it is important to distinguish between Muslims practising Islamic rules and those who are not, especially in countries where there are many religions.

It is very important for Muslim entrepreneurs to follow religious teachings such as treating others fairly regardless of whether they are Muslims or not (Hoque et al., 2014), and Islamic values should be adopted by Muslim entrepreneurs (Kayed and Hassan, 2010; 2011). Perkins (2003), meanwhile, embarks on his work on Islam and economic development by condensing Muslims' perceptions regarding their nations' weak growth and performance. These perceptions are summarised as: the unfair distribution of wealth worldwide; corruption, particularly in governments; the Western invasion of many Islamic countries; and Western policies. Nonetheless, these people retain hope when they notice the success of some Islamic countries in East Asia.

On the other hand, many verses in the Holy Quran, the Prophet Mohammed's teachings, in addition to academic articles, have promoted the idea that Islam supports development and creativity. A good number of studies view Islam as an entrepreneurial religion (e.g. Kayed and Hassan 2010; 2011; Rafiki and Wahab, 2013; Ramadani et al., 2015; Gümüşay, 2015; Ratten et al., 2017a; Ghoul, 2017). The Prophet Mohammed (Peace Be Upon Him) and his companions are obvious examples of this, and the religion started with those merchants (Ratten et al., 2017a; Hernandez, Noruzi and Sariolghalam, 2010).

Muslims depend on two key sources to govern their life activities: Allah's Book (The Holy Quran), and The Prophet Mohammed's (Peace Be Upon Him) traditions which are derived from the Holy Quran and the speech of Allah (God). The Islamic basics do not leave any tiny or huge matter without clarification and interpretations either in The Holy Quran or the Sunnah.

Allah SWT says, *“This day I have perfected your religion for you and completed my favour upon you and have chosen for you Islam as religion”* (Al-Maidah, 5:3). Thus, political, societal, economic, health and every issue in people’s life are covered by the Islamic sources, and Muslims completely believe in that as a crucial part of their faith.

In the Holy Qur’an, (Al-Jumu’ah -Friday-, 62:10) Allah SWA asks people to exchange their products and participate in commercial activities after finishing their prayers by informing them *“And when the prayer is finished, then disperse in the land and seek of Allah’s grace, and remember Allah much, that you may prosper”*, and in (Al-Mulk -the Dominion-, 67:15) *“It is He Who made the earth manageable for you, so traverse ye through its tracts and enjoy of the sustenance which He furnishes: but unto Him is the resurrection”*. All Muslims are given orders by the Islamic sources to be very accurate, proper and exact in their daily life practices, whether big or small, whether in mental or physical activities, routine or urgent situations, and whether dealing with those of the same ethnicity or others. The Prophet Mohammed (Peace Be Upon Him) says *“God loves, when one of you is doing something, that he [or she] do it in the most excellent manner”* (Al-Qaradawi, 1995 in Beekun, and Badawi, 2005, p. 135). To do so, people have to follow and adhere to religious rules and pillars. *“Success in Islam is not merely measured by the end result, but also the means and ways of achieving them”* (Hernandez, Noruzi and Sariolghalam, 2010, p. 126)

Hernandez, Noruzi and Sariolghalam, (2010) identify that the important principles for Islamic entrepreneurship are: Muslim entrepreneurs are responsible for developing business as part of worship (Ibaddah); acting entrepreneurially; the Islamic economic system is the major pillar for business people; and there is integration between entrepreneurial activities and religion. The religion of Islam encourages human beings to be independent, up-to-date and open-minded by contemplating and looking thoughtfully at the universe and creatures. The first word sent to the Prophet Mohammed (Peace Be Upon Him) in the Holy Quran is 'Read'. The Prophet Mohammed (Peace Be Upon Him) was a merchant before his mission, and many of his companions were very successful entrepreneurs (Ratten et al., 2017b). Kayed and Hassan (2010) urge scholars to fill the huge gap in Islamic entrepreneurship literature methodologically and theoretically.

Moving to academic articles and their relation to the Islamic principles of business transactions, the massive growth of Islam is a reason to encourage scholars to study this religion and how its principles and teachings affect human activities. As Weir et al. (2016, p. 27) states *“in*

*principle, Islam offers a pattern of behaviours and beliefs which affect the whole of human life, no segment being exempt*". Business dealings are, undoubtedly, one of the inevitable actions experienced by every person (Rafiki and Wahab, 2013). Furthermore, the two writers also mention that the main Islamic principles that must be followed are Islamic finance, permitted (Halal) products and education using religious rules, so all these principles should be followed to obtain acceptance from Allah. Muslim entrepreneurs have to return to their religion's teachings by either reading the religious sources or asking Muslim theologians for religious decrees (Fatwa) in respect to all transactions, particularly when they are dealing with important issues such as borrowing from banks (Ghoul, 2017).

In past centuries, Islam entered the other continents especially Asia and Africa. Muslims were regarded as business people who had a good reputation and were adherent to business ethics such as trust, honest, morality and credibility. Indonesia, for instance, knew this religion through trading with Islamic Arabs who they saw to have consistent moral principles (Rafiki and Wahab, 2013). For example, Kerala in India is famous for Muslim entrepreneurs who have created their own successful businesses around the world and in the Arabic Gulf countries particularly. Those entrepreneurs are well-known for being honest, innovative, helpful and trustworthy (Osella and Osella, 2009). Osella and Osella investigate what makes those entrepreneurs distinctive, attributing this to many points: e.g. taking into consideration their community's needs by helping poorer people and building educational institutions; keeping to Islamic rules and framework; and being very concerned about ethics and morality to and encouraging each other to achieve. Related to this, one of the most famous Indian entrepreneurs called "P.V. Abdulwahab" who has had like others in his city "*a rags to riches story*" says "*A Muslim cannot enjoy his wealth and life if people around him are suffering*" (Osella and Osella, 2009, p. 6)

Consequently, there is a strong need to understand the Islamic approach to entrepreneurship (Osella and Osella, 2009; Kayed and Hassan, 2010). From an institutional perspective, scholars suggest that Islamic entrepreneurship can be diminished and promoted by benefiting from the formal institutions (mosques and schools) and informal ones (religious events and gatherings) and by adopting even more Islamic teachings and values (Kayed and Hassan, 2010; Ratten et al., 2017a).

Saudi entrepreneurs themselves are in favour of the statement that Islam is a means to foster entrepreneurial behaviour, and the vast majority of Saudi respondents in Kayed and Hasan's

(2010) study assert that the Islamic system supports and gives preference to entrepreneurship rather than employment. Generally, from an Islamic perspective, Noruzi (2011) and Hamid and Saari (2011) summarise Islamic entrepreneurial principles as:

- \* Entrepreneurs are encouraged to take risks and these risks have to be protected and linked to Islamic rules.
- \* All the transactions and deals must be subject to the rules of Islam.
- \* Entrepreneurs must avoid any abuse or oppression towards others.
- \* Following the governments' laws and regulations is a must

Based on the Holy Quran and Hadith, Faizal et al. (2013) identify the major characteristics of Muslim entrepreneurs as:

- A) Taqwa (Faith) as a framework
- B) Halal as a top priority
- C) Do not waste
- D) Worship to Allah is a priority
- E) Practising High Moral Values
- F) Trustworthy
- G) Concern for the Welfare
- H) Knowledgeable
- I) Caring for their environment and society

In terms of business ethics, entrepreneurs who are committed to the pillars of the Islamic faith have to be more ethical and moral when dealing with any issue related to their business or daily life. The most important tenets are achieving ambitions ethically and practising desirable business ethics as represented in Islamic ethics. Being honest, truthful and moral is a reliable way for businesses to constitute achievement, whereas entrepreneurs should avoid immoral activities like deceptive advertising, price manipulation and dishonesty, even if such practices increase revenues (Kayed and Hasan, 2010).

Since the work done by Weber (1958), a great deal of research have been undertaken on the influence of religious ethics on work environment performance in Western countries but, due to the scarce Islamic business literature, the field of Islamic business ethics has been largely overlooked (Ali and Al-Owaihah, 2008). In the Islamic context, business ethics are alive in institutional practices, especially when performing and following Islamic rules from accurate sources (Kayed and Hasan, 2010). Islamic teachings *establish “a strict code of conduct for*

*Muslim entrepreneurs, which prohibits dishonesty, fraud and deception, coercive practices and gambling, and entrepreneurs should not be involved with hoarding, speculation, collusion or any business activity that is against the interests of consumers”* (Zapalska et al., 2017, p. 191). Despite this ideal, *“the fundamental trouble with wasta in Muslim, Arab, and MENA countries concerns its incompatibility with Islamic principles”* (Oukil, 2016, p. 136). Rice (2004) in a paper related to doing business in Saudi Arabia implies that the phenomenon of wasta does play a contradictory role against the Saudi state’s reforms to eradicate corruption, especially when using friends, relatives and members of the same tribe to gain privilege and break rules. Business activities in Islamic societies rely on networks and these societies are considered as networks (Weir et al., 2016). In a study conducted regarding the Indonesian experience of combating the negative practices of wasta, Azra (2016) summarises some of the Islamic teachings and ethics which everyone has to abide by:

- Islam prohibits injustice, corruption, bribery, stealing from others, using power to gain private wealth, greed and excessive attitudes in any situation.
- Islam emphasises ethics and morality, and asks individuals, and particularly leaders, and those holding positions of power to be trustworthy, equitable, satisfied with what they have, honourable and role models.

To sum up, the Prophet Mohammed (Peace Be Upon Him) instructed the main pillars of Islamic work and business ethics, which are categorised by Ali and Weir (2005):

- 1- Pursuing legitimate business which are useful for others and societies.
- 2- Wealth should be created based on legitimacy and morality.
- 3- The quality of work must be maintained.
- 4- Wages must be fair and given on time.
- 5- People should be confident and self-reliant.
- 6- Monopoly, greed and bribery are considered harmful and are condemned in Islam.
- 7- Intentions must be a benefit to society.
- 8- Enhancing trust and transparency and preventing cheating.

### **2.1.5 Corruption and entrepreneurship**

Transparency International Report (2009, p. 14) defines corruption as *“the abuse of entrusted power for private gain”*. Corrupt practices can be seen everywhere, in every section of society, but with developing countries especially plagued by high rates of corruption (Fischer et al.,

2014) including in the field of entrepreneurship. In a study of 85 countries undertaken by Djankov et al. (2002), the authors find that rates of corruption and poverty were higher in the countries where entrepreneurs have to invest a lot of money for their start-ups. Tonoyan et al., (2010) surveyed more than 2500 entrepreneurs in 20 transition and mature economies, demonstrating that the main reasons for entrepreneurs' engagement in corruption are: implementation of the laws is poor; legal institutions are weak and economic organisations are inefficient. Meanwhile, based on the World Bank Enterprise Survey conducted on 132 countries, Williams, Martinez-Perez and Kedir (2016) conclude that there is significant positive relationship between corruption and firms' performance, which means that the more corrupt practices the better firm performance.

In the World Bank Report 'Transparency' (2016), the Arabic countries ranked in a range of positions in respect to corruption. Some had good rankings, such as the United Arab Emirates and Qatar, which were 24<sup>th</sup> and 28<sup>th</sup> out of 176 countries respectively, while others were in the middle: Oman 64<sup>th</sup>, Bahrain 70<sup>th</sup>, Kuwait 73<sup>th</sup>, Tunisia 75<sup>th</sup> and Morocco 90<sup>th</sup>. The worst performance in terms of transparency among the Arabic nations went to conflict areas like Iraq 166<sup>th</sup>, Libya-Sudan-Yemen 170<sup>th</sup> and Syria 173<sup>th</sup>, whereas Saudi Arabia ranked 62<sup>nd</sup>, dropping from 48<sup>th</sup> place in 2015. Based on a survey of more than 1000 respondents in nine countries, the report also revealed that about 50 million people in specific Arabic nations admit paying bribes in order to have access to services.

Undoubtedly, some *wasta* practices might be regarded as directly corrupt activities, but it is inappropriate to consider *wasta* itself as similar to corruption, especially if one investigates the 'good' side of *wasta*. Barnett et al. (2013, p. 42) indicate that there are some differences between corruption and *wasta*: "wasta is often a source of pride and prestige both for the *waseet*" (the person who goes in between), and "for those who gain favourable treatment via *wasta*", which is not the case with corrupt practices. Additionally, direct reciprocity is not usually a requirement for *wasta*.

In a study undertaken based on the World Values Survey to measure bribe tolerance in Arabic countries, Marktanner and Wilson's (2016) findings indicate that, apart from Kuwait, Lebanon and Bahrain, the Arabic countries are more likely to tolerate bribes than the world average, and Saudi Arabia was close to this average. Additionally, there is too low control of corruption among these Arabic nations. Moreover, scholars often identify *wasta* as a negative or 'bad'

practice; as Oukil says, “*generally, where there is corruption, there is wasta*”, and if wasta is not exactly the synonym of corruption, it is still an important part (Oukil, 2016, p. 133).

The Saudi National Anti-Corruption Commission (Nazaha) recently conducted a study to measure corruption in governmental institutions (Nazaha, 2016). Its results revealed that corruption is the most challenging issue in the country, and wasta is regarded as the most widespread issue. However, Nazaha has in its laws severe penalties for corrupt individuals or organisations when they practice bribery, yet nothing about using wasta because it is none monetary (Alreshoodi, 2016). Related to this, Helmi (2013) presents interesting findings about the positive relationship between the high level of corrupt practices and (FDI) foreign direct inflows in Middle East and North African (MENA) countries from 2003 – 2009, and attributes that to the fact that corruption is necessary to circumvent difficult and restrictive laws. Imam and Jacobs, meanwhile (2014) argue that corruption should be blamed for the low level of tax collection in the Middle East.

The eradication of corruption requires effort from both states and individuals. This includes recognising the costs of corruption for society as a whole, and attempting to change social norms throughout long term education and training (Tonoyan et al., 2010). Williams and Kedir (2016) provide suggestions to eliminate this phenomenon by asking government officials to measure the negative and positive effects of corruption at the individual level, and also by resolving the deficiencies of formal institutions. Related to this, Berdiev and Saunoris (2018) assert that understanding the main reasons individuals and firms are active in the informal sector will help decision makers to formalize this sector and mitigate corrupt practices.

## **2.2 The main factors affecting the entrepreneurship practice in Saudi Arabia**

### **2.2.1 Entrepreneurship in Saudi Arabia**

Saudi Arabia has a strategic position due to three issues. First it is home to the two holy mosques and sacred places. It is the dream of every Muslim around the world to visit Saudi Arabia to perform pilgrimage (hajj), which is one of the five pillars of Islam. Since every Muslim who has the physical and financial ability to do so must perform the hajj, Saudi Arabia has a significant opportunity to take advantage of a continuous competitive advantage. Secondly, its economic power as an important player in the international economy due to its



large reserves of oil and gas. Thirdly, these factors have enabled the country to play an influential role in international affairs.

Most developing countries are struggling to solve the critical issue of unemployment and its negative effects on society. Solving this problem promotes well-being for citizens and improves the economy. Saudi Arabia is no exception to this. Related to this, about 60% of the population in the MENA region is under 25 years old (Manzoor, 2017). As a result of the high rate of population growth in the Islamic and Arabic region particularly, the GEM Report (2010) suggests the MENA region should develop appropriate entrepreneurial classes to be consistent with their population distribution and growth. That means that entrepreneurship will be vital to absorb this enormous potential workforce in the future.

In 2003 the population of Saudi Arabia was less than 17 million, about 12 million of whom were Saudi citizens, whereas in the latest statistics in 2018 the population had risen to more than 32 million, an increase of 82%, while the number of Saudi citizens increased by 66% to more than 20 million (Saudi General Authority for Statistics, 2018). A new report published by the Ministry of Economy and Planning anticipates that Saudi citizens will number 25 million by 2025 and the overall population will be 37 million by this date. The percentage of the population who are less than 15 years old is almost a quarter (24.8%), and the proportion of people of working age, from 15-64 years old is 72%. Although these numbers are positive for the country, they are also a challenge for Saudi decision makers. For instance, the nature of the economy is heavily dependent on one industry – oil - and on government jobs, which makes it difficult for young people to find employment. This is why there is an urgent need to encourage diversification in the economy, entrepreneurship and education.

Saudi Arabia as an emerging economy and major player in the global economy certainly has new horizons and there are tremendous opportunities to be exploited. Porter (2009) summarises the current opportunities available in the country as: a. young people form the majority of the population; b. economic markets are stable; c. the government has invested an enormous amount of money in economic diversification; d. foreign investors have been attracted by the low tax rates and potential for growth. Porter (2009) also identifies a variety of weaknesses, however, such as: the quality of education, particularly at primary and advanced levels; the centralised political organisation; regulatory quality; and the prevalence and dependence on foreign workers.

Education is a particularly important issue. Almobaireek et al. (2011) argue that living in a university environment can help develop entrepreneurial activities. In addition to this, they found that male respondents were worried because their experiences were not valuable enough, while female respondents were concerned that they would fail to achieve their expectations. Additionally, Rice (2004) asserts the view that the Saudi state has two major concerns, which are decreasing the dependence on oil revenue, and providing for the basic needs and services for citizens, such as employment and housing. Despite the economic growth, wealth and young population, and all the efforts already made by the government, further steps must be taken and the new country Vision 2030 is a real example.

Saudi Arabia was ranked 92 out of 190 in the World Bank Ease of Doing Business rating (2018), and 135/190 in the World Bank Starting a Business Rating (2018), while it is 29<sup>th</sup> out of 138 countries in the World Economic Forum Global Competitiveness rating (2015). These numbers indicate that the country needs to focus its efforts on benefitting from its competitive advantages (location, youth, resources and a stable economy). Regarding the magnitude of business projects in Saudi Arabia, these can be divided into four segments: big, medium, small and micro-small projects. Table 2.1 provides a summary of the approximate numbers

Table 2.1: The number of Saudi private sector organizations

No of employees	Total number	Percentage
1-5	705699	87% of the total
6-49	88321	9% of the total
50-249	6267	3% of the total
>250	1237	1% of the total

Source: <https://www.stats.gov.sa/en/16>

According to the recent report published by the Global Entrepreneurship Monitor (2017), Saudi Arabia is ranked as 34/66, which is similar to Turkey and better than Brazil and Russia where Jeitinho and Blat are practised, respectively. In terms of internal market burdens or entry regulations and legal infrastructure, Saudi has a low rank of 46<sup>th</sup> and 64<sup>th</sup>, respectively, similar to Egypt, whereas the United Arab Emirates is ranked 12<sup>th</sup> and 11<sup>th</sup> in these categories (GEM, 2017). This reflects the need to raise awareness about regulation issues, and it is highly likely that with the recent reforms, the country's ranking will improve in the next report. The dimensions R&D transfer, entrepreneurial education, government programs and finance, show lower levels especially if compared to Islamic and emergent economies such as Malaysia and

the United Arab Emirates which have high rankings in these dimensions. The Table (2.2) provides some statistics and comparisons.

Table 2.2: A comparison amongst different countries

<b>Indicators/Nations</b>	<b>Saudi</b>	<b>Emirate</b>	<b>Egypt</b>	<b>Turkey</b>	<b>Malaysia</b>	<b>China</b>	<b>Brazil</b>	<b>Russia</b>
<b>Cultural and social norms</b>	34/66	6/66	46/66	33/66	15/66	8/66	51/66	62/66
<b>Physical infrastructures</b>	24	12	35	51	38	11	65	57
<b>Internal Market Burdens or Entry Regulation</b>	46	12	42	41	18	22	55	63
<b>Commercial and Legal Infrastructure</b>	64	11	63	13	23	58	52	34
<b>R&amp;D Transfer</b>	58	18	59	14	7	26	57	63
<b>Entrepreneurial Education at School Stage</b>	60	4	65	49	9	24	57	31
<b>Entrepreneurial Education at Post School Stage</b>	60	35	65	28	15	11	52	33
<b>Government Entrepreneurship Programs</b>	52	6	57	46	18	32	53	64
<b>Government policies: Taxes and Bureaucracy</b>	31	5	49	55	26	16	64	53
<b>Government Policies: Support and Relevance</b>	39	3	46	24	16	13	49	55
<b>Entrepreneurial Finance</b>	46	32	45	19	4	2	33	57

The author: the researcher built on (GEM report, 2017)

### 2.2.2 Economy, oil revenue and entrepreneurship

Throughout the 20th century, and continuing into the present, oil production has been central to people's lives in Saudi Arabia, and to wider national development. The Saudi Ministry of Planning reports show that Saudi Arabia has a great dependence upon oil revenues, which comprises around 90% of national revenue. This issue has had a negative effect on Saudis' attitudes towards entrepreneurial behaviour and aspirations (Auty, 2001; Kayed and Hassan 2011; Rice, 2004). An intense debate continues about whether oil as a wealth source is "*a blessing or curse*" despite the massive rents that exporting countries can generate (Auty, 2001; Kayed and Hassan, 2011, p.56). Sullivan (2000) discusses the paradoxical relationship between oil revenues and development and success. He generally notices that oil-exporting countries, especially developing countries like Saudi Arabia, have lower growth levels and higher

unemployment rates than the oil-importing economies, noting that countries are unable to grow sustainability by generating money from oil exportation.

Beblawi (1987), in his study on the rentier state in the Arab world, illustrates that this rentier mind-set affects all Arabic countries, both oil-producing states and non-oil-producing ones, creating a new behavioural style which is called “*the rentier pattern*”, and he further adds “*We are living in a rentier universe which has affected both the state and the citizen*” (p.394). This is in line with the view of Kayed and Hassan (2010) who add that this pattern might affect the Saudi economy, mentality and the country’s relationships internally and externally. Therefore, the Saudi government has recently focusing its attention on tackling this issue through significant reforms.

### **2.2.3 Crucial steps and reforms to support an entrepreneurial future**

In the last two decades, enormous efforts to promote entrepreneurship have been made by Saudi state institutions, private sector actors, non-profit organisations and also individuals. However, these efforts need to be better integrated (Burton, 2016). For instance, scholars have suggested that there is a need to improve the quality of the services and products exported, to develop national industries and introduce regulatory reforms, diversify economic products, and last, but not least, foster an entrepreneurial culture among Saudis (Porter, 2009; Kayed and Hasan, 2011; Burton, 2016). The Saudi government has recognised that faced with rapid globalisation and technological developments, it needs to adopt new integrated strategies to promote diversification and improve competitiveness (Burton, 2016). Almobaireek et al. (2011) advocate the same view that concentrating on diversification should be a priority for the state to develop and improve its economy and promote entrepreneurship. This strategy is vital if the country is to develop economically and socio-culturally, and move away from its historic dependence on oil production (Kayed and Hasan 2011).

It is recognised that educational institutions have a major role to play in changing strategic thinking for both decision makers and members of society more broadly. The new global orientation is to transform knowledge to lucrative products, which should be the means to support sustainable development. In other words, educational, economic, political and social integration should be accelerated and encouraged. This should be an absolute and immediate necessity, particularly between research centres and private and public-sector organisations. The number of universities in Saudi Arabia has increased from seven at the beginning of this

century to 28 now, and most of these have many research centres producing a great number of studies. Alshumaimri et al. (2010) point to the vital role played by scientists in underpinning the evolution of the economy from dependency on natural resources to being knowledge driven, with the production of scientific research being essential to the creation of new ideas and ultimately new market opportunities.

Furthermore, the findings of Almobaireek et al., (2011) offer some significant suggestions to promote entrepreneurial thoughts among Saudis in general and students in particular. Firstly, decision makers should establish an effective partnership between the public and private sector from one side and university research centres from the other side, and to create business incubators for potential and nascent entrepreneurs. Secondly, business forums and conferences should increasingly take place across Saudi Arabia and be extensively promoted through the media. Lastly, constant legislative and social reforms are needed to fill the institutional asymmetry gap between formal and informal institutions. Antoncic et al. (2013) affirm that improving and promoting entrepreneurial characteristics in the educational system needs to start from childhood in order to increase the chances of economic growth and competitiveness in the future, and this will definitely be affected by a range of issues.

In 2005, Saudi Arabia joined the World Trade Organisation in an attempt to strengthen its position in world markets and enhance relations with developed economies. Furthermore, the Saudi state has been developing trade and investment systems to encourage foreigners to enter the Saudi market. Several suggestions from Ahmed (2012) should be taken into consideration by Saudi policy makers and national organisations to develop entrepreneurial initiatives. These suggestions are: adopting an appropriate paradigm to strengthen SMEs by the identification of available opportunities, providing high-quality training programmes especially in management and finance, undertaking policy reforms, and lastly making efforts to ensure better coordination between governmental and non-governmental organisations.

Recently, a great number of events related to innovation, creativity and entrepreneurial activities have taken place throughout Saudi Arabia. Additionally, many practical initiatives have been undertaken by governmental and educational institutions, private sector actors, incubators and accelerators such as:

- Organising conferences, exhibitions, workshops, training programmes and competitions
- Establishing business accelerator platforms (by both the public and private sectors).

- In 2016, The Saudi Board of Ministries launched the Small and Medium Enterprises General Authority., whose mission is to develop and support SMEs by enabling them to prosper locally and globally.
- In April 2016, the Saudi state announced its 2030 vision, which included a focus on developing young people. This vision aims at entering a new period "*that requires adopting a completely new 'post-oil mentality'*" (Thompson, 2017, p, 208).
- The 2030 vision has a number of strategies, and the first will be the National Transformation Program 2020 established across 24 government institutions operating in the economic and development sectors.
- The Ministries of Commerce and Justice have announced the launch of a service to set up corporate contracts with the necessary authentication through an electronic one-step initiative, to tackle the informal economy and facilitate the setting up of new ventures in Saudi Arabia. This will be discussed further in the next section.

#### **2.2.4 Overview of the Saudi socio-cultural environment**

Saudi Arabia is located in the heart of the Islamic world and this religion shapes society's culture and attitudes. The country is largely comprised of desert, where the climate is very hot and dry in summer and relatively cold in winter. These environmental factors are very important for a country that mostly consists of tribal societies. From the foundation of the modern Saudi state in 1932 up to the discovery of oil in commercial quantities in 1938, the country and its people were suffering from poverty and difficulties in accessing basic needs and services. However, since then, Saudi Arabia has been a major player in the world economy, and the country has changed dramatically in many ways. Nonetheless, its traditional and Islamic culture remains highly influential. The country's leaders, therefore, continue to take account of social customs, unwritten laws and habits, in addition to the Islamic rules, when making decisions (Ochsenwald, 1981).

Based on Hofstede's (1991) cultural dimensions, Saudi Arabia is classified as a collectivist, hierarchical and high uncertainty avoidance country, and it is also well-known for its tribal culture (Cunningham and Sarayrah, 1993). According to Burton (2016), most Saudis discuss their concerns with peers, family members and friends, especially before making important decisions. Such a society devotes special attention to social relationships through families, friends and relatives even in social or workplace life. The more individuals understand cultural

behaviours and differences (Hofstede, 1989), the less chance there is of encountering problems and misunderstandings (Park and Ungson, 1997), and this applies particularly to entrepreneurs.

Culturally, the country can be divided into 13 formal provinces (Riyadh, Makkah, Madinah, Jawf, Eastern, Asir, Tabuk, Hail, Northern Borders, Jizan, Najran, Bahah and Qassim), while informally there are five distinct regions: Central, Northern, Southern, Eastern and Western regions. The central region is where the capital city, Riyadh, is located; the Northern and Southern regions have smaller cities. Most of the tribes come from these three regions. There are fewer tribes in the Eastern region, which is home to most of the oil companies and chemical manufacturers, and in the Western region, which is famous for having the two well-known holy mosques that are visited by millions of Muslims every year.

Kayed and Hassan (2010) and Long (1997) note that Saudis consider their country to be a rich one, even though this was through the accident of oil revenue rather than economic diversification; and also as being special for having the two holy mosques and sacred places and for not having been colonised by Western countries. Therefore, until recent times, it was considered undesirable for tribal members to be employed outside of the government or military institutions, or even to start a business. The majority of Saudis felt that many jobs, especially manual ones were not appropriate for their status. There has been a cultural shift in recent years, however, and people are now more willing to be self-employed or to engage in craft occupations.

Until the first years of the 21<sup>st</sup> century, the above cultural factors have negatively affected the prevalence of entrepreneurship, and manufacturing and manual work in Saudi Arabia. This view is supported by Porter (2009) who mentions that Saudi culture's unwillingness to foster entrepreneurship is a significant constraint. In addition to this, he identifies further constraints such as the shortage of advanced industrial training programmes for personnel, onerous government legislation and bureaucracy, the absence of institutional support and programmes specific for entrepreneurial ventures. Another significant factor affecting the business environment is managers' characteristics, values and culture. Bamberger (1982) argues that organisations are affected by their surrounding environment and their managers are a part of that environment. In other words, any organisation is influenced by the attitudes of the owners or managers, and that these are closely linked to the surrounding culture. Further evidence supporting Bamberger's view may lie in the findings of Altinay (2008), who discovers that

owners' culture plays a significant role in shaping the entrepreneurial behaviour of an enterprise.

Nonetheless, the situation in Saudi Arabia has changed recently as a result of economic reforms, developments in business regulations, and scholarship programmes and better educated managers who have graduated from universities in first world countries. Generally, Islamic societies have recently had a more positive attitude towards entrepreneurship and participating in economic activities (Zapalska et al., 2017). Nowadays, one can see changes in social and cultural life in Saudi Arabia, particularly after the era of overseas scholarships and the increasing number of expatriates. Nonetheless, traditional values remain unusually important in Saudi Arabia, and in the field of business. Kayed and Hassan (2010) state that about half of Saudi entrepreneurs consider that social status is more important than other factors such as qualifications or personality. Therefore, personal connections, *wasta*, and its dimensions, play an important role in many different transactions in a Saudi business context (Tlaiss and Kauser 2011).

## **2.3 Wasta and its Practice in Arabic Nations and Saudi Arabia**

### **2.3.1 Origin, nature and definition of Wasta**

Discussions in this section address three issues: What is *wasta* and what are the different forms it takes?; What is the interaction between *wasta* and cultural / religious / tribal norms?; and what are the positive and negative sides of *wasta*.

Firstly, *wasta*, in the Arabic spoken language has a special Arabic abbreviation as the vitamin W (*waw*). *Wasta* originates from the verbs *wassata* and *yatawsat* which mean to be in the middle. Several other words also come from this verb, *waseet* is the performer, *wisata* is the act, but in spoken language the word *wasta* can generally be used for both actors and act as well, mediating or interceding (Alramahi, 2008, Cunningham and Sarayrah, 1993).

*Wasta* is vital for almost everyone to achieve goals and receive greater privileges, which gives this phenomenon's participants a sense of pride. *Wasta* has several forms, from simple actions such as receiving faster, cheaper and easier services (Loewe et al., 2008), without a need to



wait in a long queue in shops or banks, and also for making organisational or political decisions. Arabic society has distinctive features different from other societies around the world. Family, tribe, clan, kinship, friendship are very important components of this society, and they affect social, political and economic transactions (Cunningham and Sarayrah, 1993). Individuals' relations through these components are acquired by interacting with and helping each other, and Wasta is a means to exchange and reciprocate interest (Alramahi, 2008). Although wasta has some link to Islamic teachings regarding helping others, *“it is a product of the peculiarities of the historic development of Arab societies”* (Alreshoodi, 2016, p. 96).

Conceptually, wasta can be considered as favouritism arising from strong family and tribal relationships (Cunningham and Sarayrah, 1993). Based on this, two concepts are used to categorise wasta in the literature: intermediary wasta whereby a person goes between parties to resolve conflicts, and intercessory wasta that relates to helping people to achieve their goals (Cunningham and Sarayrah, 1993; Mohamed and Hamdy, 2008). For instance, wasta can be practised in an intermediary fashion in a social context, such as to arrange a marriage when a man chooses another person, their "waseet", to gain acceptance from a possible bride and/or her family (Cunningham and Sarayrah, 1993). Intermediary wasta can also be practised in a political context, as a number of Arab rulers have done to enhance their grip on power (Mohammed and Mohammad, 2011). For instance, Alramahi (2008) argues that the Jordanian King Abdullah, at the start of 20<sup>th</sup> century, provided wasta privilege to some tribes in order to secure their loyalty. Alternatively, people can make use of intercessory wasta for economic purposes: to get a job, win contracts or avoid government bureaucracy (El-Said and Harrigan, 2008; Loewe et al., 2008). More details about these two types of wasta are discussed later in this section.

In a society that is well-known for having extended families, and indeed a tribal system where members of the tribe share the same family name (Saad, 2016), it is to be expected that members of these groups are likely to share similar norms traditions and values. These two dimensions (tribal/family affinity and shared values) are fundamental in underpinning the practice of wasta. This does not mean that wasta is entirely limited to within-tribe interactions, however. Favour might be extended to wider groups and other members of other tribes, especially when an individual marries a woman from another tribe, and this can strengthen the relationships between parties in the two tribes (Cunningham and Sarayrah, 1993). This expansion of the scope of wasta has accelerated in modern society, as the traditional tribal system has come to operate alongside the dynamics of a modern economy, with individuals

from different tribes engaging in meaningful interactions on a daily basis (Loewe et al., 2008; Berger et al., 2014; Brandstaetter, 2013). It is therefore increasingly important to understand the dimensions of *wasta*, its actors and the nature of the exchanges that it involves.

Practising and benefiting from *wasta* requires users to identify the act required (the activities and practices engaged in through *wasta*) and the actors (who the people are who are participating in *wasta*). Mohamed and Hamdy (2008) defines *wasta* as using personal networks to gain benefits that can only be provided by *wasta*. Based on this, and in order to achieve their goals, *wasta* beneficiaries need to find a middle-person who can act as an intermediary between them and an institution or another party. This requires that this middle-person has power and influence. For that reason, scholars have recently applied social capital theory to understand *wasta* (e.g. Tlaiss and Kauser, 2011; Bailey, 2012 Berger et al., 2014). This can be referred to as bridging and bonding ties, which might be useful in the case of *wasta*, for instance Granovetter (1993) argues that participants with tribe or kinship connections might have similar information and resources, while with weak relations this can be different. These studies are reviewed further later in this section. Based on the above discussions, and the theorising in extant literature, *wasta* is conceptualised and defined in this thesis as a process of using connections on both demand and supply sides to solve problems and achieve specific purposes.

The ambiguity and complexity of defining *wasta* (Lackner, 2016, Brandstaetter et al., 2016; Marktanner and Wilson, 2016) has led to confusion, particularly when different practices such as paid and non-paid mediation, nepotism, cronyism and patronage, and brokerage are included under the *wasta* label (Lackner, 2016). Often definitions of *wasta* differ from the original meaning of this concept, which originates from the practices of intercession and mediation. Hutchings and Weir (2006, p. 143) allude that *wasta* does play an important role in the daily life of Arabs, and the writers view *wasta* as *"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"*. This definition discusses significant features of the phenomenon but ignores the main goals of practising such activity. *Wasta* is a means to seek benefits from different institutions and particularly government (Weir et al., 2016), whereas some business owners make some effort to keep away from this reputation in order to attract investors (Weir et al., 2011, 2016).

Intermediary *wasta* (*Shafaa*), which is mentioned in the Holy Quran, is an effective means to solve conflicts or/and remedy a difficult situation, either within a tribe or between two different

tribes. For instance, one might be injured or killed in a conflict between two parties. In such a situation, in the past, when the Bedouin tribes were dominant in society, the victim's family would take revenge unless the leader (Shaikh) of the guilty person and/or a group of companions visited the other tribe and asked them forgiveness for the mistake (Brandstaetter et al., 2016; Cunningham and Sarayrah, 1993) as well as offering them monetary compensation. In the present, governments and the police have more authority and control over citizens by imposing laws and the judicial system. Nonetheless, if there is a conflict or a crime, there is still an effective role for intermediary *wasta* to reduce the liability if the victim's tribe or family accepts that under government supervision. This system of exchange and reciprocity works on the basis that whereas one day the guilty person may be from a specific tribe, in the future that tribe might be the defendant (Cunningham and Sarayrah, 1993).

The other type of *wasta* is Intercessory *wasta*, which is defined as 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*" (Weir et al., 2016, p. 26). This type of activity is criticised for its illegality, particularly in respect to government benefits (Cunningham and Sarayrah, 1993) and the harm it causes in society more broadly (Brandstaetter et al., 2016). Obvious examples of this type are entry to a university through a broker who can bypass formal regulations, or getting a job regardless of qualification and merit (Smith et al., 2011). Intercessory *wasta* has often been criticised as a form of corruption and a cause of inefficiency in the economy (Hooker, 2008). For further explanation, if one circumvents a procedure by *wasta* to achieve goals or benefits, this person might define *wasta* in a way that justifies the act. If the same person was distanced from the action, however, and asked to conceptualise the term, s/he would no longer seek to justify it. Related to this, some would consider *wasta* as corrupt, while others would not.

In some North African countries such as Algeria and Tunisia, people use the words (*ktaf*) '*shoulders*' or (*Maarifa*) as similar to *wasta* (Oukil, 2016). The Arabic world includes 22 countries registering with the League of Arab States, ten of which are in Africa, such as Egypt, Sudan Morocco, Tunisia and Somalia, and six are the Gulf Cooperation countries (GCC): Saudi, Kuwait, Bahrain, Emirates and Qatar and Oman, while the remainder are Yemen, Iraq, Syria, Lebanon, Jordan and Palestine. These Arabic nations are extremely varied politically and religiously, and in terms of their extent of modernity and urbanisation; furthermore, their economies have been deeply affected by external international issues (Weir et al., 2016). Most of these nations, however, share similar cultural norms and values.

Secondly, with regards to the cultural and religious aspects, in the Arabic context, *wasta* emerged based on tribal and familial considerations (Alreshoodi and Andrews, 2015). These stimulated people to support and help each other from an Islamic perspective. *Wasta* provides economic and political advantages for its practitioners, and when these benefits are correlated with morality and values, then *wasta* became a part of the culture (Alreshoodi and Andrews, 2015). *Wasta* is key to understanding how high-level decisions are made in Arabic countries (Cunningham and Sarayrah, 1993). Hutchings and Weir (2006) allude that *wasta* plays an important role in Arabs daily life, and that to maintain face, some Arabs cannot frankly refuse someone requesting *wasta*. Kropf and Newbury-Smith (2016) note that articulating the (no) answer is painful, and potential providers would use indirect means such as (In sha Allah) which means if God wills, or they will attempt it but are not promising.

The Table 2.3 reviews some cultural proverbs used in Arabic regions and their explanations (Taymor, 1986). In spite of the negative attitudes of these examples, they encourage the use of *wasta* and articulate its advantages (Mohamed and Mohamad, 2011).

Table 2.3: the proverbs of *wasta* and its meanings

<b>Proverbs</b>	<b>Meanings</b>
(1) He who has a back will not be hit on his stomach	Those who are supported by strong others will not be put down or rejected. Only the unconnected or unsupported are punished
(2) Lucky is the person whose governor is his uncle	People who are related to important others (especially in government) are fortunate as they will have their demands or needs fulfilled. People serve those that are related to important people
(3) Seek who you know, so that your needs will be fulfilled	People tend to serve those that they know. Without knowing anybody, you will have difficulty getting the service you want
(4) If you have a turban, you will have a safe trip	The turban symbolises a senior respected person. If you know a senior person, your demands will be met. Similar to the second proverb
(5) No one can escalate except those who have a ladder	Rising to high levels requires important connections. Receiving important privileges or benefits is contingent upon using the right connection

Source: Taymor (1986), as cited in Mohamed and Mohamad (2011, p. 415)

The top-down hierarchal leadership structure in Arabic tribal societies includes the whole tribe (Qabeelah), clan (Fakhd) and family unit (Ailah). *Wasta* can be easily seen in most daily-life activities such as education, health care, business, political issues, employment, marriage and

other aspects of life. Furthermore, it would be better to recognise the socio-culture environment rather than considering wasta as negative or positive (Kropf et al., 2016). It is considered shameful if someone refuses to provide a favour, especially when the requester is from the same clan or tribe, and such a person would be known as unhelpful and disloyal, whereas the person who is famous for providing and helping others will have good reputation and position in society particularly in mediation activities (Lackner, 2016). In the past, good reputation and respect from the community were the rewards for wasta providers (Lackner, 2016), so those providers do not seek for any rewards or reciprocity.

Recently, several changes have occurred and been seen in the Arabic world such as migration from rural to urban areas, growing population, extended families, government reforms and laws, scholars who study abroad in Western countries and modernisation. For instance, most tribe members used to live in a specific area, so they were close and knew each other, but after migration to different cities the relations have been weaker due to distance. However, they should be ready if a member of clan or tribe asks them for a favour even in another city. Another example can be found in the anthropological work of Lackner (2016, p. 40), who supports this view and experiences that *“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”*.

Thirdly, many Arabic governments have indirectly helped to foster the practice of wasta and enhanced its power of tribes, particularly when governments’ decision makers choose tribal leaders (Shaikhs) for positions in parliaments or ministries, and also provide them with privileges, power and resources (Al-Ramahi, 2008; Brandstaetter, 2013). Although the reality of wasta is complex and vague, part of the population see it as a kind of corruption (Lackner, 2016). In some situations, wasta is negative whereas in others it is necessary and desirable. The problem is that no one can guarantee that all wasta practices would be negative (Oukil, 2016). Hutchings and Weir (2006) claim that having wasta is very important to individuals and organisations to achieve their goals. In conclusion, positive and negative wasta are summarised in Table 2.4.

Table 2.4: Positive and negative wasta

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

Source: Oukil, 2016, p. 136

### 2.3.2 The measurement of wasta

The thesis will discuss two measurements of wasta: wasta perceptions and wasta practices. The vast majority of wasta research is conducted from the perspective that wasta is just a dominant social phenomenon in the Arabic world to get things done through a relationship with other parties (e.g. Cunningham and Sarayrah, 1993; Hutchings and Weir, 2006; Lowew et al., 2008; Mohamed and Mohamad, 2011; Weir et al., 2016; Oukil, 2016). Few studies, however, consider it as a measurable phenomenon (Tucker, and Tucker, 2014; Berger et al., 2014; Alhussain and Almarzooq, 2016).

Alhussain and Almarzooq (2016) performed a comparison study to discover if men and women Saudi employees have different perceptions of wasta. Their study reveals that about 6 out of 10 women see wasta as an unfair phenomenon and corrupt practice, whereas 80% of men see it as unfair. The interesting result is that about 63% of both men and women “*agree that wasta is more important than knowledge, qualifications, skills, and talent to progress into leadership positions*” (p. 107). The practices were measured in this study by surveying participants about the benefits of wasta as a facilitator in their career progress. Whilst insightful, this study can also be criticised from a number of perspectives: first it would have been better for it to use a Likert-scale with the items instead of yes-no answers because some items measure the level of

importance. Another criticism is that the study did not include limitations and identify areas for future research; lastly the study considers closely related family and friends but neglects other types of relationship.

In the Arab context, commentators believe that developing a scale to measure *wasta* is valuable (Hutchings and Weir, 2006; Tlaiss and Kauser, 2011; Khakhar and Rammal, 2013). Tucker and Tucker (2014) develop a conceptual model of *Wasta* by using the vignettes method, including individual and environmental characteristics; power, prior knowledge and expectancy, and all these lead to conflict, control or cooperation. The other work utilising a measurement of *wasta* was conducted by Berger et al. (2014), who had noticed the lack of a valid *wasta* measurement scale, and applied a Chinese scale developed by Yen et al. (2011) to measure *guanxi*. Yen et al.'s (2011) original work used a mixed methods approach by interviewing six Chinese companies and distributing 208 questionnaires in a limited area to validate the measurement. The article indicates that *guanxi* is divided into three close constructs derived from previous work: *Ganqing* (feelings); *Renqing* (favour) and thirdly *Xinren* (trust). This scale has been criticised, however, on the basis that these three dimensions are somewhat limited due to ignorance of other dimensions such as power or authority, therefore additional items should be added (Wong and Wong, 2013). Furthermore, although Yen et al. (2011) aim to shed some light on the feelings associated with assisting others through *Guanxi*, it does not consider the activities or practices of *Guanxi*.

The article of Berger et al. (2014) followed the previous tool to measure *wasta* perceptions in an Arabic context. They used three Arabic words: *Mojamala* (feelings); *Hamola* (favour); and *Somah* (reputation and trust). *Mojamala* (feelings) represents "*the extent of emotional understanding and the feelings of loyalty*" (Berger et al., 2014, p. 4). *Hamola* (favour) refers to human empathy and reciprocity, which supposes that the beneficiary or provider of *wasta* will exchange their roles in the future and return the favour (El Said and Harrigan, 2009), with failure to do this leading to a loss of face. The third dimension is *Somah* (reputation and trust) which is related to mutual credence, and this requires strengthening trust between parties in order to reduce uncertainty, increase satisfaction and foster cooperation to achieve success (Berger et al., 2014). Their results illustrate that feelings have no direct effect on satisfaction and performance, whereas favour does have an effect on performance but not on satisfaction, and trust has a direct effect on performance and an indirect effect on satisfaction.

The other type of measurement discussed in this thesis is measuring *wasta* practices. The majority of studies conducted on *wasta* specifically, or other similar concepts in other countries (Guanxi, Jietinho and Blat) have mostly taken the subject from peoples' perceptions and attitudes, which can be criticised due to the potential that the reality of their practice may differ from the perceptions. For instance, when asking someone about these phenomena, he/she will provide a definition related to his/her view or how society conceives them, whereas the practices might be different and in conflict with the definition and attitudes.

On *wasta*, Barnett et al. (2013) explains the need for mutual transactions between businesses. Along with this, Loewe et al. (2007) in their research mention the impact of *wasta* on the business climate in Jordan by giving some attention to the mutual exchange between providers and beneficiaries. To the best of our knowledge, there are few studies explicitly focusing on providing and receiving practices of *blat* (Williams and Onoshchenko, 2015; Franic and Williams, 2017; Williams and Bezeredi, 2017). In the same vein, Alharkan (2016) explores the role of *wasta* on individuals' psychological well-being from an educators' perspectives. In his dissertation, the writer investigates the relationship between psychological distress and providing and receiving *wasta*. His study illustrates that benefiting from *wasta* is an indicator of low satisfaction, which might lead to increased psychological distress, whereas on the contrary providing *wasta* is an indicator of higher satisfaction and might reduce the level of psychological distress.

Franic and Williams' (2017) findings, in a recent study surveying 2000 Croatian citizens, reveal that about 31% of respondents receive and depend on illegitimate favours from others to get things done, whereas more than 20% of respondents provide illegitimate practices for others. Circumventing procedures to achieve medical services, searching for jobs and finding better and cheaper products and services are the most important activities citizens seek when 'pulling strings' (Franic and Williams, 2017). Although their work discusses the practices of connection from the both sides, they neglect the rewards between participants engaged in these practices. 35% of FYR Macedonian respondents admitted using personal connections in order to circumvent formal procedures, and it is highly likely that younger people and higher income groups who live in rural areas are using this phenomenon (Williams and Bezerdi, 2017).

In this thesis, the researcher is seeking to address the criticism of earlier work that it does not compare perception with reality by studying and exploring the measurement of *wasta* from



entrepreneurs' perceptions, and measuring the practices of receiving and providing wasta amongst Saudi entrepreneurs. The question of wasta practices include institutions (public or private), daily life or business activities, categories of people and what rewards entrepreneurs provide or receive. These questions are similar to Williams and Onoshchenko's (2015) article, but in this thesis the researcher includes some further items derived from the interview results.

One of the prominent cultural dimensions proposed by Geert Hofstede is power distance. This means that people accept hierarchical orders and power inequalities from society's members (Karolak, 2016). As a consequence of the limitations mentioned earlier in respect to the three dimensions of feelings used by Yen et al. (2011) and Berger et al. (2014), the interviews with Saudi entrepreneurs in this thesis show a requisite for using power when practising wasta. The researcher adds three items to the constructs of feeling – trust – favour mentioned above, measuring power as a new construct. The three-items of the constructs power are derived from previous studies (Cunningham and Sarayrah, 1996; Whiteoak et al., 2006; Tucker and Tucker 2014). Therefore, four constructs: feelings, trust, favour and power will measure wasta perceptions.

### **2.3.3 Wasta practices in the Arabic World and Saudi Arabia**

The Arabic world has recently been of interest for global researchers, not only due to its economic transactions, but also the large proportion of Muslims in the world population, therefore exploring and studying their behaviour is "*of international import*" (Hutchings and Weir, 2006, p. 143). On the other hand, writing about the issue of wasta might be avoided by writers, especially Arab ones, because it is sensitive and its practices can lead to or be considered as corruption. Another reason why wasta has been insufficiently investigated is the ignorance of Western publications regarding this phenomenon (Cunningham and Sarayrah, 1993).

Despite the significant impact of wasta on day-to-day practices and decisions, a number of studies have discussed the phenomena in public life (e.g. Cunningham and Sarayrah, 1993; Ramahi, 2008; Smith et al., 2010; Gold and Naufal, 2012; Baily, 2012; Mann, 2014; Tucker and Tucker, 2014). Furthermore, inadequate research has been undertaken to explore the nature and practices of this phenomena within organisations from the perspective of career success and recruitment (Mohamad and Hamdi, 2008; Mohamed and Mohamad, 2011; Tlaiss and

Kausar, 2011; Fawzi and Almarshed, 2013), economic development and management (Cunningham, and Sarayrah, 1994; Hutchings and Weir, 2006; Aljbour, 2011), and business transactions and investment (Loewe et al., 2008; Fidler et al., 2011; Hyndman-Rizk, 2014).

There is a lack of research into the dynamic nature of networking (McAdam and Soetanto, 2017), although exploring and understanding personal networks between entrepreneurs and individuals and the institutions around them can make a valuable academic and practical contribution which might lead entrepreneurs to make better decisions within their new ventures. From the point of view of family embeddedness, Aldrich and Cliff (2003) highlight the vital role of family members in the emergence of entrepreneurial ventures within all stages of the process from recognising and exploiting opportunities until implementing strategies.

The recent growth and opportunities available in Arabic countries, and Saudi Arabia particularly, might open new horizons for investors, whereas cultural dimensions like *wasta* practices are likely to have a negative impact on these investments. On the other hand, it can be argued that foreign, or even local investors, can understand and study the secrets of this phenomenon and benefit from it in their business activities. Osella and Osella (2009), for example, argue that Indian Muslim entrepreneurs from the city of Kerala need to be familiar with the correct use of the Arabic concept of *wasta* in the right place and time to achieve progress in business.

A large research project undertaken among Jordanian business people to investigate the effects of using *wasta* on the business climate suggests measured strategies to combat this phenomenon, and the researchers also demonstrated the adverse effects on state-business relations (Loewe et al., 2008). Although this study used mixed methods by interviewing 99 persons from different fields, 18 Jordanian public administration managers and surveying 180 civil servants, the study only interviewed 58 business persons, which might be inadequate and unbalanced. Needless to say, most of those respondents admitted practising *wasta* in their business process. In Sudan, political transformations and the expansion of education led 400 professional participants who were surveyed to admit that the importance of *wasta* has clearly been stronger, and this *wasta* “*became more decentralised, private and transnational*” (Mann, 2014, p.561). Her study concludes that despite government effort and educational expansion, *wasta* and its power did not diminish.

Turning to Saudi Arabia, Rice (2004) in a paper related to doing business in Saudi Arabia implies that the phenomenon of *wasta* works against the Saudi state's reforms to eradicate corruption, especially when using relationships with friends, relatives and tribal members to gain privilege and break rules. In the case of employment, a study of the Saudi private sector demonstrates the prevailing use *wasta*, and the respondents from two Saudi banks assert that this phenomenon has to be eradicated (Fawzi and Almarshed, 2011). The authors suggest that companies need to find qualified and distinctive job seekers through universities, choosing the best after interviews and assessment and/or referral, in addition to online and professional agencies to avoid responding to *wasta* pressures and damaging their businesses.

In an article written by Devarajan and Mottaghi (2014) based on a World Bank survey, the writers uncover that 75-90 % of MENA countries' citizens admit that *wasta* is very important to finding a job. Even Arabic migrants in Western countries appreciate the practices of *wasta*, particularly when they are congregated in specific areas. Hyndman-Rizk's (2014) mixed methods study of Lebanese migrants in Australia discovers that *wasta* is a viable strategy when starting a business outside of one's home country. A recent quantitative study on the Saudi environment undertaken by Alhussain and Almarzooq (2016) furthermore finds a positive relationship between *wasta* users and their career progress in the workplace.

On the other hand, *wasta* has a negative influence on the private sector from a variety of aspects, as outlined in the work of Cunningham and Sarayrah (1993, p. 184). Firstly, *wasta* can diminish enterprises' ability to own competitive advantages; secondly with *wasta* "*there is no natural monopoly*" due to the informal support to producers who have stronger *wasta*; and thirdly, having effective *wasta* relations with regulators increases the chance of favouritism and unequal implementation of rules and laws. Scholars also see nepotism as part of *wasta* and as damaging companies' competitive performance (Sidani and Thornberry, 2013).

Almobaireek et al. (2017b) argue that even if *wasta* is useful for entrepreneurs to open closed doors or gain access, it might negatively affect the time entrepreneurs are able to devote to innovate or produce better services. To the best of the researcher's knowledge, one of the very few studies investigating personal networks among entrepreneurial venture creation in the Saudi context was recently done by Almobaireek et al. (2014). The authors used empirical evidence to affirm the significance of legitimacy cognition for Saudi entrepreneurs to have access to inter-firm networks. This legitimacy can be defined as "*a generalized perception or*

*assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574)*

Another issue that needs further investigation is whether there are generational differences in the perception of *wasta*. Rice’s (2004) study, for example, shows that there have been some changes of perception about the use of *wasta* among young people in Saudi Arabia who have finished their education in the West. If these changes in perception become embedded then the role of *wasta* may change in the years ahead.

### **2.3.4 The economic cost of *Wasta***

Despite the socio-economic effect of *Wasta* on individuals and governments, several articles have investigated the economic cost of *wasta* (Makhoul and Harrison, 2004; Erkal and Kali, 2012; Sidani and Thornberry, 2013; Barnett et al., 2013; Sefiani et al., 2016; Marktanner and Wilson, 2016; Lackner, 2016).

On the one hand, from an economic point of view, Erkal and Kali (2012) consider *wasta* as invidious due to the unfair and unpredictable state-business relations it creates, which might lead investors to fear about unequal competition. In the same vein, Makhoul and Harrison (2004) point out that *wasta* practices might lead to poor performance and limit the economic development of a country, and the reasons for this result are: businesspeople will be dependent on *wasta* and its connections, and beneficiaries of *wasta* will attempt to block government reforms.

On the other hand, Hyndman-Rizk (2014) in her work on Lebanese expatriates using *wasta* in the Australian business environment argues that this phenomenon provides easier access to entrepreneurial opportunities and the labour market, and in fact avoids some obstacles. Economically, having access to contracts, investment and permits can be easier with *wasta* relations in the Arabic business world (Sidani and Thornberry, 2013). Furthermore, the mixed methods study of Sefiani et al., (2016) on Moroccan SMEs found out that *wasta* has a significant relationship with the success of these firms in three main respects: having access to information; suppliers and financial resources, and recruiting employees.

Another issue scholars have discussed regarding the relationship between economic cost and *wasta* is employment or recruiting. Due to the current scarcity of government jobs which are preferred by a majority of employment seekers, the Saudi state initiated some reforms to

involve the private sector in solving this national issue. As a consequence, the practice of *wasta* has witnessed some changes. From one side, individuals have been making more effort to develop their skills, either to find a vacancy in the public sector in a meritocratic way, or in the private sector despite the perception of the private sector as being risky or unstable in terms of job security. Based on a study on Arabic *wasta*, Lackner (2016, p. 42) supports this perception by giving attention to this issue when she found out that there is a widely held belief amongst Middle Easterners that *“the only ‘real’ jobs are in government service and they provide security of employment and good benefits”*. Along with this, a negative aspect of *wasta* is that when people see it as the only key to success or to have a job or access, they could become dependent, lazy and disappointed.

A study conducted to measure the extent of bribery in Arabic countries provides an estimation of the economic cost of *wasta*, suggesting that decreasing bribe practices by 1% will increase total factor productivity by 2.3%, and this productivity and income will increase by 36% in the absence of *wasta* (Marktanner and Wilson, 2016). This work is exploratory in nature, however, and according to the writers there is a lot of uncertainty, and the study does not give attention to the practices of *wasta* apart from attitudes to bribery. Further research is crucial to investigate and measure this phenomenon (Marktanner and Wilson, 2016), and researchers should give more attention to study *wasta* in the business environment (Barnett et al., 2013).

### **2.3.5 The paradoxes of *wasta***

Most people in Arabic countries are Muslim and religious, and this requires them to follow the pillars and teachings of Islam. In the case of *wasta*, the paradoxical issue is that while people complain when others benefit from *wasta*, they are silent when *wasta* is provided to them (Oukil, 2016). *Wasta* is also emotionally complex and conflicted, especially when Arabic people deny its influence on their lives while they cannot refuse it (Cunningham and Sarayrah, 1993). Furthermore, recipients of *wasta* might have contradictory feelings from pride from benefiting from *wasta* when achieving a goal to negative attitudes towards practicing it from society members (Gold and Naufal, 2012), which is the opposite to what is discussed earlier in respect to the psychological effects

In terms of knowing the perceptions of scholars about the future of this phenomenon, Sidani and Thornberry (2013, p. 81) summarise their opinion in the statement *"It will be a world where*

*wasta will paradoxically become more important and less effective*". Whereas Gold and Naufal's (2012) observe that since *wasta* is widespread and acceptable in the Middle East and North Africa (MENA) region, there is no reasonable expectation that it will be eliminated.

These paradoxes imply a degree of qualitative dissonance in the understanding of *wasta*. In order to attempt to capture this more fully, in this thesis, the researcher conducts interviews as an initial data collection technique to explore the phenomenon within the entrepreneurship field, before applying a quantitative questionnaire. Additionally, as the literature has asserted above that there is no consensus on the definition of *wasta*, the researcher will seek to measure it conceptually and practically, which will provide an explanation of whether there is a paradox among entrepreneurs.

## **2.4 Informal Institutions (networking) and entrepreneurship in selected countries**

In this section, the researcher focuses on similar practices in different countries around the world. These practices derive from religious, cultural and social factors. Every country has its special characteristics, and these even sometimes differs from one region to another in the same country. In a paper written by Erk and Erk (2011), who examine the role of Hofstede's cultural dimensions and economic factors in European countries, the findings assert that the culture has a more significant impact on start-ups than economic events in some selected European nations, while in developed countries the impact of economic events is larger.

Practices such as Chinese *guanxi*, Russian *blat* and Brazilian *jeitinho* have been given attention by scholars (e.g. Amado and Brasil, 1991; Luo and Chen, 1997; Fan, 2002; Ledeneva, 2008, 2009; Smith et al., 2011; Onoshchenko and Williams, 2013; Fischer et al., 2014; Williams and Yang, 2017). In other cultures there are similar terms such as *compadrazgo* in other Latin American countries (e.g. Argentina, Colombia, Mexico and Chile) (Calle, Ardila and Rio, 2015), *pulling strings* in English-speaking countries, *amae* in Japan (Smith et al., 2012) and *vrski* in South-East Europe (Williams and Bezeredi, 2017). A number of comparative studies have explored the similarities and differences between *wasta* and other similar concepts around the world: *compadrazgo* and *guanxi* (Calle, Ardila and Rio, 2015), *wasta* with *guanxi* (Hutchings and Weir, 2006), *guanxi*, *jeitinho*, and *pulling strings* (Smith et al., 2010). Hence, the research will shed some light on *guanxi*, *blat* and *jeitinho*, followed by further explanation of *wasta*.

These practices have similarities to *wasta* in their main features since citizens can benefit from and provide their networks to achieve aims (Smith et al., 2012). Some researchers differentiate between these national practices in respects such as the origin of the term or practice. For instance, *wasta* originated from tribalism (Cunningham and Sarayrah, 1993), *guanxi* from Confucianism (Yeung and Tung, 1996), *jeitinho* from excessive legality (Duarte, 2006), and *blat* from communism (Onoshchenko and Williams, 2013), and these different origins lead to different procedures and processes to achieve individuals' goals (Ali, 2016). All three phenomena will be discussed in what follows, in addition to *wasta*.

### **2.4.1 China (Guanxi)**

The word *guanxi* consists of two parts: *guan*, which means a door; and *xi* which refers to tying up (Luo and Chen, 1997). After reviewing many definitions produced by scholars, Fan (2002, p.551) defines *guanxi* as "*it is usually a multi-path process starting with two parties*", new parties might engage in this process until finding a solution or finishing a task, and "*being isolated and solitary means being seen as an outsider*" from society (Carlisle and Flynn, 2005, P.84). An expansion to the Chinese term is *guanxixue*, which indicates reciprocation, gifts and favour exchange (Ledeneva, 2008). One of the main reasons to practice *guanxi* is that Chinese laws (i.e., the formal institutions) are ambiguous (Yeung and Tung, 1996).

In terms of its characteristics, *guanxi* can be described as transferable, reciprocal, intangible, virtually personal and utilitarian (Luo and Chen 1997). *Guanxi* is the "*potential solution for most problems of entering and operating in China*" (Fan, 2002, p.544) and choosing and building the right *guanxi* is crucial to achieving one's goals (Yeung and Tung, 1996). Furthermore, it is naturally a "*manifestation of Confucianism*" which suggests that family and kinship are very important for anyone in society (Guo and Miller, 2010, P.270). Ledeneva (2008) views *guanxi* and making friends to obtain what one needs as a strategy. Fan (2002), however, argues in his conclusion that *guanxi* has tactical benefits more than strategic, and there is no way to consider it as a competitive advantage.

Fan (2002) notes that Western scholars started to study the importance and practices of *guanxi* in business in the 1980s, although this heritage and complex practice is very old. Chen et al. (2014) expand and divide *guanxi* networks into four types: family, business, community, and government ties. This study's findings show that government ties support entrepreneurs to obtain resource availability, while the business and government ties are a means for

information accessibility, and family ties enhance both information and resource. Additionally, each activity done thorough guanxi is a stage in continuous interactions between parties (Hsu, 2005). Globally, China has the largest population and one of the five most powerful countries, and its influence on other nationalities is clear and strong. As a result of this, Chong et al. (2015) illustrates that guanxi has a role in non-Chinese nations specifically with the big number working or studying abroad.

The role of guanxi has been extensively studied by both Chinese and Western writers, especially in the realm of business and entrepreneurship. Carlisle and Frynn (2005) argue that guanxi is critical when entrepreneurs seek to legitimise their enterprises and achieve entrepreneurial success (Guo and Miller, 2010). In a mixed methods study conducted to explore the role of guanxi, Lee and Anderson (2007) reveal that friendship bonds obtained by social obligations of reciprocity are predominant among modern Chinese entrepreneurs, and even though some of the surveyed Chinese entrepreneurs have some reservations about using guanxi, it is still unavoidable.

Guanxi is regarded as a commercial activity and competitive advantage in Chinese society, and business practices rely on both market consideration and guanxi relations (Li et al., 2016). Additionally, guanxi implicitly involves reciprocal obligations and perceptions, and the phenomenon dominates Chinese attitudes regarding their social and commercial relations. Two important values related to the practise of guanxi are social harmony and maintenance of face (Torres et al., 2015). Fan (2002), however, points out that the nature of the relationship between businesspeople and governments officials within guanxi is doubtful and corrupt. In the same vein, guanxi is not adequate to succeed in business life without taking into account issues such as technical competence, high quality products, and suitable strategies (Yeung and Tung, 1996).

Guanxi practices have changed over time, and the benefits achieved from these practices are not similar when comparing the last decade to contemporary entrepreneurship in China (Fan, 2000; Lee and Anderson, 2007). In Guo and Miller's (2010) study, guanxi ties in the early stage are small, expressive and strong, and the benefits available from family members, relatives and close friends take the form of advice, financial capital and critical feedback. Chen (2011) provides evidence that individuals who own weaker and less guanxi are more likely to be entrepreneurs than others owing stronger guanxi relations. Therefore, there is a new trend that



guanxi should be concentrated on knowledge and information exchange (Guo and Miller, 2010). From an institutional perspective, institutional deficiencies with the imperfection of markets do generate the need for guanxi connections, and even if the formal institutions are present, the information available can be vague which will lead to these connections (Li et al., 2016). However, there is still a debate if the role of guanxi is increasing (Lue, 2007) or decreasing due to regulations and modernisation (Guthrie, 1998).

### **2.4.2 Russia (Blat)**

Blat is the *"use of personal networks for obtaining goods and services in short supply and for circumventing formal procedure"* (Ledeneva, 2009, p.257) The term is derived from blatnoi which is related to criminal slang, in contrast to guanxi mentioned above which is derived from kinship (Ledeneva, 2009). There is another more neutral term used in Russia, namely Svyazi (Smith et al., 2011), but blat is more usable specifically in the academic field. Another face of blat is the Russian concept *svoi*, used when a group of individuals belong to a social circle where everyone trusts the other, while in the past, the term blat was mostly related to corrupt informal networks, but recently it has changed to be naturally used in day-to-day life activities (Ledeneva, 2008). Commentators admit that *"the strength of the Blat networks lies in their inclusive nature and their mundane omnipresence"* (Rehn and Talaas, 2004, p. 249). Friends and friendship are the major reason to engage in blat (Hsu, 2005)

Formal institutions view Blat as an illegitimate practice, whereas they are socially acceptable to the population (Onoshchenko and Williams, 2014). For instance, in transition nations such as Russia, entrepreneurs prefer not to resort to courts when involved in disputes because the legal process is costly and time consuming, and entrepreneurs consider these institutions as corrupt (Tonoyan et al., 2010). Blat development is parallel with the regime and reflection to changes (Ledeneva, 2008). The recent study undertaken by Williams and Onoshchenko, (2015, p. 46) demonstrates that blat has been transformed into *"commodities to sell rather than provide them as non-monetized friendly favors"*.

Hsu (2005) compares guanxi to blat, finding that China at the end of the 20th century supported interpersonal networks in the business environment, which enabled entrepreneurial activities to flourish, whereas in the case of blat the Russian state narrows these relations which led the entrepreneurial activity to be suppressed. Recently, monetary exchange when practising blat

has been noted, and money has become important (Ledeneva, 2008). Although, a qualitative study conducted to evaluate the role of blat on graduate employment (Onoshchenko and Williams, 2014), concludes that monetisation is not the case in Ukraine. Such cultural practices like blat and guanxi have a similarity representing in the paradoxical impact on society, politics and economics (Ledeneva, 2008). From an institutional perspective, her study has also two views: these phenomena are considered as a compensation for formal institutional voids; and the other view is that formal laws are neglected and circumvented by those actors.

### **2.4.3 Brazil (Jeitinho)**

Brazil, the largest country in South America and one of largest on this planet, was colonised by Portugal. Additionally, Brazil is deemed as a socio-economic stratified hierarchy (Fischer et al., 2014). Jeitinho can be defined as a *"social mechanism that entails bending or breaking the rules in order to deal with difficult or forbidding situations"* or to solve problems, and reciprocation is an important aspect of this practice (Duarte, 2006, p. 509). The word is pronounced jay-tcheen-yoo which means little way (Ferreira, et al., 2012). Jeitinho refers to providing rapid solutions to problems and circumventing red tape laws taking into account acceptable social hierarchy (Smith et al., 2012). This term was generated in the era of slavery, when the relationship between owners or masters and slaves was the main reason to create this practice so as to provide slaves with favours (Amado and Brasil, 1991).

Brazilians in this century might be considered as suffering from excessive formality which leads to bureaucracy, so, jeitinho is used routinely to overcome this constraint (Duarte, 2006) while others consider it as *"a form of bribery"* (Dennis and Stroh, 1997, p. 255). Barbosa (2006) distinguishes between two different types related to jeitinho: the negative expression (dar um jeitinho) which means that practitioners solve their problems regardless of their actions being illegal, which might be close to corruption. The other type is jeitinho brasileiro which uses creative solutions to tackle daily events and it is socially acceptable (Torres et al ., 2015; Alfinito et al., 2015). As a solution to the ambiguity of distinguishing between Jeitinho, favour and corruption, Ferreira et al. (2012) suggest that favours represent the positive end and corruption the negative, while jeitinho represents the intermediary. It is easy to notice that scholars exploring the Brazilian jeitinho regard it as a strategy rather than a way of life (Duarte, 2006; Smith et al., 2012; Ferreira et al., 2012).

In English-speaking countries, the phrase ‘pulling strings’ is a synonym to refer to links to influential individuals in society to provide favours based on family or friendship relations (Smith et al., 2012). Interestingly, this term and practice, in the context of Western nations, has received little explicit academic attention.

#### **2.4.4 Wasta, guanxi, blat and jeitinho: similarities and differences**

Building on the descriptions of guanxi, blat and jeitinho in the sections above, this section compares these practices with each other, and with wasta, in order to develop a sense of what distinguishes the latter and whether these distinctions have potential implications for entrepreneurial activity (as the subject of this thesis).

In terms of similarities, Michailova and Worm (2003, p.510) identify six main similarities between guanxi and blat, which, based on the discussion in the sections above, can also be extended to wasta and jeitinho. They suggest that all these forms are underpinned by a cultural trait of collectivism, and in such cultural contexts relationships can be seen as essential tools for survival and prosperity. All four forms also involve frequent exchanges, that often take place within workplace contexts. They all activate extended relationships but nonetheless the exchanges that take place are usually personal. They also all have similar goals, that is to “circumvent formal rules and provide beneficiaries with selectively redistributed favours and services (Smith et al., 2012; Rodgers et al., 2018 p.5).

Previous studies also mention differences. Firstly, guanxi has a neutral connotation whereas blat and jeitinho have more negative connotations (Rodgers et al., 2018). In this regard, wasta is more like guanxi in terms of having emerged as a response to a combination of religious and social considerations (Smith et al., 2012). Alternatively, other scholars have argued that, at least in the Soviet era, most people viewed blat positively, as a form of indirect repayment (Onoshchenko and Williams, 2013). The writers Michailova and Worm (2003), secondly, argue that helping others through guanxi is a moral and social obligation, which is also the case for wasta, while with blat the motivation is more a personal desire to help. Thirdly, in guanxi, losing has drastically negative results for the actors involved, and this is similar to wasta as well. In contrast, in blat the failure of the exchange is less dramatic, being seen simply as “one of those things” and a matter of life.

Turning more specifically to what it is that distinguishes wasta from the other practices, and especially in respect of its potential role in entrepreneurship. On the one hand, Wasta is similar to other global practices in terms of being a form of social networking used to achieve specific

goals (Smith et al., 2012). On the other hand, however, scholars have argued that each of these practices have different origins. For instance, guanxi is informed by Confucianism (Hutchings and Weir, 2006), blat emerged out of and in relation to communism (Onoshchenko and Williams, 2014), while jeitinho had its origins in master / slave relationships during the era of slavery in Brazil (Amado and Brasil, 1991), whereas the origin of wasta, as mentioned earlier, was tribal (Cunningham and Sarayrah, 1993).

In all three of the above cases, therefore, the social structures that led to the creation of the specific form of exchange have either disappeared completely from the respective societies, or (in the case of Confucianism) have greatly weakened. In contrast, tribalism, as the original underpinning of wasta, remains very important within Saudi society (Cunningham and Sarayrah, 1993). In addition, wasta also operates in parallel with Islamic teachings on helping others, and Saudi Arabia is a society that is fundamentally structured around Islamic principles. In respect to entrepreneurial activity, this means that whereas other forms of exchange interact with forms of capitalism in the absence of their original social underpinnings (and are therefore cultural conventions that are “hanging on” from a prior era), wasta interacts with capitalism in a context in which it remains deeply embedded within society.

A further difference between these forms of exchange is the intensity of the relationships and their duration (Alreshoody, 2016). Alreshoody (2016) indicates that Chinese guanxi is the strongest, being tightly interwoven with ideas of family and kinship and having great long-term benefits for the parties. In the former element it is somewhat akin to wasta, but in the latter, guanxi is distinct, both from wasta and from jeitinho and blat, for all of whom the intensity and duration of the relationship is much weaker and the exchange, therefore, more functional.

What is particularly pertinent about the above comparison for the purposes of this study, however, is that whereas there has been much research on the role of blat and guanxi in the business field, even experts who have spent significant time investigating Middle Eastern countries still cannot seem to determine adequately the effect of wasta upon business and entrepreneurship (Weir, 2015). It is these differences between wasta and the other global practices, alongside this gap in knowledge, that motivated the researcher to conduct this thesis to understand wasta’s impact on entrepreneurial activities.

In recent times, the field of entrepreneurship has been received more attention among scholars and practitioners in Saudi Arabia (Burton, 2016). This development led people in the country to create and build a growing number of start-ups and, paradoxically perhaps, this has actually

strengthened the importance of wasta in society as more and more people are having to interact in more complex ways with government requirements still highly bureaucratic and slow and thus the use of wasta is required to achieve progress. Furthermore, the growing numbers of people using social media, which has a particularly deep penetration in Saudi Arabia, has increased the breadth and extent of relationships with others (Abed et al., 2015). Putting these two social changes together with the abiding tribal and religious systems underpinning wasta, it becomes evident that wasta is actually an increasingly important element in attaining the resources and support business people need if they are to succeed in Arabic regions (Gold and Naufal, 2012). This perhaps contrasts sharply with the, arguably, declining importance of the other forms of exchange discussed in this section, and is a further reason to attempt to develop a better understanding of the use of wasta by entrepreneurs. The Table (2.5) summarises the similarities and differences of the four exchange forms.

Table (2.5): the similarities and differences of the four exchange forms

<b>Differences and similarities</b>	<b>Wasta</b>	<b>Guanxi</b>	<b>Blat</b>	<b>Jeitinho</b>
<b>Origin</b>	Tribalism	Confucianism	Communism	Master/Slave relationship
<b>Connotation</b>	Neutral	Neutral	Negative	Negative
<b>Intensity of relationship</b>	Extended relationship	Strong family and kinship	Weaker and functional relationship	Weaker and functional relationship
<b>Duration of relationship</b>	Longer term	Longer term	Shorter term	Shorter term
<b>Motivation to be involved</b>	Moral and social obligation	Moral and social obligation	Personal desire	Personal desire
<b>Results of Failure</b>	Negative results	Losing face and negative	Less dramatic	A matter of life and death
<b>Similarities</b>	<b>All forms:</b> * are underpinned by a cultural trait of collectivism * have cultural contexts in which relationships can be seen as essential tools for survival and prosperity * involve frequent exchanges * have exchanges that usually take place within the workplace * activate extended relationships although the exchanges that take place are usually personal * have similar goals			

## 2.5 Entrepreneurship and informality: Theoretical explanations

### 2.5.1 Overview and definition

To define informality, institutional scholars describe informal entrepreneurs as creating ventures outside of the boundaries of laws and regulations but inside the boundaries of norms and values (Williams and Vorley, 2015; Welter and Smallbone, 2011; Webb et al., 2014). From a neo-liberal view, informal entrepreneurship is considered "*a sign of the popular resistance to over regulation*" (Williams and Nadin, 2010, p. 369). Other views will be highlighted in next part.

There is a consensus that informality emerged as an academic concept in the 1970s, as attention turned to issues of poverty, migration and rapidly growing populations, particularly in African and Latin American countries (Portes and Schauffler, 1993; ILO, 1977; Biles, 2009). The field of informal entrepreneurship is still an attractive one for scholars around the world, and there have been numerous works published in this area over the last two decades (e.g. Williams, 2008; Williams and Round, 2007; Williams and Nadin, 2010; Smallbone and Welter, 2001; Siqueira, Webb and Bruton, 2014). Onyebueke (2013) identifies several facets of the historical background of informality:

- \* Entrepreneurial activities worldwide have a record of informality.
- \* Prior to 1600 AD and the industrial revolution, individual and household economic activities were based around working at home even in the Western world.
- \* The turning point was the industrial revolution. An enormous change took place from individual and household activity to collective firms.

Needless to say, economic activities in the world began informally. Portes and Schauffler (1993) state that all informal activities today are similar to what was considered formal in the 19th and early 20th century, when most industries and enterprises were small with limited regulations. In the present, manifestations of informality can be readily observed across much of the developing world such as street vendors, sweatshops, and informal retailers (Williams and Gurtoo, 2012). According to De Soto (1989), the massive migration from rural areas to cities was a demographic base for informal entrepreneurs struggling for a better life despite being surrounded by oppression.

The expectation is that informal economic activities are widespread among poor or less-educated people in developing countries, but now it has been extensively studied even in first world nations (Portes and Blitzer, 1986; Williams and Shahid, 2016). According to recent estimates, Hassan and Schneider (2016) mention that during the period from 1999-2013, informal sector activities accounted for on average 20% of the GDP of developed countries, 37% in developing countries and 39% in transition economies. Moreover, it is estimated that about 16% of the global non-agricultural workforce are either owners of informal sector ventures, or own-account workers (Williams et al., 2016), and about two thirds of global enterprises operate in the informal economy and start unregistered (Autio and Fu, 2014).

When looking at emerging economies, we can see entrepreneurs' difficulty in gaining access to funds, utilising infrastructure, the slack implementation of laws, rapidly growing populations, and political problems; all of which make informality a better choice for entrepreneurs (Siqueira, Webb and Bruton 2014). Recently, researchers have started to pay more attention to the importance of entrepreneurial diversification in the informal economy (Webb et al., 2014), and in the case of entry to informal entrepreneurship, Acs et al. (2014) suggest that there is no need for much change to normative institutions.

Bruton et al. (2010), on the other hand, assert that it is important for entrepreneurs to legitimise their businesses in order to *secure support and resources*. Williams and Shahid (2014) suggest two practical choices to reduce levels of informal entrepreneurship. First, by changing norms, beliefs and values (informal institutions) through campaigns focusing on the costs of informality, and the need to conform to laws and regulations. Secondly, they suggest reform of formal institutions, including better alignment with informal ones.

In respect to developing and transition countries, Thai and Turkina (2013) recommend that encouraging social capital and informal entrepreneurship by governments before related economic reforms is an effective means to enable entrepreneurial initiatives to flourish, and thence to motivate informal entrepreneurs to formalise their businesses. Moreover, both formal and informal entrepreneurs when designing programmes need to increase social and entrepreneurial networking. Related to this, Siqueira, Webb and Bruton (2014) illustrate the complementary role of informality in respect to the formal economy. The writers studied Brazil and concluded that entrepreneurs prefer informality because it is a short-term strategy and there are potential benefits, otherwise, informality might be a disadvantage, especially in the past.

Therefore, ventures receiving much more support from states grow faster than informal entities (Nguyen et al., 2014).

In transition countries, however, entrepreneurial enterprises in the shadow economy develop and achieve their goals even in the absence of government support (Smallbone and Welter, 2001). In a recent study, Siqueira et al (2014) examine industry conditions as motivating factors for entrepreneurs to start informally, and while these factors differ from one country to another, consistently important factors influencing ventures' level of formality are the costs of formalisation and the economic benefits for society (Siqueira et al., 2014). If governmental support towards informal entrepreneurs is greater than the costs of formality, the probability of registration would be high (Nguyen et al., 2014). Acs et al., (2014) advocate the previous opinion that entrepreneurs choose to work formally or informally based on the benefits and cost of any choice.

Since there is no consensus on the definition of the informal economy in Saudi Arabia, few studies have attempted to estimate its size (Schneider et al., 2010; Elgin and Oztunali, 2012; Hassan and Schneider, 2016; Gamal and Dahalan, 2016). For instance, Hassan and Schneider (2016), estimate that 17.32% of Saudi GDP comes from the informal economy, which approximately is the same proportion suggested by Elgin and Oztunali (2012).

Nevertheless, a recent study by Gamal and Dahalan (2016) aimed to provide a more accurate estimate of the shadow economy in Saudi Arabia using a different approach to assess tax evasion and illegal currency use over a period of time from 1980-2010 (Adjusted Correction of Currency Demand). The writers criticised previous methods used to estimate the Saudi informal economy in several respects: the Saudi sample size was included with other Asian countries without distinguishing the different economic environments; the MIMIC model used by these studies supposes that money in both the formal and informal economy is equal in terms of velocity; and lastly the approach does not take into consideration the difficulty faced by the government in capturing informal production and household productivity. As a consequence, comparing to the previous studies, Gamal and Dahalan's (2016) results unexpectedly suggest that the informal economy represents around 62% of Saudi GDP as an average and almost 58% in 2010.



## **2.5.2 Theoretical explanations and informality: Dualistic, structural and neo-liberal perspectives**

The theoretical consideration of the informal economy started in the 1950s and 1960s in the context of the development of poor traditional economies to modern ones. There is no consensus theoretical position on informal entrepreneurship, although there are three distinct theoretical approaches: dualism, structuralism and legalism (e.g. Chen, 2007; Williams and Round, 2010; Williams and Shahid, 2016), which will be discussed next.

### **Dualistic**

This school of thought started in the 1970s and regarded the informal sector as isolated from the formal, and its activities as marginal (Chen, 2012). It emerged as a result of the activities of International Labour Organization in Africa, and the work conducted by Hart (1973). At that time, the formal economy was unable to create adequate jobs or absorb demographic migration, while there were lower barriers to entry in the informal sector (Biles, 2009). The main traits of this school are: the clear separation of the formal and informal economy; that the expansion of informal economy occurs in a crisis; and that the formal sector is unable to promote job opportunities for labour (Biles, 2009; Bacchetta, 2009, Williams and Round, 2010; Onoshchenko, 2012).

During the period from 1990 - 2009, about 60% of informal work in developing economies was self-employment (Chen, 2005). A number of studies have shown that this undeclared economy is not marginal or temporary, as was previously expected (Chen et al., 2004; Williams and Round, 2009). Additionally, it is not only a persistent phenomenon, but it is also growing in both developed and developing regions worldwide (Standing, 2011; Buehn and Schneider, 2012). Chen (2004) therefore considers this view as out-dated, and this has provoked the emergence of new theories such as structuralism and legalism.

### **Structuralism**

The structuralist school of thought considers the informal economy to represent "*subordinated economic units (micro-enterprises) and workers that serve to reduce input and labour costs and, thereby, increase the competitiveness of large capitalist firms*" (Chen, 2012, p.5). This school of thought therefore acknowledges that there is interaction between declared and undeclared economies. Structuralist scholars regard the undeclared economy to be "*a core and integral component of contemporary capitalism*" (Williams and Round, 2007, p. 428), and this

type of economic activity is used to decrease labour and input costs by large firms benefiting from informal small firms or employees (Baric, 2016).

The structural and dualistic approaches envisage a similar role for the state in terms of the emergence and growth of informal activities, but the difference is that the structural approach perceives formality and informality as not being isolated from each other (Portes and Schauffler, 1993). Based on this theoretical view, “*the nature of capitalist development -rather than a lack of growth-accounts for the persistence and growth of informal production relationships*” (Chen, 2005, p. 4).

### **Neo-liberal (Legalists)**

The neo-liberal theory sees high taxes and excessive regulation as the main reasons for entrepreneurs to decide to work freely in the informal sector in order to avoid the effort and costs of formalisation (De Soto, 1989; Williams and Nadin, 2012; Chen, 2012). As a consequence, the neo-liberal position encouraged individuals in Latin America to work informally, and reduce the role the state plays in employing them (Williams and Round, 2007; Bile, 2009). In this theory informal entrepreneurs are considered to be positive (Williams and Round, 2010).

This school of thought depends on comparison between the costs and benefits of being formal or informal, but voluntarists do not blame the burden of formal procedures as legalists do (Williams and Round, 2010; Chen, 2012). Legalists argue that governments need to simplify bureaucratic procedures to shift informal activities to be formal (Chen, 2012). Unlike the previous schools of thought, the legalist school views the undeclared economy as a positive, and participation in its activities is a choice rather than a necessity (Perry et al., 2007; Cooper and May, 2012). However, Williams and Horodnic (2016) criticises the three previous theories for concentrating on country-level situations, and for not taking individual participation in informal activities into consideration. The next theoretical school institutional theory meets the criticism.

## **2.5.3 Institutional theoretical explanations**

Institutional theory has become increasingly popular in recent years (e.g. Bruton et al., 2010; Webb et al, 2010; Welter, 2011; Sautet, 2011; Fuentelsazs et al., 2015; Williams and Vorley,

2016). North (1990, p.3) defines institutions as “*the rules of the game in society or, more formally, are the humanly devised constraints that shape human interaction*”. Thus the institutional environment differentiates one from society from another (Webb et al, 2010). In terms of the classification of the theory, there are distinctive perspectives presented by North (1990) and Scott (1995). The first is North’s (1990) work which classifies institutions into two groups: formal institutions, referring to laws, regulations and rules, and informal institutions, referring to traditions, norms and values. Furthermore, institutions have an important influence on economic performance, especially when producing or exchanging, and the main objective of institutions is to eliminate uncertainty in people’s daily life (North, 1990). Institutions have different levels of formality. Table 2.5 below summarises these levels.

Table 2.6: formality of institutions

Degree of formality	Institutions	Hegemonic actors	Nature of social ties	Characteristics of interaction
<b>High: predominantly formal interactions</b>	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
<b>Medium-high: mainly formal interactions</b>	Specific articles in directives and contracts	State and corporate enterprise	Market and competition	Mainly written communication, codified norms, impersonality, vertical relations
<b>Medium: both formal and informal interactions</b>	Modes of regulation of an arena	Leaders and middlemen	Negotiation and contestation	Verbal communication, socially defined codified norms, horizontal and vertical relations
<b>Medium-low: mainly informal interactions</b>	Unexpressed social norms, taboos, values, customs	Community and peer groups	Social control and identity	Practical knowledge, verbal communication, socially defined codified norms, horizontal relations
<b>Low: predominantly informal interactions</b>	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) in Brandstaetter et al., (2016), P. 75*

The interaction between formal and informal institutions may be either complementary or substitutive (Helmke and Levitsky, 2003; Tonoyan et al., 2010). For instance, once entrepreneurs encounter uncertainty, represented in access to resources or other needs, formal and informal institutions can resolve these obstacles (Webb et al., 2010). There is no doubt that informal institutions affect entrepreneurial early-stage activities such as recognising and exploiting opportunities, in addition to gaining knowledge and access to resources (Webb et al., 2010; Welter, 2011). Additionally, the findings of Salimath and Cullen (2010) advocate that formal and informal institutions affect entrepreneurship at multiple stages. One of the important factors of informal institutions is their relative stability (North, 1992). Whereas formal institutions laws or regulations can be changed in a day by decision makers, informal institutions of norms and values might require years to show any meaningful change (Bourdieu, 1998, Etzold et al., 2009).

The role that formal institutions play in the entrepreneurial field has been widely examined (Bruton et al., 2010; Welter, 2011; Sikdar and Vel, 2011; Fuentelsazs et al., 2015). Governments play a very important role when they try to remove entrepreneurs' entry barriers and to facilitate regulations (Bruton, Ahlstrom and Li, 2010). The study undertaken by Fuentelsazs et al. (2015) finds that formal institutions have a positive influence on opportunity rather than necessity entrepreneurs (e.g. through establishing frameworks for intellectual property, business freedom and education), while existing institutions can be affected and shaped by the development of new institutions. In the work undertaken by Webb et al. (2010) on less developed countries, the authors identify a shortage of significant elements such as property rights, fair tax structures and bankruptcy legislations which might negatively influence the safety of investment. The most formal institutional constraints that impede entrepreneurs to start new ventures are the lack of formal institutional rules, or, in contrast, too many laws and procedures (Bruton, et al., 2010). In the Arabic context, there are few papers on institutional entrepreneurship, although Sikdar and Vel's (2011) work on entrepreneurs in the UAE identifies that institutional support for entrepreneurs is weak.

In a study conducted in Egypt, Ghecham (2010) illustrates that informal institutions of corruption and cronyism reduce the effectiveness of financial and legal firms, and, vice versa, the less effective legal and financial systems are, the greater the level of corruption and cronyism. The quantitative analysis in Raveloharimisy's (2011) study, however, reveals that institutional interactions have no effect on determining the decisions of entrepreneurs to work

formally or informally. Although Helmke and Levitsky (2004) distinguish between four types of informal institutions: complementary; substitutive; accommodating and competing, the writers' argument is that the interaction between both institutions is driven by informal institutions.

Nonetheless, both formal and informal institutions affect each other, and one side might overweigh the other. The stronger the institution is, the higher will be its ability to drive the mechanism and outcomes of the interactions (Raveloharimisy, 2011, p. 11). Studies illustrate that the low entry rate of start-ups is a result of the burden of regulations on entrepreneurs (Djankov, 2009; Bruhn, 2008), whereas face-to-face and personalised interactions shape informal institutions (Brandstaetter, 2013).

Another classification of institutional theory is produced by Scott (1995), who divides institutions into three pillars: the regulative pillar which is defined as components derived from state laws, industry agreements and standards (Bruton et al., 2010); the cognitive pillar, which comprises entrepreneurs' personal experience, previous knowledge and expectations of the capabilities of the market conditions (Acs et al., 2014), and lastly the normative pillar, which includes *"how professional groups, occupations, and organisations should behave, in terms both of their rights and of their obligations"* (Bruton et al., 2009, p. 756). The application of institutional theory into the field of entrepreneurship opens up new horizons and rich potential work for scholars (Bruton et al., 2010). Bruton et al. (2010) argue, for example, that institutional theory could be adopted to study macro-level or individual behaviour.

Alreshoodi (2016) applies these three pillars to describe the term *wasta* institutionally. The cognitive represents culture which establishes how individuals feel, think and act (Hofstede, 1991), and *wasta* now can be *"routinized and taken as something correct and sound by being culturally supported"* and reinforced by the members of society (Alreshoodi, 2016, p. 107). The normative pillar encompasses the norms and values which construct society's behaviours morally. Social obligation and religious views about helping and supporting relatives and friends clearly apply here (Alreshoodi, 2016). The author argues that the regulative pillar is the weakest, especially when discussing *wasta* in Arabic nations, due to the absence of the legal definition and strict sanction. The institutional pillars of *wasta* can be shown in the Table 2.6.

Table 2.7: The institutional pillars of *Wasta*

	The Cognitive Pillar	The Normative Pillar	The Regulative Pillar
	STRONG	STRONG	WEAK
<b>Basis for compliance</b>	*taken for granted in the absence of other alternatives	*morality related to familial obligations *religious prescriptions to help family members	*self-interest, but no written laws and rules prescribing <i>wasta</i>
<b>Main indicators</b>	*shared beliefs about <i>wasta</i> as “how things are done” *shared logic of action	*socially bound behaviour: <i>wasta</i> as an obligation to help family members *social expectations to ask for <i>wasta</i> and provide one *well-defined roles and actors: those who receive <i>wasta</i> and provide it	*unwritten prescriptions for behaviour
<b>Mechanism for compliance</b>	*belief that everyone is using <i>wasta</i> *belief that without <i>wasta</i> opportunities will be missed	*family values and expected norms of behaviour	*no official rewards or punishments for using <i>wasta</i> , although anti- <i>wasta</i> legislation is being introduced
<b>Driving logic</b>	*orthodox logic: follows from historical systems of <i>shaykh</i> and <i>waseet</i> .	*logic of appropriateness: <i>wasta</i> is considered as appropriate means to provide and receive support	*no instrumentality behind <i>wasta</i>
<b>Rewards</b>	*certainty of actions and behaviours	*moral satisfaction	*no apparent rewards from the regulative perspective
<b>Sanctions</b>	*belief in missed opportunities	*offending family members	*no apparent sanctions from the regulative perspective

Source: Alreshoodi, (2016), P. 111

In conclusion, one of the main reasons that emerging economies should be receiving much more scholarly attention is that these countries have specific institutional features, such as a lack of regulations and contract enforcement and dependence on personal networks, as well as rapid changes to their markets. It is important to fill these gaps in knowledge about how institutional theory applies in these environments. For example, it has been suggested that in

this environment existing institutions can be affected and shaped by the development of new institutions. Ahlstrom and Bruton (2006) suggest that scholars working on the context of emerging countries would use institutional theory rather than economic theories.

#### **2.5.4 Formal institutional voids and Institutional asymmetry**

Entrepreneurs encounter two different elements of institutional pressure in their start-ups: on the one hand, due to the formal institutional voids, there is an emergent need to build relations and networks with influential powers, whether managerial and entrepreneurial, or governmental, in order to address these gaps and have legitimacy (Puffer et al., 2010). On the other hand, entrepreneurial start-ups need to concentrate on competency and performance rather than building networks in order to achieve their goals (Peng, 2002). Formal institutional voids are a clear feature of the business environment in Russia (Puffer and McCarthy, 2011). Likewise, according to a comparative study between *guanxi* and *wasta* in China and Arab countries, Hutchings and Weir (2006) note that those regions are also known for having insufficient formal institutions, with both *wasta* and *guanxi* being used to override established roles and laws. Although the institutional voids perspective shows that these voids, and the limitations they can place on entrepreneurship can be overcome (not least through informal activities such as *wasta*), as Estrin et al. (2012, p.29) note in their study using the GEM data, overall, *“the entrepreneurial process, independent of its goals, is facilitated by a strong rule of law”*.

Ahlstrom and Bruton (2006) assert that researchers in emerging nations should examine the important role of networks to fill the formal institutional voids. Obvious examples for these voids are lack of property rights, effective tax systems and bankruptcy legislations, and these points can prevent or impede enterprises from recognising and pursuing opportunities (Webb et al., 2010). Webb et al., (2014) identify that imperfections in formal institutions mean that informal institutions play a greater role in order to fill the gap.

In spite of wealth and natural resources, most, if not all, developing nations encounter difficulties in areas such as unemployment, housing, quality education and adequate medical institutions, and this can be due to the deficit and inadequacy in governance and management (Oukil, 2016). In a study on Chinese *guanxi*, institutional voids can be noticed *“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”*

(Li et al., 2016, p. 179). Related to this, in a mixed methods study on the Saudi environment, Alreshoodi (2016) argues that when considering *wasta* and its influence and power, the regulations and rules would be weaker, particularly in the public sector.

Another issue that provides an explanation about informality is institutional asymmetry, i.e. where there is a “*misalignment between formal and informal institutions, with the formal being generally supportive of entrepreneurship and the informal, unsupportive*” (Williams and Vorley, 2015, p.2). This asymmetry happens when countries focus more attention on formal institutional reforms, than on reforms to informal institutions. The main reason for starting informally is this institutional asymmetry between formal and informal institutions (Williams and Shahid, 2014). To put it in other words, when the gap between formal and informal institutions is big, the possibility to operate informally becomes higher, and the possibility decreases when the gap is small (Williams and Bezerdi, 2017).

Williams and Shahid's (2014) findings demonstrate that “*institutional asymmetry*” is the main reason for the high level of informality amongst entrepreneurs in Pakistan. This asymmetry might negatively affect the prevalence of entrepreneurship in several respects: reducing the growth of entrepreneurs' aspiration; creating a rentier economy and opening a door for informal entrepreneurship and corruption (Williams and Vorley, 2015). If institutional reformers and decision makers do not study and understand informal institutions in societies, the effort devoted to fostering entrepreneurial practices will be insufficient and limited (Williams and Vorley, 2015).

In very recent studies, thinkers propose that the lack of alignment between the norms and values of society's members (informal institutions) with the formal regulations and laws (formal institutions) will produce greater informal activities (Williams and Bezerdi, 2017; Williams and Horodnic, 2017). These informal institutional norms and beliefs can play two roles in a society by either reinforcing the '*complementary*' aspects of formal institutions or being incompatible with their '*substitutive*' aspects (Williams and Vorley, 2014; Williams and Horodnic, 2016). As an informal institution, “*with varying degrees of formality, wasta, guarantees the enforcement of the property rights of individual or common goods*” (Brandstaetter et al., 2016, p. 72).

In the last century, Mitchell (1969) proposed that the prevalence of social networks is a result of the shortage of formal institutional arrangements. Kropf and Newbury-Smith (2016, p. 14) advocate this perspective and state that the problematic issue is not using networks, the problem



is “*the need to do so in the absence of other trustworthy institutions and a lack of fair treatment*”. Although the political and financial, judicial and legal reforms in Arabic public sectors will enhance social and economic transparency, the same problems will continue if the cultural norms, family and tribal structures are dominant (Weir, 2003). Along with this, the seminal work of Cunningham and Sarayrah (1993) expected that *wasta* will continue to be practised unless fundamental social change is affected.

In the Arabic and Islamic context, a qualitative study conducted on Jordanian managers and observers reveals that there is some distrust in the Jordanian legal system, and so managers argue that *wasta* and building personal trust relationships are effective options in the business environment (Brandstaetter et al., 2016). The biggest Muslim country, Indonesia, does not have a special term that parallels the Arabic *wasta*, but people use an abbreviation (KKN) related to (*koneksi*) connections, (*kolusi*) collusion, and (*nepotisme*) nepotism (Azra, 2016). The author points to the gap and asymmetry between the formal and informal institutions by attributing KKN practices to four reasons: the existing relations between officials and society members, particularly business people; the fact that government practices and bureaucracy are not clear or appropriate; the weakness in public and social ethics, and the failings in law enforcement and accountability.

Recently, Islamic and Arabic regions in general, as well as the Saudi state in particular, have started to improve their formal institutional systems in order to address residents' needs and find effective solutions for long-standing problems, particularly after the era of the so-called ‘*Arab Spring*’. In these developing nations the major problem is the implementation of rules (Sidani and Thornberry, 2013). The Saudi judicial system has therefore attempted to develop some laws and legislation, and also to employ new and more judges to reduce the delays in the legal system. State and non-profit organisations have increased their monetary and training support both for people in general and entrepreneurs creating new ventures. However, reforms to informal institutions have taken place in Saudi society but these reforms might be inadequate and limited.

Williams and Horodnic (2016) identify some potential initiatives to reduce the asymmetry between societal (informal) and governmental (formal) institutions and thus encourage participation in the formal economy. On the one hand, the initiatives related to changing informal institutions are: educating society’s members about the advantages of paying tax and

following the rules; organising campaigns for informing individuals or organisations about the risks in informal set-ups, and the benefits of engaging in the formal sector; as well as the use of sanction appeals. In respect to formal institutions: governments should provide fair procedures; treat people with respect rather than dealing with them as guilty; and thirdly adopting redistributive policies by informing society members how their taxes would surely be returned as goods and services, and distributing wealth more equally in society. As mentioned above, trust, which is part of social capital, plays an important role in the institutional environment, and this will be discussed briefly in next section.

### **2.5.5 Social capital theory, entrepreneurship and wasta**

Recent literature, approaches the practice of wasta in Arabic areas from different theoretical lenses, such as social capital (El-Said and Harrigan, 2009; Tlaiss and Kauser, 2011; Bailey 2012; Berger et al., 2014) social networks (Hutchings and Weir, (2006) and institutional theories (e.g. Loewe et al., 2008; Smith et al., 2012; Brandstaetter et al., 2016; Kropf and Newbury-Smith, 2016). Every theory offers a distinctive understanding into the practice of wasta. Social capital practices in developing and transition countries differ from developed regions due to cultural factors, for instance, relationships are much more strongly emphasised in Asian cultures than in Western ones (Hitt et al., 2002, p. 353). In Brazil, there is a link between social capital and the previously discussed informal networking practice of jeitinho (Duarti, 2006).

Humans are social animals constantly interacting with each other and their environment. The relationship between human beings is the fundamental component of this interaction. The normal person needs to contact family or friends, colleagues, government officials and even sellers and buyers. Social capital consists of the relationship of reciprocation and trust that is essential to, and exists in, social networks (McEvily and Marcus, 2005; Slotte-Kock and Caviello; Light and Dana, 2013). More specifically, social capital has been defined as "*the process of creating a condition for the effective exchange of information and resource*" (Anderson and Jack, 2002, p.20). The two common types of social capital are: bonding strong ties with small groups, and bridging weak ties with society in the national level (Estrin et al., 2012).

A good number of studies have shown the importance of social capital in business life (e.g. El-Said and Harrigan, (2009); Tlaiss and Kauser, 2011; Gold and Naufal, 2012; Berger et al., 2014). Davidsson and Honig (2003), in a study conducted on Swedish nascent entrepreneurs, explore the role bridging and bonding social capital play in success at the early stages of venture creation. The authors compare the magnitude of different factors such as personal and business networks, on the probability of enterprise success. Their findings suggest that the entrepreneurs have to develop and rebuild their personal networks in order to acquire rapid growth.

In the area of entrepreneurship, a lot of the research has been grounded on various aspects of social capital theory: for example business model development (Spiegel et al., 2015) cognition and entrepreneurial opportunities (Carolis and Saporito, 2006); investment decisions (Batjargal and Liu, 2004); educational entrepreneurship (Eyal, 2007); opportunity recognition and resource mobilisation (Bhagavatula et al., 2010), and the activities of nascent entrepreneurs (Davidsson and Honig, 2003). In a Russian longitudinal study examining the role of social capital in entrepreneurship, Batjargal (2003) illustrates the direct positive impact of relational resource embeddedness on entrepreneurship performance, whereas there is no direct impact from structural embeddedness. Stam et al. (2014) advocate that social interaction and collective organizing are a means to entrepreneurship. They furthermore, find that entrepreneurial opportunities are a consequence of social relations and circumstances (Anderson and Jack, 2002; Light and Dana, 2013; McKeever et al., 2014). Other scholars, however, argue against that by saying that it is invalid to use “*social capital as an explanatory peg on which to hang any informal engagements the entrepreneur might have*” (Gedajlovic et al. 2013; McKeever et al., 2014, p. 455).

Entrepreneurs are part of society relations, and their entrepreneurial opportunities, ideas and ambition will not be achieved without engaging and interaction socially with individuals and institutions through social capital. Trust is the keyword in this theory to gain efficient and successful relations, and no one can deny its role in creating new ventures (Román et al., 2013) and achieving entrepreneurial success, particularly at the early stage (Ashleigh and Warren, 2015). The biggest benefit that arises from bonding and bridging social capital for entrepreneurs are having access to information and influence (Carolis and Saporito, 2006) and finding investors (Spiegel et al., 2015), which without bridging and bonding social capital would otherwise be limited (Davidsson and Honig, 2003).

Although there are similarities between *wasta* and social capital, with few exceptions "*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*" (Kropf and Newbury-Smith, 2016, p. 4). Moreover, according to Hofstede's work, the Arabic countries are known as collectivist whereas the social capital concept was derived from Western countries which have high levels of individualism. Related to this, Islamic beliefs and culture encourage society's members "*to work collectively rather than individually as part of their collectivist orientation*" (Ratten et al., 2017c, p. 232).

Social capital theory can be criticised from several angles, including a lack of conceptual clarification (Robison et al., 2000), and focusing on the outcomes and neglecting the enforcement of justice and equality (Ali, 2016). Considering the negative side of social capital, Putnam (2001, p. 3) claims that "*all forms of social capital can be used to ends that are in some instances destructive*". In the same way, Kropf and Newbury-Smith (2016) acknowledge that *wasta* and social capital practices might hinder social equality, even if it is voluntary. Due to the fact that most assumptions and comparisons are biased and weak (Kropf and Newbury-Smith, 2016), the researcher is not going to judge if *wasta* is positive or negative due to its blurry practices and conceptions. In most Arabic countries, "*mutual trust and reciprocity are the primary importance particularly in countries and communities where property rights are weakly developed or enforced*" (El-Said and Harrigan, 2008, p. 1236), and to a certain degree this is the case in Saudi Arabia, where social networks are deeply embedded in most government and non-government relations.

### **Social capital (Horizontal and Vertical trust)**

Social capital (trust) works either vertically between people and surrounding institutions or horizontally within society's members (Mohseni and Lindstrom, 2008). Trust can be defined as "*the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms, on the part of other members of that community*" (Fukuyama, 1995, 26). In the business environment, trust might include risk taking, which is one of entrepreneurial characteristics, so this trust between members from different firms might be historical and existing, or on the contrary, might need to be strengthened which will lead to fostering entrepreneurship (Braun and Lowe, 2006). Additionally, trust can provide a basis to explore entrepreneurial opportunities (Fukuyama, 1995). In Arabic business relations, Brandstaetter et al. (2016) considers *wasta* procedures as the central method of building trust.

Most of the literature on *wasta* has dealt with the two types of *wasta*, intercessory and intermediary, as formal dimensions, whereas the informal dimension, trust, has not been extensively explored (Brandstaetter et al., 2016). From an institutional perspective, Rothstein (2000) argues that trust can be built from higher to lower levels, and this leads to interpersonal trust. In the article of Mesquita and Lazzarini (2008), the authors conclude that SMEs' vertical relations with institutions such as suppliers can promote higher productivity, while the horizontal relations with counterpart firms can lead to more resources and more innovation. Franic and Williams (2017) consider the lack of horizontal and vertical trust as major determinants of engaging in undeclared work and envelope wage activities. Trust is therefore one of the most important attributes that Muslim entrepreneurs should seek to develop, and this will happen when they practise their businesses and treat issues based on their religion's principals (Ratten et al., 2017a).

### **2.5.6 Social networking and Entrepreneurship as part of social capital**

No one can deny the influence of the people surrounding entrepreneurs such as relatives, friends, or even other citizens, in shaping entrepreneurs' behaviour and practices. Scholars interested in social networks distinguish between weak and strong ties and their effects on entrepreneurial activities, for instance, both types of ties have a significant influence on gaining access to information, motivation and finance (Jenssen and Koenig, 2002), and also on managing resources, winning contracts and tackling bureaucratic constraints (Smallbone and Welter, 2001). Furthermore, Witt's (2004) findings mention that networking by entrepreneurs helps to maintain their reputation and market resources like contacts with customers and other organisations, especially in the start-up stage. Farmer et al., (2011), however, argue that networking is not so important because an entrepreneur is a dreamer, who embarks on a lonely endeavour when they start up a business.

Returning to the importance of networking, entrepreneurs also need different types of networks formal or informal, weak or strong, at every stage and then try to mix them (Lechner and Dowling, 2003). Related to this, it is expected that entrepreneurs might change their network categorisations according to the benefit obtained over time (Witt, 2004). Unexpectedly, Jenssen and Koenig's (2002) results show that weak ties are more important to provide information than strong relations, and this importance of weak ties increases with time (Witt, 2004). When examining formal networks (e.g. with banks) and informal ones (such as family, friends and

colleagues) in order to evaluate their role in the entrepreneurial process (Birley, 1985), the author identifies that informal networks are more important than formal ones.

Moving to an Islamic perspective, social networks are considered very important, encouraging members of society to participate in others' social events, both sad and happy, as a reciprocal responsibility (El-Said and Harrigan, 2008). In Islamic countries, the issues of development, internationalisation, industrialisation and social networks are culturally dominant in business activities in Arab countries and China (Hutchings and Weir, 2006). Such networks are interpersonal, while in developing economies formal institutions support further and transparent networks (Peng, 2002). Three strategies are suggested by Aldrich and Auster (1986) to help start-ups benefit from building relations with organisations: (a) long-term contracts, (b) franchising, and (c) merger or acquisition.

Nowadays, a new trend of social networking has obviously arisen as a result of the Internet, and this has become very important in changing how businesses communicate with others and reach target market (Sikdar and Vel, 2011). Related to this, a study done on the Gulf Cooperation Council countries (GCC) finds out that these social networking websites have an important role in helping entrepreneurial ventures achieve their goals (Indrupati and Hinari, 2012). To sum up, all types of networks are practised everywhere, and although there are different terminologies these practices are all a kind of informal institution, and this will be discussed in the next section.

In Kayed and Hassan's study (2010) Saudi entrepreneurs do not deny the importance of social position rather than being qualified or knowledgeable. In addition to this, about half of the respondents assert the vital role of personal networking. They also reveal that entrepreneurs appreciating the role played by social networks in supporting their efforts, especially that of families and friends, they do not like to be considered as dependent or opportunistic. However, others argue against the importance of social relations, and advise firms not to be dependent on these types of relations, and the more important relations should be developed with customers, suppliers and organisations (Djupdal and Westhead, 2015). Unfortunately, although *wasta* plays an important role played in most business decision-making activities, little research has been undertaken on this area, and this affects foreign organisations' decisions to enter Arab markets (Khakhar and Rammal, 2013). Conducting more comprehensive research into this area is vital if a complete analysis is to be achieved (Dias-Bone, 2008; Muhlenhoff, 2016).

## 2.5.7 Wasta research and institutional theory

This thesis draws upon aspects of the new/neo institutional theory (Meyer and Rowan, 1977; Zucker, 1977; DiMaggio and Powell, 1991). According to Brandstatter et al. (2016, p. 75), society is comprised of a variety of economic institutions. They use the term society deliberately instead of state, as this places the focus of the analysis not only on regulations but also cultural determinants, and how individuals and organisations navigate both formal and informal institutions to achieve their goals (North, 1990). This includes overcoming any deficits/gaps within formal laws and regulations. Institutional theory, therefore is concerned with how the rules of the game – derived from both formal and informal institutions – influence the behavior of organizations and individuals in a society, including their interactions.

Wasta, can be conceived of as an informal institution that is not formally written or codified but rather it is part of social norms and values (North, 1990). Those practising wasta rely on connections, trust, power and feelings to achieve their goals. There is an interaction between formal and informal institutions, including cultures, norms, laws and regulations that shapes how wasta is perceived and practised within organisations (Hesketh and Fleetwood, 2006). Viewed through an institutional lens, tribes are also informal institutions and in a Saudi context play an important role in mediating individuals' interactions with formal institutions (government laws and regulations). To achieve personal goals such as recruiting tribe's members in high positions or allowing them to win contracts; 'wasta' is a central mechanism to achieve this (Cunningham and Sarayrah, 1993; Sidani and Thornberry, 2013).

Sidani and Thornberry (2013, p. 73) conceive of wasta as an institutional mechanism to “control the organization, distribute wealth and riches among family members, or to sustain a family legacy”. Due to the collective nature of Arabic nations (Hofstede et al., 1990) and the lack of a well-developed legal system, society members depend on their families or in-groups to achieve their goals (Sidani and Thornberry, 2013). In other words, if governments do not develop formal laws and regulations, it leaves space open for other social conventions to play a role. In a Saudi context, personal connections and wasta is such an important social convention that business organizations also follow it, making use of wider networks with other private or public institutions to win contracts or to gain financial benefits (Sidani and Thornberry, 2013). From an economic institutional lens, wasta overcomes the problem of scarce information, in that businesspeople attempt to use their networks and informal

information to compensate for the imperfection of markets and its regulations (e.g. Ahlstrom and Bruton, 2006; Puffer et al., 2010; Estrin et al. 2012; Webb et al., 2014).

There is no doubt that Arabic people and Muslims particularly make efforts to ensure that their actions and transactions should be compatible with Islamic teachings, so people attempt to legitimize practices such as *wasta* and using connections in relation to Islamic teachings and strictures. People are aware that their actions should be moral and socially accepted. Related to this, Johnson et al. (2006) suggest that the process of moral legitimization of an activity starts from society members' acceptance which leads to this activity becoming a social fact, and then people adapt it in different situations, and *wasta* is an example of this.

This research, therefore, provides a deeper understanding of how *wasta* can be a solution where formal institutions do not work efficiently (e.g. Ahlstrom and Bruton, 2006; Webb et al., 2014; Williams and Vorley, 2015). As explored by Kropf and Newbury-Smith (2016) new institutional theory can be used to articulate how *wasta* provides a way to deal with weak formal institutions and bureaucracy. Businesspeople use their networks and informal information to compensate for imperfections in markets and in their regulation. This thesis, therefore, adopts the new institutional theory from social and economic perspectives (North, 1990), which attempt to generate in-depth discussion of social networks and informal norms, and governmental rules and formal institutions, and also the interactions between them (Veciana and Urbano, 2008). This will be conducted by studying *wasta* practices and their influence on entrepreneurship in Saudi Arabia, since it is useful for articulating how individual actors and organizations are affected and shaped by institutions either formal (e.g. laws) or informal (personal networks).

When considering *wasta* as an institution, Johnson et al. (2006) also discuss how a social phenomenon can be legitimate. The authors outline four stages: a phenomenon will be created; then locally validated; culturally justified and, fourthly, socially accepted. *Wasta* also followed this process. It was created by tribal societies and individuals validate its activities, then it was justified by the majority and finally gained acceptance. Alreshoodi advocates the idea that *“Wasta can be described as an institution of the Arabic society by defining the process of its institutionalisation in an historic perspective and describing different forms of legitimacy that it has created”* and this legitimacy can be familial, political, economic, moral and cognitive forms (Alreshoodi, 2016, p. 97).



Scholarly attention has recently focused more directly on investigating *wasta* through institutional perspectives (Cunningham and Sarayrah, 1993; Loewe et al., 2008; Smith et al., 2012; Sidani and Thornberry, 2013; Barnett et al., 2013). Several writers using this theoretical lens show that practising *wasta* is a result of the weakness or absence of formal government institutions, with this gap being filled by tribal or family relations (Cunningham and Sarayrah, 1993; Loewe et al., 2008). The latter authors regard the informal institution of *wasta* as equivalent to formal regulation in the case of distributing available resources. Another perspective on *wasta* as an institutional mechanism is that of Sidani and Thornberry (2013, p. 73), who view *wasta* as an institutional mechanism to “control the organization, distribute wealth and riches among family members, or to sustain a family legacy”. Due to the collective nature of Arabic nations (Hofstede et al., 1990) and the voids of sufficient government laws, society members attempt to depend on their families or in-groups to achieve their goals (Sidani and Thornberry, 2013). In other words, if governments do not develop their formal laws and regulations, people will find another means, such as personal connections and *wasta*; and business organizations inevitably follow this social lead, making use of broad networks with other private or public institutions to win contracts or financial benefits (Sidani and Thornberry, 2013). From an economic institutional lens, *wasta* overcomes and solve the problem of scarce information, reduce business transaction cost especially if this *wasta* will be provided to disadvantaged individuals (Ramady, 2016).

A good number of studies have explored the practice of *wasta* amongst Saudis or expatriates and how to deal with it, as reviewed above. According to *wasta*'s dependence on close relations and power, and its historical origin in Arabic regions, the phenomenon can be considered “*a culture-specific institution*” (Alreshoodi, 2016, p. 112). The social framework of Arabic nomadic people before Islam relied on the tribal structure and informal institutions, particularly in conflicts which were mostly solved by informal systems of ‘*mediators*’ (Brandstaetter et al., 2016).

One criticism made of the institutional theorists on *wasta* is that they are concentrating on the negative effects of *wasta*, either in respect to social or business life, and neglecting the positive aspects (Ali, 2016). Where formal institutions are weak and unreliable, eradicating *wasta* would create barriers and dissatisfaction which might lead to more corrupt practices like bribery (Kropf and Newbury-Smith, 2016). It can be said that *wasta* is common and inevitable for all providers, receivers and even observers, but it would be difficult to eradicate it from the Saudi society due to its cultural embeddedness (Alreshoodi, 2016). To sum up, it is easy to change a

formal institution, but changing or eradicating values or culture (informal institutions) will require huge and long-term effort.

## **2.6 Wasta and entrepreneurship**

### **2.6.1 Entrepreneurship and the liabilities of newness**

Challenges is a ubiquitous buzz-word in the business world and, especially, in the creation of new firms. Once entrepreneurs decide to embark on a venture, a variety of challenges and considerations must be taken into account. Not only are state policies, legislation, financial matters or business processes a significant influence, but entrepreneurs should also be aware of the cultural acceptance of their business products both in their target market and their place of production (Kayed and Hassan 2010). For instance, bureaucracy is one of the main obstacles entrepreneurs face in the early stages of their business, and informal networking is a solution to deal with this obstacle (Birley, 1985). While these challenges may inhibit the success or growth rate of a business, they also have a positive side, helping a start-up to be independent, motivated and effective at solving its problems.

Academically, the – liabilities - symbolises challenges. There has been extensive research examining the relationship between the failure of entrepreneurial start-ups and liabilities of newness (e.g. Stinchcombe, 1965; Henderson, 1999; Nagy et al., 2012), as well as liabilities of smallness (Aldrich and Auster, 1986), liabilities of adolescence (Bruderl and Schussler, 1990; Henderson, 1999), and liabilities of foreignness when discussing non-national businesses (Zaheer, 1995). It is normal that most new ventures worldwide face some challenges representing limited resources (financial, human or even sales) that might lead to some problematic issues such as legitimisation obstacles, the difficulty of finding a good position amongst established competitors, and also the socio-cultural, political and/or economic dimensions. The study of the liabilities leading to ventures' failure "*can contribute to the eventual success of those who learn from their own mistakes as well as those who can learn vicariously from the experiences of others*" (Thornhill and Amit, 2003, p. 505). In this thesis the liabilities of newness will be considered.

The seminal work of Stinchcombe (1965) hypothesised that the highest percentage of failure is amongst new rather than old organisations. The goal of his work was to describe the intangible characteristics of organisational newness at the firm level, and the major reasons for

the firm's existence. "*Understanding the determinants of success and failure for firms operating in today's economy is a central concern of investors, business scholars, and practising managers*" (Morse et al., 2007, p. 140). According to Nagy et al. (2012, p. 279) these determinants are: employees have to learn unfamiliar roles, which "*requires significant time and other resources and, in turn, may lead to internal inefficiencies and missed opportunities*"; building trust and recognising members inside organisations takes time and effort; and, thirdly, those firms might encounter uncertainty due to the lack of stable relations with customers, organisations and wider stakeholders.

Dobrev and Gotsopoulos (2010) argue that it is difficult for new firms to build external relations with outsiders due to their lack of legitimacy. Additionally, various wider scholars have concentrated on different reasons for the high risk of failure of start-ups, such as starting without stable relations with stakeholders (Stinchcombe, 1965; Singh et al., 1986); a lack of entrepreneurial skills (Shepherd et al. 2000); the cost of learning (Stinchcombe, 1965); establishing new roles (Stinchcombe, 1965; Aldrich and Auster, 1986; Singh et al. 1986); inadequate resources (Thornhill and Amit, 2003) and the traits of new products (Aldrich and Auster, 1986). Henderson (1999) and Shepherd et al. (2000) both see these factors as collectively related to the liabilities of newness, meaning that they decline over time as a business matures.

Other commentators, however, argue that there might be some advantages of newness, particularly in instances where new ventures can provide innovative and attractive services or procedures for their customers, as well as the desire of stakeholders to invest and partner with enthusiastic entrepreneurs (Choi and Shepherd, 2005; Nagy et.al. 2012). Related to this, in a study of German organisations from 1980 - 1989, by Bruderl and Schussler (1990), argues against Stinchcombe's hypothesis. They distinguish early and late stages in a venture's life cycle, and suggest that organisations in the early stage receive additional support, but that this becomes less in later times, and that this might actually lead to a higher failure rate in late stage ventures. In the Korean context, a quantitative study undertaken by Choi and Shepherd (2005) finds a positive impact of newness in respect to gaining access to some resources from stakeholders.

This thesis divides the liabilities of newness into two main classifications, external and internal, in line with the study conducted by Aldrich and Auster (1986). The reason for this is that when performing the first stage of data collection (interviews), it was noticed, when asking

entrepreneurs about the challenges they faced, that some mentioned both internal and external factors. It is highly likely that every new venture will face some degree of constraints, some of which arise from social and cultural points and others from economic, political and also from legal issues, but that the extent of the challenge posed by these different factors is highly variable.

The internal liabilities most relevant to entrepreneurs are socio-cultural constraints, lack of managerial experience, fear of failure, cost of learning and developing programmes, finding enough time to spend on personal capital, attracting qualified employees, and creating and clarifying new roles and responsibilities. Whereas the key external ones are finding new market opportunities and information, entering and winning contracts, lack of resources (capital, raw material), technological barriers, licensing and regulatory barriers, lack enforcement of property right laws, industry trends (business cycle stage), a lack of stable relations with agents, a lack of trust (i.e. a lack of reputation or track of record) and, lastly, barriers of entry due to competition. All these external and internal liabilities are derived from different scholars who have studied this issue (e.g. Stinchcombe 1965; Aldrich and Auster, 1986; Singh et al., 1986; Shepherd et al., 2000).

Thornhill and Amit's (2003) findings confirm that the proportion of failures within the Canadian food and accommodation sector is higher than in other sectors due to the environment, age and management deficiencies. These results were obtained from a bankruptcy trustee, however, without conducting case studies that might have provided more understanding. New ventures should therefore take into consideration all these internal and external factors.

As mentioned earlier, studies conclude that new start-ups mostly fail in their early stages, Singh et al. (1986) note that entrepreneurs who lack a track record might find it difficult to convince different types of stockholders (e.g. customers, suppliers, investors) to deal with them. Moreover, new ventures absolutely need external resources such as capital and materials, and also could experience difficulties in creating new roles and responsibilities, and clarifying them to employees (Stinchcombe 1965). Stinchcombe also adds that new organisations should depend heavily on personal connections to build trust and this will in turn help them to become recognised.

Moving into the more modern era, this issue of “*connections*” is now often articulated in terms of “*information*”. Shepherd et al. (2000) suggest that obtaining enough information is a means

to succeed and overcome the liabilities of newness. Undoubtedly, technological developments have provoked dramatic challenges across all aspects of life globally. Morse et al. (2007) view networking and communication as a primary link to the survival and growth of new ventures and also to building the trust which is necessary in order to gain access to required resources. These researchers have built a framework articulating how virtual connections (using technological connections) to customers, suppliers and stakeholders can diminish four major liabilities: creating new roles, lack of trust, and lack of social and economic capital.

From an institutional theory perspective, new ventures need to gain legitimacy and conform to regulations, social and industry norms (De Maggio and Powell, 1991). Researchers therefore advocate that regulatory reforms will lead to the growth of entrepreneurial activities (Djankov et al., 2010). In the Arabic context, Sharpe and Schroeder (2016, p. 98) mention that "*Arab countries generally lack investment laws designed to encourage tech-based innovation, the legal picture is not entirely bleak*". As a consequence of the deficiency of regulatory reforms in most of the MENA region, it can be challenging for risk takers, investors and entrepreneurs to gain access to technology and the Internet (Sharpe and Schroeder, 2016). The previous study mentions that the business environment in most Arabic countries experiences the same obstacles as in Central Asian or Latin countries, but even more severely.

In the Arabic and particularly Saudi entrepreneurship sphere, limited research has been conducted into identifying the challenges encountered by entrepreneurs (Ahmed, 2012; Alghamri, 2016; Almobaireek et al, 2016; Darley and Khizindar; 2015). A mixed methods study by Ahmed (2012), which is undertaken in three different regions, reveals that the main challenges facing Saudi entrepreneurs are bureaucracy, a lack of and access to financial resources, and an unfriendly industry environment. Furthermore, the same study discusses some other constraints such as inadequate state support, changeable policies and lack of training. While, Alghamri (2016) outlines that the top ranked challenges Saudi women entrepreneurs encounter are cultural (family), economic, and infrastructural. Aligned with this, other research conducted by Al-Ghamdi (2005) finds that the most serious challenges to the development of small and medium size firms are managerial inexperience and a low level of efficiency. A further study by Merdah and Sadi (2011) finds that about half of entrepreneurial ventures do not use a strategic planning technique, particularly when transferring knowledge. They attribute these challenges to the lack of managerial capabilities, human resources skills, and effective legal procedures.

From an institutional theory perspective, Wang et al. (2017) argue that if start-ups need to overcome lack of resources and liabilities of newness, legitimation and social acceptance helps them to meet societal members' normative, cognitive and regulative expectations. New ventures often struggle to achieve good performance, and the liabilities of newness reviewed above can explain this (Hughes and Morgan, 2007; Wang et al., 2017). In the same vein, Williams, Martinez-Perez and Kedir (2017) report that in order to reduce external liabilities of newness, start-ups need to build their legitimacy reputation by broadening networks with stakeholders such as customers and suppliers.

Darley and Khizindar's (2015, p. 79) work on Saudi female entrepreneurs reveals that the main obstacles encountered by women early stage entrepreneurs are "*knowledge and scepticism about government support*". The recent study written by Ekanem and Alrossais (2017) aligns with the previously identified obstacles especially in family business entrepreneurship, and the writers raise awareness about a lack of succession planning as a result of mistrust and conflict between older and younger generations.

Nevertheless, very few studies have discussed the challenges and constraints facing Saudi entrepreneurs in respect to liabilities of newness. To the best of the researcher's knowledge, the only such study is that of Almobaireek et al. (2016) on a large-sample of Saudi SMEs (n=1126). Their work's findings confirm previous studies in suggesting that the government should simplify regulations and rules if it aims to support new start-ups. It is notable, however, that all the business owners in this study are male and there is no female voice.

Stinchcombe (1965, p. 232) asserts that the most important factors to mitigate the liabilities of newness is to depend on personal connections "*relations of trust are much more precarious in new than old organizations*". In developing economies this is the same if not much more the case, as Almobaireek et al. (2017a, p. 62) states: "*In an emerging or developing economy, such as most of the economies in the Muslim world, where material and financial resources are scarce and the institutional environment is unstable and often openly hostile, it is plausible that social networks are even more important for the success of entrepreneurial initiatives*". Related to this, Lechner and Dowling (2003) remark that mixing different types of networks like social, marketing, and technological networks, is an effective means to overcome the liabilities. Nonetheless, this article just analyses direct networks rather than other types of networks. Therefore, the first two hypotheses are:

## **H1. Receiving wasta reduces the liabilities of newness**

## **H2. Providing wasta reduces the liabilities of newness**

### **2.6.2 Entrepreneurial orientations**

Entrepreneurial orientation (EO) can be defined as the willingness of organisations to discover and pursue new opportunities and to seek to change business life (Morris et al., 1996). The concept relates to firm-level processes to achieve competitive advantage (Rauch and Frese, 2009). Along with this, Miller (1983, p. 771) defines an entrepreneurial firm's orientation as "*one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch*".

It can be said, however, that even if an entrepreneurial orientation is linked to firm-level, start-up characteristics they are still based on the founder or individual's level. The relationship between entrepreneurship and EO is that entrepreneurship links to new entry, while EO represents "*the entrepreneurial process, namely how entrepreneurship is undertaken—the methods, practices, and decision-making styles used to act*" (Lee and Peterson, 2000, p. 405; see also Zehir et al., 2015; Lumpkin and Dess, 1996). To achieve entry into the market, therefore, new start-ups have to be able to follow these practices and methods. Gartner (1995, p. 697) mentions that it is difficult to take every EO dimension alone, especially if we consider that "*the creation of a new venture is a multidimensional phenomenon*".

There are four distinct scales to measure the EO: the Miller/ Covin and Slevin (1989); An Alternative First-Order Reflective EO scale (Miller, 1983); the Hughes and Morgan (2007) EO Scale and the Type II Second-Order Formative EO Scale (Covin and Wales, 2012). This thesis adopts the Hughes and Morgan's EO's measurements since although their work was based on high-tech firms the items remain close to the Saudi entrepreneurial features and the characteristics of new start-up. The writers derived their EO constructs from previous works. The items consist of the five dimensions assessed and validated by Hughes and Morgan (2007) and adopted by Covin and Wales (2012) and Shan et al. (2016). All the items used to measure EO constructs were five point-scale points anchored from (Completely agree) to (Completely disagree).

Regarding the dimensions of EOs, Miller (1983) distinguishes them into three different types: innovativeness, risk taking, and proactiveness. In the late 1990s, two additional dimensions

were added by the scholars Lumpkin and Dess (1996): autonomy and competitive aggressiveness. These five dimensions will be given more explanation in the following sections.

### **Risk taking:**

According to the theoretical work by Lumpkin and Dess (1996), the concept of risk taking refers to readiness to enter uncertain markets, and without adequate resources, in order to pursue and generate futuristic opportunities, even while the expectation of failure is high. One of the main features differentiating entrepreneurs from others is this behaviour risk factor (Zehir et al., 2016). Furthermore, as Motoyama and Knowlton (2017) argue, risk taking will emerge in the presence of networks.

### **Innovativeness**

This indicates a firm's willingness to boost innovation and produce novel products/services, alongside its newness and technological management in the development of new processes (Lumpkin and Dess, 2001). In the area of entrepreneurship, several seminal articles assert that innovation in terms of doing things in new ways and entering new markets, is the key to entrepreneurial activities (Schumpeter, 1947; Drucker, 1995; Lumpkin and Dess, 1996). Spreading connections among individuals in a society could lead to innovation and new potential markets and investors (Aldrich and Zimmar, 1986).

### **Proactiveness**

Proactiveness can be defined as a process of taking actions in the present that are forward looking and intended for future benefit. In a business context proactiveness is intended to exploit opportunities offered by anticipated future circumstances, usually before others do so, and is associated with market pioneers and early adopters of new technologies (Miller, 1983). Entrepreneurs should be the market leader, creator and pioneer of opportunities by introducing new products and entering new places. Proactiveness is also related to the speed of innovation (Shan et al., 2016). New ventures should therefore be proactive rather than just reflecting other competitors.

### **Competitive aggressiveness:**

This dimension suggested by Miller (1983) is linked to entrepreneurs' willingness to compete with business rivals (Lumpkin and Dess, 1996) in order to achieve a good position or to enter



new markets (Walter et al., 2006). The work conducted by Kingsley and Malecki (2004) revealed that informal networks motivate the desire to compete and stimulate development for small firms. In an empirical study of manufacturing firms, the findings indicated that networking has an impact on the competitiveness of these firms, and this impact varies based on the type of network (Álvarez et al., 2009). An organisational level study on Indian firms also showed these links between networking, competitive behaviour, and innovation (Husain et al., 2016)

### **Autonomy:**

A key basis of this dimension is taking independent and risky actions, whether by individuals or teams, to develop or create a vision for the business (Lumpkin and Dess, 1996). This requires that entrepreneurs and their team members are vested with the authority and independence to achieve the goals (Hughes and Morgan, 2007). Canavesio and Martinez (2007) mention that flexible networks can make up autonomous organisations. Elo (2005), however, states that interconnections can create problems and reduce a firm's autonomy and independence to make decisions.

The studies undertaken on the area of entrepreneurial orientations investigate their significant effects on firm performance (e.g. Lumpkin and Dess, 1996; Zahir et al., 2012; Hughes and Morgan, 2007; Bhutan and Habib, 2004; Wang et al., 2017). Nevertheless, other articles argue against this significance (Lumpkin and Dess, 2001; Covin et al., 1994).

The relationship between entrepreneurial orientations and networking has been studied by academic writers from different perspectives, such as the effect of network capability and EO on university spin-offs (Walter et al., 2006); EO, marketing and networks in developing economies (Boso et al., 2013); networks, EO and the scope of internationalisation (Falzensztein et al., 2015); EO and social embeddedness in ethnic minorities (Wang and Altinay 2012), and EO and social capital and the internationalisation of SMEs (Zhang et al., 2012). New start-ups with network capabilities have the potential to succeed and improve their performance, and this can happen by strengthening relationships with customers, suppliers and stakeholders (Walter et al., 2006). Although their study targeted a small samples of university spin-offs, the results reveal that entrepreneurial performance is not only developed by the orientations and attitudes, but that networking is also important.

In China, Zhang et al. (2012) conclude that EO and social capital ties have the ability to facilitate Chinese SMEs' internationalisation. In their work in a developing nation, Ghana, Boso et al. (2013) outline that entrepreneurial and market orientations yield great returns and maximise performance in the case of encouraging social and business networks. In contrast, another study focussing on Chile studied network numbers rather than the nature of networks, finding that the larger the number of networks created, the more likely start-ups owners are to enter global markets (Falzensztein et al., 2015).

In the context of Arabic nations and Gulf countries specifically, there is a dearth of research on the area of EO and entrepreneurial projects. One study that was undertaken in Oman by Yusuf (2002), found that there is a variation amongst business segments, and that the orientations towards uncertainty in industrial ventures are higher than commercial ones. In the Saudi entrepreneurship environment, Bhutan and Habib (2004) address the effects of entrepreneurship and market orientations on performance in the manufacturing sector only. This study's findings indicate that the relationship between performance and marketing orientations are highly significant.

This thesis will not investigate the relationships between EO and performance due to the fact that although the researcher included performance items in the pilot study survey, these items were removed in the final version since many of respondents to the pilot study suggested that they did not yet have any sales records, so it would be difficult to answer the question about performance. In this thesis, the researcher explores the role *wasta* plays on the five dimensions of entrepreneurship orientation; risk taking, innovativeness; proactiveness; competitive aggressiveness, and autonomy, among Saudi early-stage start-ups.

It is therefore suggested that:

**H3. Receiving *wasta* increases entrepreneurial orientations**

**H4. Providing *wasta* increases entrepreneurial orientations**

### **2.6.3 Tax morality**

Tax is one of the key issues discussed amongst politicians, academics and decision makers both in developed and developing nations. A tremendous amount of research has been (and will be)

conducted to delve into this critical issue, which touches almost every individual human on the planet. Governments require organisations and individuals to pay tax for the sake of the state economy and residents' welfare, and to provide services for their populations, while individuals think how to benefit from their money paid or to lessen it. Williams and Martinez (2014) provide a theory of tax morality to explain why individuals are tax-obedience in some economies despite the low penalties, whereas in other nations the penalties are higher, yet citizens' tax payment is less. The writers attribute this to being fewer corrupt practices in the public sector, higher social expenditure, and more equality in society.

Tax morality is defined as "*the norms of behaviour governing citizens as taxpayers in their relationship with the government*" (Song and Yarbrough, 1978, p. 443). This issue has been studied by a number of authors (e.g. Song and Yarbrough, 1978; Torgler and Schneider, 2007; Williams and Martinez, 2014; Franic and Williams, 2017). A recent report conducted by Franic and Williams (2017, p. 6) on Croatian citizens reveal that "*the lower one's tax morality, the higher the propensity to participate in the undeclared economy (and this applies to both the demand and supply sides)*". Based on the 2007 Eurobarometer survey, Williams and Martinez' (2014) findings reveal that there is a high level of tax morality in developed and less corrupt countries which have higher taxes and social protection.

Although it may be regarded as unethical to avoid taxation (Jalili, 2012), in some situations, "*it would also be logical to conclude that there is no moral duty for a Muslim (or anyone, for that matter) to comply with a regulation that is actually harmful to the general public*" (McGee, 2012, p.163). In order to improve tax morality, some suggestions are provided by commentators such as that states should tackle public sector corruption, target social protection and facilitate regulations and redistributions (Williams and Martinez, 2014). Torgler (2003a) adds that trust in government officials and legal system is important. Somewhat surprisingly, Franic and Williams (2017), find that Croatian citizens with lower tax morality have a low tendency to purchased undeclared goods. The authors attribute this finding to the small sample size, or because those respondents were not responding truthfully to this question.

From an Islamic perspective, the main goal of Islam is to promote social and economic justice among human beings, and the Holy Qur'an declares that "*We verily sent our messengers with clear signs, and sent with them the Scripture and the Balance so that mankind may stand by justice*" (57:25). Islamic teachings, therefore, always order Muslims to follow the rules of

justice in all conditions and in all one's practices. Clearly, however, not all Muslims completely obey the rules of Islam or respond to government obligations, whereas others attempt to do so in response to cultural and business ethics considerations.

In Islamic countries, there are two taxation systems, the first is unique and called Zakah, which is the third of the five compulsory pillars of Islam. The money here is only paid by those people who have a minimum amount of money by the end of every year, and the liability is 2.5% of an individuals' annual savings. This money is paid for the legitimate functions of the state (McGee, 2012) and should be distributed to eight classifications of poor and needy people. It is a moral issue which means that no one can force individuals to pay, except through their obedience to the principles of Islam, and it is usually a matter hidden between the person and his creator (Allah). The other is the formal taxation system, which is normally managed by a government organisation called (Zakah and Tax), which is responsible for organising and receiving annual tax (2.5% on net returns) from private sector institutions.

In Saudi Arabia where there is no income tax on individuals and, according to GEM (2017), the taxation system in Saudi Arabia is rated as 31/66 and 69/190 in the Ease of Doing business report (2107) which is a competitive advantage for foreign people to live and work in Saudi Arabia, and on the organisational level, the government allows manufacturing sector projects to be free of tax for a ten-year period (Jasimuddin, 2001). Although very few studies have been undertaken to explore tax avoidance from an Islamic viewpoint (Yusuf, 1971; Ahmed, 1995; McGee, 1997; Murtuza and Ghazanfar, 1998, 2012; Jalili, 2012), it is evident that tax evasion is still an issue. A study conducted over a thirty-year period from 1980 - 2010 estimated the shadow economy in Saudi Arabia and tax evasion constituted about 7% of GDP (Gamal and Dahalan, 2016). Meanwhile, a spokesman for Saudi Customs, Essa Al-Esaa, declared that the amount of tax evaded by individuals and organisations in Saudi Arabia in 2016 was about £150 million (Aliqtisadia, 2016). This difference in numbers shows the lack of statistical information. However, the Saudi Government has recently introduced a package of tax reforms starting with private sector organisations.

One of the big issues experienced by the Saudi economy is that about 90% of workforce in the private sector are foreigners (Saudi Arabian Monetary Agency, 2014), most of whom transfer their earnings to their home countries without paying taxes and without the origins of these remittances being investigated. At the end of 2017, therefore, the country has also implemented

new administrative fees on expatriates and their families. In line with this, the Saudi respondents surveyed in the study of Thompson (2017) assert that their government and the vision 2030 should not attempt to increase its taxes revenue, and it should concentrate on developing the services and industries, and also fostering entrepreneurship and innovation.

In terms of the role of social capital, Torgler and Schneider (2007) indicate its important role that motivates citizens to obey and pay their taxes when interaction occurs between individuals and formal institutions. Regarding social networking and tax morality, the work conducted by Torgler and Schneider (2002) in three EU countries reveals that strong social connection (e.g. married people) have levels higher tax morality than singles, and this can be a result of the new connections built with the new partners' relationships. Related to this, Torgler (2005) argued that having a high level of social connections, and trusting that they are tax obedient, would increase tax morality. In a recent empirical study, however, Hasan et al. (2017) conclude that social networks lead to low tax avoidance and higher rates of tax payment. These findings are supported by a further study conducted on Saudi organisations by Al-Hussain and Al-Marzooq (2016) which revealed that *wasta* was considered as a corrupt practice that demotivates employees in organisations. Additionally, the authors also found that *wasta* can lead to lower levels of employee morale.

From an institutional perspective, Torgler's (2003) study reveals that formal and informal institutions represented in democracy, local autonomy, and socio-economic demographics significantly influenced tax morale. Yucedogre and Hasseldine (2016), meanwhile, argued that researchers have neglected studying tax morale from firm-level perspectives, especially in developing and Muslim countries. This thesis is in fact the first to investigate tax morality amongst Saudi early-stage entrepreneurs and its relationship with *wasta*.

Hence:

**H5. Receiving *wasta* reduces tax morality**

**H6. Providing *wasta* reduces tax morality**

## **2.6.4 The level of formality of entrepreneurship and registration**

As mentioned earlier, informality and entrepreneurship has been receiving more attention from scholars, both in developed or developing nations. Although there were negative attitudes

towards operating in the informal sector, commentators have noted the contribution of informal ventures to the GDP of their countries, and explored the relations between entrepreneurial practices and informal activities, specifically when “*much of the legal activity in the informal sector takes the form of small ventures*” (Amoros et al., 2016, p. 9; De Soto, 1989; Malony, 2004).

Each state attempts to legislate and develop regulations and laws that feed into the business environment, and which allow firms to fulfil their rights and responsibilities. These regulations and laws serve to define the level of formality expected of private sector firms. Although several studies have shed light on the different levels of entrepreneurs' informality and their conformity to formal regulations and rules (e.g. Ram et al., 2002; Bruhn and McKenzie, 2013; Williams and Martinez, 2014; Williams and Shahid, 2016), very few studies have so far attempted to provide an explanation regarding why entrepreneurs operate at different degrees of informality (Williams, Shahid and Martinez, 2016).

Recently, scholars have attempted to find out the rationale for the degrees of formality or informality adopted by entrepreneurs in their start-ups (ILO, 2012). This examination of why new ventures operate fully informally has two foundations: the first is the deregulation of global economy which might be increasing the propensity for informal new ventures (Slavnic, 2010; Taiwo, 2013; Williams, Shahid and Martinez, 2016); the second reason is that acting entrepreneurially, even in informal activities, might be a last choice to survive when governments fail in their role of providing a social safety net (Taiwo, 2013; Williams, Shahid and Martinez, 2016). Additionally, in recent times, institutional theorists have reached an accepted explanation that “*informal sector entrepreneurs are operating outside of formal institutional boundaries but within the boundaries of informal institutions*”, (Welter and Smallbone, 2011; Webb et al., 2014; Williams and Vorley, 2014; Williams and Shahid, 2016, p. 2).

Most studies have only examined the characteristics or magnitude of informal entrepreneurs (e.g. Autio and Fu 2014; Williams, 2013; Webb et al. 2013), and only a few works have been undertaken to examine the varying degrees of informality amongst entrepreneurs with different characteristics (De Castro, Khavul, and Bruton, 2014; Williams, Shahid and Martinez, 2016; Williams and Shahid, 2016). Williams and Shahid's (2016) findings reveal that in order to improve the degree of entrepreneurship formality, governments should reduce the asymmetry between formal and informal institutions by launching campaigns to show the risk of operating informally, and working to make sure that laws and regulations are closer aligned to peoples' values and norms.

Regarding the relationship between networking and informality, Morris (1994) identifies the important role of social networks for the understanding of informal economic structures. In an African context, for example, social networks have been shown to play a vital role in diminishing the control of states and are in fact a key determinant of “the problem of Africa’s dysfunctional formal and informal institutions” (Meagher, 2010). Additionally, the work of Vershinina et al. (2011) demonstrates that migrant entrepreneurs benefit from their networks to access informal funds or labour. Thai and Turkina (2013) suggest that developing countries should develop networking since this encourages informal entrepreneurship which ultimately feeds through into increased formality. With regards to the effect of individual and firms’ characteristics on the level of formality, very few studies have been conducted. That said, Williams, Shahid and Alvaro (2016) concluded that lower degrees of formality are associated with men, young people, lower education, and new firms with small numbers of employees.

According to the Ease of Doing Business report (2017) published by the World Bank Group, Saudi Arabia is ranked 94 out of 190, while it is ranked 24 out of 130 on the dimension of institutions in the Global Competitiveness Index (2017). This dissertation is aiming to investigate the level of new start-ups’ formality by asking entrepreneurs about what formal institutions they are registered with, and how *wasta* affects this level of formality. In the Saudi business environment, these institutions occupy priority especially when a new venture is attempting to win a government contract, they are called the five-group organisations: Ministry of Commerce, Ministry of Labour, The Chamber of Commerce, The Municipality, The General Organisation of Social Insurance, The Organisation of Zakah and Tax, and finally having a bank account. Moreover, this thesis explores the main reasons for new ventures level of formality.

As a result, the last two hypotheses are:

**H7. Receiving *wasta* reduces level of formality**

**H8. Providing *wasta* reduces level of formality**

## **2.7 Knowledge gaps and research questions**

This review of the literature shows that to date, there has been little empirical work conducted examining the role that the informal institution ‘*Wasta*’ plays in entrepreneurship in Arabic regions, and Saudi Arabia more specifically. Key gaps in the literature on *Wasta* and its effect on early stage entrepreneurship are summarised below.

Firstly, most work that has been conducted has focused on how individuals benefit from wasta, or on specific aspects of its role, while ignoring the supply side. In addition, these previous articles have often only taken into consideration some wasta activities, with some groups of people involved in these practices ignored. In extant work it has rarely been explored what organisational recipients of wasta deal with and what the rewards to them are.

Secondly, the review of the literature has shown that few studies have explored the role that informal institutions play in the entrepreneurship field in Arabic contexts, especially the interaction between wasta and liabilities of newness, entrepreneurial orientations, tax morality, and level of formality among start-ups. Thirdly, most of the studies hitherto conducted on wasta have not been strongly theoretically grounded. Therefore, this thesis, through drawing upon institutional theory and engaging with notions of social capital and social network theories, bucks this trend.

Finally, previous research into entrepreneurship has tended to apply uncritically concepts derived from studies conducted in Western contexts to entrepreneurial environments in non-Western contexts. This thesis takes a different approach. It combines insights and understandings gathered from the field, with those articulated in extant (Western and non-Western) literature. For example, to conceptualize wasta, the research combined the meanings and definitions of wasta proffered by Saudi respondents, with those presented in scholarly works. This approach is explained further in the following paragraphs, particularly in relation to how the concepts of liabilities of newness, entrepreneurial orientation, tax morality, and level of informality were identified, with relationships between these and wasta tested empirically in the study. The following paragraphs expand further on this method:

The process of how the researcher derived the four areas: liabilities of newness, entrepreneurial orientation, tax morality, and level of formality, began in the qualitative interview stage of this research. The entrepreneurs interviewed were asked about the challenges they encountered when starting their firms. Concepts such as risk taking, competition and innovation were mentioned by the interviewees when discussing their entrepreneurial projects. Furthermore, the participants raised issues of morality, registration and regulation. After these interviews, the researcher returned to the reviewed literature and found some academic constructs and concepts that seemed to relate to these issues mentioned in the interviews. The researcher therefore identified these four main ideas (liabilities of newness, entrepreneurial orientation,



morality and level of formality), as clearly having some relevance and salience in the Saudi entrepreneurship context, based upon the conversations with the entrepreneurs.

The approach described aims to mitigate and address any concerns regarding the appropriateness of applying the four (western derived) concepts to the study of entrepreneurship in a Saudi context. Nevertheless, further reflection is needed. It might be questioned, for instance, just how significant a concept like liability of newness is in a Saudi context? Does it require adaptation to be usefully applied in that context? It might also be questioned just how far does the apparent resonance between Saudi experience and Western theory extend? Can these particular theories be transferred wholesale to a Saudi context or are their still points of tension or dissonance? Discussions in the thesis are sensitive to these issues. In this regard it is recognised that while these four Western concepts might be more or less relevant in different contexts, they have still been tested in entrepreneurial research in a variety of existing contexts, providing some further justification for their use in this research. For instance, liabilities of newness have been studied in a Chinese context (e.g. Zhang and White, 2016), in the USA (Aldrich and Auster 1986; Henderson, 1999; and Nagy et al., 2012), and in Canadian firms (Morse et al., 2007; Thornhill and Amit's, 2003). Entrepreneurial orientations have also been used in research examining Chinese businesses in the UK (Zhang and Wang, 2012; Shan et al., 2016), in an Indonesian context (Pratono, and Mahmood, 2015), to examine wider UK business (Hughes and Morgan (2007), as well as in the United States, Hong Kong, India and Turkey (Goktan and Gupta, 2015). Regarding tax morality, research has also considered this in developed and developing economies, including across all of Europe (Williams, Álvaro Martínez, 2014), in Switzerland, Belgium, and Spain (Torgler and Schneider, 2007), and Croatia more specifically (Williams and Martínez, 2014; Franic and Williams, 2017), and in the USA (Song and Yarbrough, 1978). Lastly, level of formality was studied in Pakistani firms (Williams and Shahid 2014; Williams, Shahid and Martínez, 2016) and in African nations (Williams and Kedir, 2017).

Importantly, some of these ideas have been explored before in Arabic contexts and even Saudi Arabia, as extensively explained in the literature review chapter - see section 2.6 'Wasta and entrepreneurship'. For instance, Alghamri (2016), Almobaireek et al. (2016) and Darley and Khizindar (2015) have all explored liabilities of newness in a Saudi context. A number of studies have also been undertaken in Arabic nations, including Saudi Arabia, in the area of entrepreneurial orientations and their relationships with market orientations and performance (Bhutan and Habib, 2004; Aloulou, 2018), uncertainty (Yusuf, 2002), new product exploration

(Dayan et al., 2016) and social entrepreneurship (Alarifi et al., 2018). In terms of studying tax morality and tax avoidance in Arabic and Saudi contexts, recent work has been conducted by Al-Hussain and Al-Marzooq (2016), Thompson (2017) and Hasan et al. (2017). Finally, although the issue of the registration of start-ups, is an important one, limited research has been conducted on this in the Saudi environment (e.g. Minkus-McKenna, 2009; Ahmed, 2012; Albugami, 2015), and even less research has been done on the question of firms' levels of formality. This thesis therefore adds to current knowledge by further exploring the viability and value of applying concepts of liabilities of newness, entrepreneurial orientation, tax morality, and level of formality, to research in a Saudi Arabian context.

After reviewing the above literature and identifying significant gaps, a conceptual framework was developed. Related to this and drawing upon extant literature, the phenomenon of wasta requires framing. This research tests relationships between receiving and providing wasta from one side, and liabilities of newness, entrepreneurial orientations, tax morality and level of formality, from the other side. Regarding the four components of wasta (the activities – institutions – rewards – people) seen in the framework, the methodology chapter will set out how these components are derived from previous studies into related concepts, such as blat (e.g. Onoshchenko and Williams, 2013; Franic and Williams, 2017; Williams and Franic, 2017). These relationships are tested in line with the hypotheses below, which are further illustrated in Figure 2. These particular relationships and the rationale for these hypotheses were discussed earlier in the thesis at the end of literature review chapter.

**H1. Receiving wasta reduces liabilities of newness**

**H2. Providing wasta reduces liabilities of newness**

**H3. Receiving wasta increases entrepreneurial orientation**

**H4. Providing wasta increases entrepreneurial orientations**

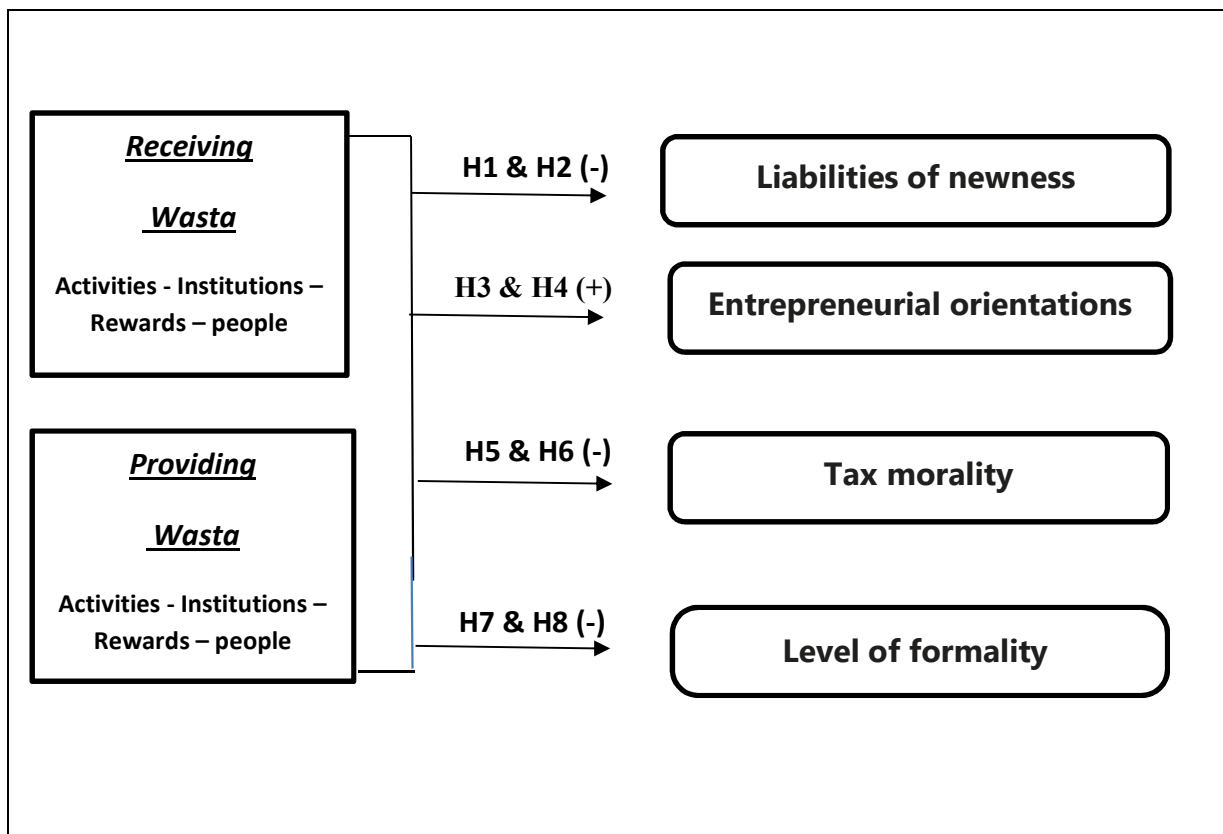
**H5. Receiving wasta reduces tax morality**

**H6. Providing wasta reduces tax morality**

**H7. Receiving wasta reduces level of formality**

**H8. Providing wasta reduces level of formality**

**Figure 2: Conceptual framework**



## 2.8 Conclusion

In conclusion, this literature review chapter has uncovered gaps in knowledge in respect of the influence of the informal institution of ‘Wasta’ on entrepreneurship. The chapter has critically reviewed several related topics beginning with an overview of entrepreneurship and its relations to religions and business ethics. This was followed by review of business considerations in a Saudi Arabian context and key issues in this area. The phenomenon of wasta and its practices in the Arabic world and Saudi Arabia was also discussed in detail, in addition to shedding light on similar phenomena around the globe. This comprehensive review also provided an explanation from various theoretical perspectives regarding informal entrepreneurship, and wasta as an informal institution and its role on Saudi early stage entrepreneurs from the areas of: liabilities of newness, entrepreneurial orientations, tax morality and level of formality. Finally, the literature review chapter offered a rationale for studying these research gaps. The next chapter discusses the methodology adopted in this thesis to answer these questions.

# Chapter 3: Methodology

## 3.0 Introduction

## 3.1 Research paradigm and philosophy (Critical realism)

## 3.2 Research strategy (Mixed methods strategy)

## 3.3 Research design

## 3.4 Qualitative phase

### 3.4.1 Validity and reliability

### 3.4.2 Semi- structured interviews

### 3.4.3 Participants and sampling strategy

### 3.4.4 Data collection procedures

### 3.4.5 Data analysis technique (Thematic analysis)

## 3.5 Quantitative phase

### 3.5.1 Questionnaire design

### 3.5.2 Validity and reliability

### 3.5.3 Data collection procedures

### 3.5.4 Pilot study

### 3.5.5 Population and sampling strategy

### 3.5.6 Response rate and bias

## 3.6 Ethical issues

## 3.7 Conclusion

### **3.0 Introduction**

Chapter 3 presents the methodology employed in this thesis. The chapter starts by examining the choice of research paradigm and philosophy in section 3.1. The next sections, 3.2 and 3.3, discuss the research strategy and design. Section 3.4 discusses the primary exploratory study involving semi-structured interviews with entrepreneurs, and issues associated with this. The results from this stage were used to develop the second data collection tool, namely the quantitative questionnaire. Accordingly, in section 3.5 the researcher explains how the second phase survey method was developed and undertaken, with details of how constructs were measured, how the sample was chosen and how data was gathered and analysed. Before the summary of this chapter, section 3.6 examines the ethical issues relevant to the study.

### **3.1 Research paradigm and philosophy (Critical Realism)**

In research it is critical to reflect on one's underlying philosophical position, and one's ontological and epistemological standpoints. These relate to the research's philosophical worldview regarding the nature of reality (ontology), and how authentic and justified knowledge can be gained about that reality (epistemology) (Green, 2008). In addition to ontology and epistemology, methodology and methods should be taken into consideration along with the research paradigm. That is, the techniques and procedures used to develop authentic and justified knowledge (Guba and Lincoln, 1998).

Positivism and interpretivism are the two main philosophical paradigms in the social sciences (Bryman and Bell, 2015). Positivism is an ontological assumption derived from the natural sciences where reality is seen as singular and objectively attainable, and participants are deemed as external objects to be observed. Interpretivism, on the other hand, considers reality as comprising multiple possible interpretations derived from participants' inherently subjective experiences and values (Flowers, 2009). These fundamentally different perspectives have led to different methodological approaches: while positivism is generally associated with a quantitative approach, interpretivism supports a more qualitative one. Philosophical differences, meanwhile, have led to longstanding debate as to the merits and problems associated with each paradigm (Johnson and Onwuegbuzie, 2004).

In an attempt to reflect the differences in the two paradigmatic approaches (mentioned in the original thesis), a new paradigm, called critical realism, was developed by Roy Bhaskar (1998). Critical realism (CR) emerged as a result of the critique of the positivist approach, which has

been dominant in social science research in the 20th century (Danermark et al., 2005). As described by Archer et al. (2016, p. 5) “Critical realism is concerned with the nature of causation, agency, structure, and relations, and the implicit or explicit ontologies we are operating with. It asks what we mean by realism in the social world? Whether there are social kinds? Do capitalism, or classes, or the state, or empires exist as social entities? What constitutes a social entity?” Thus, critical realism rejects a positivist focus on the epistemology of events, to focus on ontology and, specifically, shifting the focus within that ontology from how we “know” events to analysing the mechanisms underlying those events. “In short, the point of departure [i.e. the opening assumption] in critical realism is that the world is structured, differentiated, stratified and changing” (Danermark et al., 2005, p. 5). The mechanisms behind events are therefore a central focus of critical realist research; hence, while accepting (with the positivists) that the external world operates independent of human consciousness, it also emphasizes that our perception of those mechanisms is socially determined. Social structures are therefore central to a critical realistic discussion of these causal mechanisms, such as powers, relationships and rules (Fleetwood, 2005).

In more detail, Bhaskar (1998) identifies three domains of reality: real, event and empirical domains. The ontological assumption of this philosophy is that the social world is “*a multidimensional open system*”, which represents the interactions between human agency and social structures (McEvoy and Richard, 2006, p. 70), while the epistemological assumption is that knowledge can be produced by social actors (Miller and Tsang, 2010). This philosophy, therefore, stands in the middle between positivism and interpretivism. Critical realism is used by many social sciences scholars and is currently gaining popularity in mixed methods studies due to its ontological perspective which is similar to positivism by examining the reality from different facets (McEvoy and Richard, 2006), while its epistemology is closer to interpretivism (Sayer, 2000). In other words, the ontological perspective means that the world is independent of scholars’ knowledge, whereas researchers’ knowledge about the world is socially produced, epistemologically. Related to this, reality exists independent from individuals, but that reality cannot be valuable without researchers’ interpretations (Thomas, 2003). Critical realism therefore offers a way to integrate the subjectivist qualitative and objectivist quantitative approaches (Robson, 2002). This implies that, in critical realism, the world is articulated by distinguishing the real from the actual and the empirical. The domain of the real consists of structures and objects which have causal power resulting in the mechanism under investigation (Leca and Maccache, 2006; Zachariadis et al., 2013). The domain of the actual is a subclass of

the real and “includes the events generated from both exercised and unexercised mechanisms”. The domain of the empirical, meanwhile, refers to the process of change and the events that are experienced and observable (Zachariadis et al., 2013, p. 857). Critical realist scholars consider that an entity becomes real if it makes difference and affects people’s behaviour, and this can be called causal efficacy (Fleetwood, 2005).

Critical realism, therefore, allows researchers to criticise the initial reality that a society believes about a phenomenon (Tsang, 2014). We can see from this discussion why critical realism represents a valid theoretical grounding for this thesis. Its acceptance of an independent reality goes hand in hand with a focus on the social mechanisms that operate to create that reality. This is well suited to the exploration of a mechanism like *wasta* that is not only intrinsically “social” in the direct sense, but also social in the sense that it operates within and between other social mechanisms – government institutions, the law, relationships, social institutions like religion, etc. From a critical realist perspective, *wasta* can be conceptualised as an “actual” social mechanism that operates within “real” political, governmental and social institutions (businesses, government ministries, etc.). The exercise of *wasta* creates change that is observed and experienced by actors, and it is this empirical perception that the thesis uses to understand *wasta* in society. This underlines why this philosophical approach is an appropriate choice to study and understand the social realities of early stage entrepreneurial projects in Saudi Arabia. The phenomenon of *wasta* can be viewed from the perspective of both positivism and interpretivism. Critical realism acts as a general orientation to research practice, providing concepts which help create more accurate explanation of social phenomenon than those which currently exist (O’Mahoney and Vincent, 2014, p. 13). Adopting a critical realist philosophy therefore enables the researcher to understand and articulate the practices of *wasta* and how these operate in the entrepreneurship field. Through understanding the relationships between the variables, critical realism is aiming to generalise theoretical propositions without asking why this relation happens (Montano and Szmigin, 2005; O’Mahoney and Vincent, 2014).

In the case of this thesis, as previously mentioned, very little research has been conducted on the relationship between *wasta* and entrepreneurship in the Arabic context, and scholars sometimes avoid writing about it owing to its paradoxical and controversial nature. Hence, the research does need to discover the nature of this paradoxical phenomenon in some depth, and thus actors' perceptions and practices in this important stage, by conducting semi-structured interviews with Saudi entrepreneurs followed by distributing a quantitative survey. Let us take a simple example, the definition of *wasta* might be different not just from one person or group

to another, but might be different if asking the same person in two separate situations. To explain this further, although questions of numbers and quantity are important, they are meaningless without explanation, so critical realism is a necessary means to achieve that goal of broader understanding (O'Mahoney and Vincent, 2014). When conducting such a mixed method strategy, the first stage was to interview early stage entrepreneurs to develop a deeper understanding of the practice of *wasta*, followed by a positivist method, applied through a questionnaire, to explain and examine the relationships between the phenomenon of *wasta* and entrepreneurship. This quantitative questionnaire "*helped to identify clear and consistent patterns of practice*" by asking the participants about their perceptions and their practices of *wasta* within their start-ups (McEvoy and Richard, 2006, p.76).

### **3.2 Research strategy (Mixed methods strategy)**

Two decades ago, the two dominant methodological approaches used in research were either quantitative or qualitative (Tashakkori and Teddlie, 2003). The quantitative approach was dominant in the field of entrepreneurship up to recent years when mixed methods approaches have become increasingly popular (Molina et al., 2012). The quantitative approach is consistent with the natural sciences, positivism, deductive and objective approaches, whereas qualitative data collection links to the social sciences, interpretivism, inductive and subjective approaches. Tashakkori and Teddlie (2003), however, argue that a good number of studies have tended not to use the terms inductive and deductive separately, but to undertake research that mixes these two orientations. This type of method is described as a "*class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study*" (Anthony and Onwuegbuzie, 2004, p, 17). Recently, an increasing number of studies have adopted such mixed methods approaches (Bryman, 2006).

It is well known that positivist researchers apply quantitative questionnaires to a large sample and analyse the resulting dataset statistically, while interpretivists can adopt several choices of approaches such as descriptive, case study, and grounded theory. Critical realists, however, implement different approaches like in-depth interviews and questionnaires in the same piece of research (Ackroyd and Karlsson, 2014). Critical realists emphasise the importance of analysing people's typical behaviour; they recognise that this behaviour is affected by both internal motivations and external contexts (Vincent and Wapshott, 2015) and this leads to a deeper understanding of their actions. Most people in Arabic countries consider and deal with



wasta as a routine, typical practice. Studying wasta from a deep critical realist perspective will enhance and deepen our understanding of it, and encourage exploration of the fundamental social structures and mechanisms that underpin it as well as the behaviour and actions that it comprises. Critical realism, therefore, eschews an artificial divide between qualitative and quantitative approaches, combining the in-depth methods associated with the qualitative with a focus on understanding the complex mechanisms and structures of the social world and thereby allowing that social world to come alive (Hurrell, 2014).

This approach is a way of thinking that invites researchers to engage in how to see, hear and make sense of our social life through multiple eyes (Greene, 2008). It is a way to benefit from the strengths of both methods and also to overcome some drawbacks (Anthony and Onwuegbuzie, 2004). The two authors list further characteristics of this method, such as providing a better understanding, generating questions with possible answers and offering surprising narratives, and also "*getting closer to the truth*" (Greene, 2008, p.17). Sassmannshausen and Gladbach (2010) suggest that mixed methods approaches are well-suited to the entrepreneurship field and especially for new scholars to shed light on entrepreneurial activities.

Creswell (2013a) argued that it is useful to use a sequential exploratory strategy in exploring a specific phenomenon, in which researchers start their data collection by interviewing respondents in the first stage, followed by a quantitative survey in another stage. Although wasta is prevalent among most social classes in Saudi and Arabic societies, it has not been well explored. As a consequence, evaluating its role and exploring its nature and practices within the context of entrepreneurial behaviour requires undertaking semi-structured interviews. This will allow data to be gathered to explore entrepreneurs' attitudes and perceptions about the phenomenon. The main aim of the qualitative aspect of the research would be to acquire a deeper understanding and knowledge of the phenomenon which will serve as guide in designing the quantitative aspect of the study (Molina-Azorin et al., 2012). In other words, the qualitative results will help the researcher to build the quantitative survey, which will be distributed to a bigger sample. In terms of deciding in which phase the researcher will combine the two strands. Creswell and Clark (2007) list four timing possibilities for combining the two strands (qualitative and quantitative) (i.e. at the stage of design, data collection, data analysis or at the interpretation level). This thesis adopted combining the two strands in the first choice when benefiting from the qualitative findings to design the questionnaire, and secondly in the interpretation stage. In sequential research, the questions asked in the second stage will be

generated from the first stage results (Tashakkori and Creswell. 2007). The survey questions will be designed based on the results of the qualitative questions.

Mixed methods approaches can support understanding of the ‘big picture’ of a phenomenon, while also avoiding issues of bias that might arise when using a single approach (Denscombe, 2008). Specifically, the interpretivist method (interview) helps to discover the nature of waste and entrepreneurs’ perceptions, while the positivist approach (survey) allows the researcher to broadly explore the practices of the participants within their start-ups. Integrating both views “enhances the generalizability and explanatory power of network studies” (Muhlenhoff, 2016, p. 38). In parallel to this, using mixed methods in network research is best, particularly when the study is exploratory and the prior knowledge of a phenomenon is incomplete (Wald, 2014).

Green et al. (1998) identify five main rationales for adopting mixed methods research: seeking convergent and corroborated results (triangulation); seeking illustration and enhancement of results from one method to the other (complementarity); developing the ideas derived from a method to design the other (development); discovering contradictions to develop research questions (initiation); and, lastly, expanding the depth and range of the research (expansion). In the current research, development, complementarity and expansion were the important justification to adopt a mixed methods approach. Additionally, due to the variety of questions when conducting mixed methods, these methods facilitate each other (Bryman and Bell, 2015).

In order to achieve the research objectives, therefore, this research adopts a mixed methods approach which allows the use of both qualitative and quantitative methods of inquiry. Another justification for adopting this approach is to overcome the disadvantages of using a single method, while utilising their advantages. Most of the weaknesses and strengths of mixed methods are summarised in the Table (3.1).

Table 3.1: Strengths and Weaknesses of Mixed Methods Research

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Numbers can be used to add precision to words, pictures and narrative.</li> <li>• Can provide quantitative and qualitative research strengths</li> <li>• Researcher can generate and test a grounded theory.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be difficult for a single researcher to carry out both qualitative and quantitative research, especially if two or more approaches are expected to be used concurrently; it may require a research team.</li> <li>• Researcher has to learn about multiple methods and approaches and understand how to mix them appropriately.</li> </ul>

<ul style="list-style-type: none"> <li>• Can answer a broader and more complete range of research questions because the researcher is not confined to a single method or approach.</li> <li>• The specific mixed <i>research designs</i> discussed in this article have specific strengths and weaknesses that should be considered (e.g., in a two-stage sequential design, the Stage 1 results can be used to develop and inform the purpose and design of the Stage 2 component).</li> <li>• A researcher can use the strengths of an additional method to overcome the weaknesses in another method by using both in a research study.</li> <li>• Can provide stronger evidence for a conclusion through convergence and corroboration of findings.</li> <li>• Can add insights and understanding that might be missed when only a single method is used.</li> <li>• Can be used to increase the generalisability of the results.</li> <li>• Qualitative and quantitative research used together produce the more complete knowledge necessary to inform theory and practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Methodological purists contend that one should always work within either a qualitative or a quantitative paradigm.</li> <li>• More expensive.</li> <li>• More time consuming.</li> <li>• Some of the details of mixed research remain to be worked out fully by research methodologists (e.g., problems of paradigm mixing, how to analyse quantitative data qualitatively, how to interpret conflicting results).</li> </ul>
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Source: Johnson and Onwuegbuzie, (2004), P. 21

### 3.3 Research design

Research design refers to the plan implemented to describe all the steps involved in a piece of research from start to end (Bryman and Bell, 2015). The aim and objectives of a piece of research should direct decisions about the research design. To clarify, the research design is the guideline for several issues: providing effective answers to the study's research questions, deciding which data and resources are required, and choosing which techniques should be adopted for data collection and analysis (Saunders et al., 2009).

There are two decisions in mixed methods: which method is considered to be the principal one and the other is about the sequencing of the methods, which "*determines whether the complementary method will serve as either a preliminary or a follow-up to the principal method*" (Morgan, 1998, p. 362). Based on both decisions, Morgan identified four research designs: (1) preliminary qualitative methods in a quantitative study, (2) preliminary

quantitative methods in a qualitative study, (3), follow-up qualitative methods in a quantitative study, and (4) follow-up qualitative methods in a quantitative study. However, deciding which phase, qualitative or quantitative, has priority can be a difficult decision (Morgan, 1998; Creswell and Clark, 2007).

A researcher can give greater priority to qualitative or quantitative phases, or equal priority to both. When the aim of mixed methods approaches is to target better validation, one method (e.g. qualitative) might outweigh the other method (quantitative); when the aim is to increase knowledge, an integrated and equal mix of quantitative and qualitative is often the best approach but sometimes one method might be stronger or more dominant than the other (Muhlenhoff, 2016). Mixed methods studies might therefore provide either equal or higher priority to qualitative or quantitative stages, and this is decided based on the research aims (Creswell, 2009).

Regarding paradigm priority, scholars often suggest that, in sequential designs, the method the researchers conduct first is usually dominant (Morse, 1991; Creswell and Clark, 2011). In contrast, Johnson and Onwuegbuzie (2004) divide mixed methods designs into nine parts, describing them as being based on two decisions: First, whether data collection phases are undertaken sequentially or concurrently, and second, whether the two phases are equal, or one is more dominant. It is very important to note that the design adopted should answer the research questions, and link closely to the purpose of the thesis. One of the advantages of the sequential design is that it is easier to conduct and implement than concurrent designs (Hollstein, 2014). The disadvantages, however, are that sequential approaches potentially limit the possibility of making changes to the study and they are also time-consuming due to the fact that a researcher cannot commence the second stage before completing the first (Muhlenhoff, 2016). Johnson and Onwuegbuzie's (2004) nine designs are summarised in Figure 3, where the small letters (e.g. qual) mean less dominance, while capital letters indicate dominance (e.g. QUAN)

		<b><u>Time priority</u></b>	
<b><u>Paradigm priority</u></b>	Equal Status	QUAL + QUAN	QUAL --- QUAN QUAN --- QUAL
	Dominant Status	QUAN + qual QUAL + quan	QUAL --- quan qual --- QUAN QUAN --- qual quan --- QUAL

**Figure 3: Mixed-method design matrix with mixed-method research designs**  
**Source: Johnson and Onwuegbuzie, (2004), P. 22**

Creswell (2014) divides exploratory sequential designs into three stages: exploring a phenomenon or problem by conducting qualitative data collection and analysis, developing a suitable instrument, and thirdly following with the quantitative phase. This thesis adopts the sequential exploratory mixed methods design described in Hesse-Biber (2010), Creswell and Clark (2011) and Creswell (2014). Priority is given to the second phase – the quantitative data collection tool (i.e. a qual ---QUAN study using the terminology in Figure 3, and as suggested by scholars such as Morgan (1998) and Johnson and Onwuegbuzie (2004). The two stages will be discussed in the next parts.

The first exploratory stage comprised semi-structured interviews with Saudi entrepreneurs in order to gain a deeper understanding about the role of wasta in their start-ups. The interviews began by asking the entrepreneurs general questions about their businesses and the challenges encountered and how they tackled them. Then they were asked about their perceptions and practices in respect to wasta. The interviews finished by allowing them to speak freely about their firms’ formality and about laws and regulations.

The second stage was the quantitative survey which was employed to study issues such as liabilities of newness, entrepreneurial orientations, tax morale and some others like vertical and horizontal trust, level of start-ups’ formality. These phases will be discussed in further detail the following sections.

Table 3.2: The Research stages

Stages	Time	No of Participants	Data collection method
1. Exploratory study	April - June 2016	20 Entrepreneurs	Semi-structured interviews
2. Survey study	Feb – June 2017	236 Entrepreneurs	Structured questionnaire

### **3.4 Qualitative phase**

There are many possible methods that can be used to collect qualitative data, including in-depth interviews, focus groups, observation research etc. (Bernard and Ryan, 2009). In academia, however, the most popular method is interviewing participants (Opdenakker, 2006). In this type of method, a researcher is exploring a problem or a phenomenon from the individuals' points of view, so, the participants would be the experts and the interviewer is the interpreter of the reality based on his/her experience (Hesse-Biber, 2010).

For the purpose of this research study, a qualitative interviewing method was undertaken to gain a deeper understanding of the perceptions and practices of *wasta* amongst Saudi entrepreneurs. The aim of the qualitative interviews was to explore the phenomenon of *wasta* in depth through the Saudi entrepreneurs' opinions, thoughts, concerns, conceptualisations and experiences of their entrepreneurial journey, and the relationship of this entrepreneurship with the social phenomenon of *wasta*. Very useful and interesting information was uncovered through the interviewees, which would have been difficult to obtain without these conversations.

#### **3.4.1 Validity and reliability**

Validity and reliability are central concerns in quantitative studies and are increasingly being considered in qualitative research as well (Patton, 2001; Golafshani, 2003). Qualitative researchers, however, adopt different terms such as credibility, neutrality, dependability or trustworthiness (Lincoln and Guba, 1985). Validity in qualitative research is mostly related to the quality of a study (Golafshani, 2003), while reliability in qualitative research resides in persuading readers that the results of a study "*are worth paying attention to*" (Lincoln and Guba, 1985, p. 290).

The researcher in this thesis took this into consideration when conducting the interviews. Specifically, great care was taken in the stage of developing the interview questions: the questions were derived from a comprehensive review of the literature, they were then discussed with the supervisors and three PhD candidates and a pilot interview was conducted with entrepreneurs in order to receive feedback. The questions were reconsidered with the supervisors to obtain the final approval to start this stage.

### 3.4.2 Semi-structured interviews

Interviews are an important and common forms of data collection in network studies (Muhlenhoff, 2016). There are three different types of interview: structured, semi-structured and unstructured interviews (Saunders and Townsend, 2016). Fox (2006) defines the structured interview as a tool allowing the interviewer to ask all respondents the same questions in a similar way, whereas the unstructured type includes limited topics and ask the questions according to the interviewees' responses. The semi-structured interview uses open-ended questions and applies scheduled and known subjects similar to structured questions (Fox, 2006).

This thesis adopts a semi-structured interview format. This is usually recommended in order to keep the conversation focused on the targeted topics and questions, and to establish a rapport with interviewees (Merriam and Tisdell, 2015). Additionally, this type is more flexible than structured interviews, and it is easier to analyse the data collected than with unstructured interviews (Noaks and Wincup, 2004). Furthermore, semi-structured interviews allow researchers and participants to speak informally and change the vocabularies used in the conversation (Madill and Barkham, 2011).

This tool allows the researcher to understand the phenomenon under study deeply by asking entrepreneurs further questions, and provides interviewees some freedom and flexibility to be helpful and to provide more information (Reid et al., 2005). The interview questions were derived from the literature review and from informal discussion with six entrepreneurs during the first months of the researcher's PhD journey in 2014-15. In the present study the researcher employed interviews for two reasons. First, *wasta* - within the field of entrepreneurship and entrepreneurs - is a sensitive issue that needs to be explored deeply, which interviews can do. Secondly, because this is exploratory research in the context of Saudi Arabia, and interviews can be used to "*develop a theoretical understanding*" (Bruton, Ahlstrom and Puky, 2009, p. 769), and to then design the second method adopted in this study which is survey design using a questionnaire.

The semi-structured interviews began by asking the entrepreneurs demographic and general questions regarding their businesses and the industry they work in, followed by a question about the challenges they experienced and how they overcame them. The researcher then started to question entrepreneurs about their attitudes to, and experiences of, practices of *wasta*

in the demand and supply sides. Finally, participants were asked about the issue of their businesses' registration and formality.

Most of the interview questions were informed by the literature that was reviewed before the first stage, while the rest emerged from the pilot interviews. For instance, the interview questions related to challenges which have been examined by many scholars (e.g. Stinchcombe 1965; Morse et al., 2007; Nagy et al., 2012). In order to understand entrepreneurs' perceptions towards *wasta*, and their feelings when seeing or practising it, the researcher derived the interview questions from different sources (Cunningham and Sarayrah, 1993; Yen et al. 2011; and Berger et al., 2014). Questions about the reasons for using *wasta* and its practices in the Saudi business field came from the pilot interviews performed with Saudi entrepreneurs at the start of this study. Questions about the benefits and drawbacks of using personal connections were raised from work by Harrison (2004), Erkal and Kali (2012), Makhoul, Sidani and Thornberry (2013) and Marktanner and Wilson (2016). Another example of an interview question which is clearly aligned with the literature is receiving and providing *wasta* practices, which was adopted from scholars who studied similar phenomena such as Russian *blat* (e.g. Onoshchenko and Williams, 2013; Franic and Williams, 2017; and Williams and Franic, 2017). In addition to the findings of the pilot interviews, this thesis benefited from the articles of Williams, Shahid and Martinez (2016) and Williams and Shahid (2016), to identify the issues of firms' registration and level of formality.

Needless to say, the researcher overall attempted to ensure that the interview questions were close to a best understanding of daily practices, especially if we acknowledge that this first qualitative phase was mainly about understanding what is occurring in the field of entrepreneurship and *wasta* practices. The further development in that understanding in the first stage was then used to inform the quantitative survey conducted in the second stage. For example, one of the results emerging from the interviews was the issue of registration and formality, which has been widely studied in the literature (e.g. Williams and Shahid, 2016). **(See the appendix for the full interview protocol and a table identifying the literatures informing the development of different interview questions)**

The interview questions were firstly written in English, and were discussed several times with supervisors and colleagues before approval was given to start the interviews. Then, the researcher translated the questions into Arabic, and sent these for validation to an Arabic



expert who has been a member of the teaching staff at a UK university for around 20 years. Concurrently, the researcher conducted a pilot interview with a Saudi entrepreneur who was visiting the UK as a tourist; which resulting in a few questions being clarified or removed. After this step, and associated amendments, the interview questions were considered to be ready.

In this exploratory study, the researcher identified the main themes considered to be important for understanding the phenomenon and developing the quantitative survey. Although this first stage played a key role in improving the questionnaire, the researcher noted that the literature and other theories played a greater role.

### **3.4.3 Participants and sampling strategy**

Since it is impossible to investigate the whole population, a representative selection from that population is an effective means to obtain explanations and perceptions (Deming, 1990). Although there it is often stated that random sampling is linked to quantitative approaches and non-random sampling to qualitative studies, both sampling approaches might be used in mixed methods studies (Tashakkori and Teddlie, 2003; Onwuegbuzie and Collins, 2007). Onwuegbuzie and Collins (2007) further argue that mixed methods researchers could select from five sampling schemes: simple, stratified, cluster, systematic and finally multi-stage random sampling.

According to Teddlie and Yu (2007) there are four sampling techniques for social science: probability, purposive, convenience and mixed methods sampling. One of the choices in the purposive strategy is snowball sampling (Shahid et al., 2017; Ram et al., 2008). The strategy can be defined as an informal technique used to find a target population (Atkinson and Flint, 2001; Browne, 2005), and this strategy attempts to benefit from and expand the social networks of a researcher (Thomson, 1997). This sampling strategy not only focuses on the sample chosen, but it also seeks deeper understanding of individuals' lives (Browne, 2005). It is important to note that "*we cannot ignore the importance of virtual relationships on people lives*" (Batler and Brunet, 2012, p. 57).

The advantages of snowball sampling lie in having access to a hidden population, building trust between a researcher and participants leading the latter to provide deeper answers, and being efficient, economic and effective (Atkinson and Flint, 2001). On the other hand, there are some drawbacks of this sampling strategy, such as the potential for biased selection on the part of the researcher or the gatekeeper, and the difficulty of finding other participants outside the

networks (Atkinson and Flint, 2001; Vershinina and Rodionova 2011). Hence, the researcher employed this strategy to choose the interviewees whose their businesses show varying degrees of formality.

A total of 20 entrepreneurs participated, involving 17 men and 3 women, all Saudis. Some scholars suggest that the saturation point occurs within a specific number of participants. This point is defined as *“the point in data collection when the researcher gathers data from several participants and the collection of data from new participants does not add substantially to the codes or themes being developed”* (Creswell, 2017, p. 77). For instance, Guest et al. (2006) who specify that this point can be reached within the first 12 interviews. According to the book written by Creswell (2013b) based on reviewing several studies, the author suggested that one to two participants are suitable for narrative research, three to ten subjects for phenomenological studies, 20 – 30 individuals for grounded theory work.

However, it is dangerous to identifying a specific number of interviews as acceptable or unacceptable; it depends on the nature of a study. A scholar might reach saturation in 12 interviews, alternatively he/she might not reach it in 100 interviews, and it is based on the topic. Accordingly, between the 14th and 16th interviews, the researcher observed that most of the answers were repeated and no new insights emerging, and so based on your understanding of saturation – drawing upon the literature – the researcher decided to stop at 20 interviews, which suggests that interview results were reaching the saturation point.

#### **3.4.4 Data collection procedures**

The interviews were conducted by the researcher himself in Arabic and lasted between 60 and 90 minutes. The interviews took place in different locations: entrepreneurs’ offices or public settings. All entrepreneurs interviewed held a position as either a sole owner or partner.

In order to identify interviewees, the researcher contacted six of his contacts. The first one was an entrepreneur and academic member of staff at a university, who also works as a part-time mentor at an accelerator. This person provided a list of 15 start-up entrepreneurs containing their contact information. The second person was a director at the Chamber of Commerce, who sent a list of ten entrepreneurs. The third person was an employee at The Social Development Bank, he provided the researcher with the contact information of ten entrepreneurs. The last three contacts provided a further twenty potential interviewees, giving an overall pool of 45 entrepreneurs. Prior to this, the researcher had requested those friends to choose the entrepreneurs who they felt had the ability to provide useful information and experiences.

Acquiring deeper information in social networking requires trust (Putnam et al., 1994). The researcher therefore first contacted the 45 entrepreneurs by sending a brief message followed by a telephone call to build a rapport with them, informing them of the aims of the study, and how it could contribute to the Saudi entrepreneurial environment. A few days later, the invitation letter, consent form and ethical approval were sent to every potential participant. Only 26 entrepreneurs agreed to take part in the interviews, with the remainder apologising for various reasons.

The potential interviewees were given the opportunity to choose a convenient time and place for their interview, while the female entrepreneurs preferred to be interviewed via Skype application. During the time spent organising the appointments and commencing the interviews, six entrepreneurs withdrew due to changing circumstances. The majority of the interviewees asked to read the questions. One of the interviewees preferred not to be recorded and thus notes were taken instead, but the interviews with the other 19 entrepreneurs were audio recorded. 15 interviews were held face-to-face while five entrepreneurs (three female and two male) requested that it would be more convenient if the interviews were via an Internet programme called Skype (Hanna, 2012). In total twenty interviews were conducted from April to June 2016 as summarised in detail in the table (3.3).

Table 3.3: Summary of Interviewees and Associated Interviews

No	Gen	Industry	Interviewing type	Recording
Ent01	M	Delivery application	Face to face	Recorded
Ent02	M	Online Travel agency	Face to face	Recorded
Ent03	M	Technology	Face to face	Recorded
Ent04	M	Digital marketing	Face to face	Recorded
Ent05	M	Online Travel Agency	Face to face	Recorded
Ent06	M	Programming Co	Face to face	Recorded
Ent07	M	Industry	Face to face	Recorded
Ent08	F	Marketing	Skype	Recorded
Ent09	M	Online Training	Face to face	Recorded
Ent10	M	Design	Face to face	Recorded
Ent11	F	Audio Books Platform	Skype	Recorded
Ent12	M	Retail	Face to face	Recorded
Ent13	F	Finance	Skype	Recorded
Ent14	M	Virtual reality	Face to face	Recorded
Ent15	M	Car Services	Face to face	Not Recorded
Ent16	M	Photographing App	Face to face	Recorded
Ent17	M	Food	Face to face	Recorded
Ent18	M	Internal Design	Skype	Recorded
Ent19	M	Online Education Platform	Skype	Recorded
Ent20	M	Digital marketing	Face to face	Recorded

In this qualitative phase, the issue of translation was one of the most crucial concerns. The first versions of the qualitative interview questions were developed in English, and after obtaining the acceptance from the supervisors and the ethical approval from the University, the researcher translated the interview questions into Arabic. This was followed by a pilot interview to receive some comments, and then the questions were sent to an academic colleague who speaks both Arabic and English fluently. After conducting the interviews, the next stage was transcribing and translating the data gathered. In order to maximise reliability, the effective solution here was for the researcher to be the only translator in this stage (Twinn, 1997). The transcriptions were firstly written in Arabic and analysed in both languages English and Arabic.

### **3.4.5 Data analysis technique (Thematic analysis)**

Critical realists consider interviews to be a means to enrich our understanding of processes, events and experiences, especially when studying and analysing the causality of a complex social phenomenon (Smith and Elger, 2014). The researcher employed a thematic analysis technique to interpret the data gathered from the semi-structured interviews (Jones et al., 2011; Braun and Clarke, 2006). Ryan and Bernard (2003) define “*themes*” as the fundamental concepts through which researchers try to describe a subject of research, while the thematic analysis technique can be defined as a “*method for identifying, analysing and reporting patterns (themes) within data*”, and describing this data in rich detail (Braun and Clarke, 2006, P. 79).

In more detail, the first stage of qualitative data analysis began by interpreting the data in light of the initial research questions (Eisenhardt, 1989). As mentioned earlier, MAXQDA software was used to view the emerging themes and keep track of similarities whilst managing the whole dataset (Mair, Marti and Ventresca, 2012). This cannot remove the researcher’s role in all phases of analysis, however. In line with this approach, the initial codes were identified inductively from the data, and in the second order of analysis the researcher acted as a knowledge agent.

For instance, the first research question was ‘How do early stage entrepreneurs perceive waste, and how do they practise it when facing the challenges of starting their business?’ This research question linked to question 2 in the interview schedule where the interviewees were asked about the challenges encountered by those entrepreneurs at an early stage in their start-ups, and the following questions 3 to 6, which asked them about perceptions towards the phenomenon

of *wasta* and its role in overcoming these challenges. In terms of the challenges, 19 first order concepts emerged (after Gioia et al. 2013). In the second stage, the research attempted to reduce these to a manageable number (Gioia et al., 2013). These concepts were grouped under six second order themes which led us to the main and aggregate theme of Liabilities of newness.

With regards to the receiving and providing practices of *wasta* used by the entrepreneurs, they were asked about their practices of using connections to receive or to provide benefits within a variety of institutions either in the private or public sector. Additionally, participants were asked about the type of relationship they had with others (providers and receivers), and also the rewards given or provided by participants. All in all, 203 concepts were identified in the first order from the twenty interviews. These were then gathered into 34 second order themes, which generated the main nine dimensions mentioned in the previous table (liabilities of newness; *wasta* perceptions and feelings; reasons for using *wasta*; *wasta* practices in the business field; benefits and drawbacks of *wasta*; receiving *wasta* practices; providing *wasta* practices; registration and level of formality and business attitudes and ethics). Figure 3 shows an example of how the coding process was performed to find the main and sub-themes.

There are several ways to identify themes, such as: repetition, metaphors, transitions, missing data and theory-related material (Ryan and Bernard, 2003). The researcher developed the themes taken from the interview data by concentrating on the repetition of words and terms used by the entrepreneurs, in addition to a few themes that were previously derived from the literature. One of the most important articles using thematic analysis in the entrepreneurship field was conducted by Jones et al. (2012). Their study reviewed about 323 articles in thematic areas of international entrepreneurship, and they used this to develop a thematic map to structure the field. Figure 4 shows an example of how the coding process was performed to find the main and sub-themes.

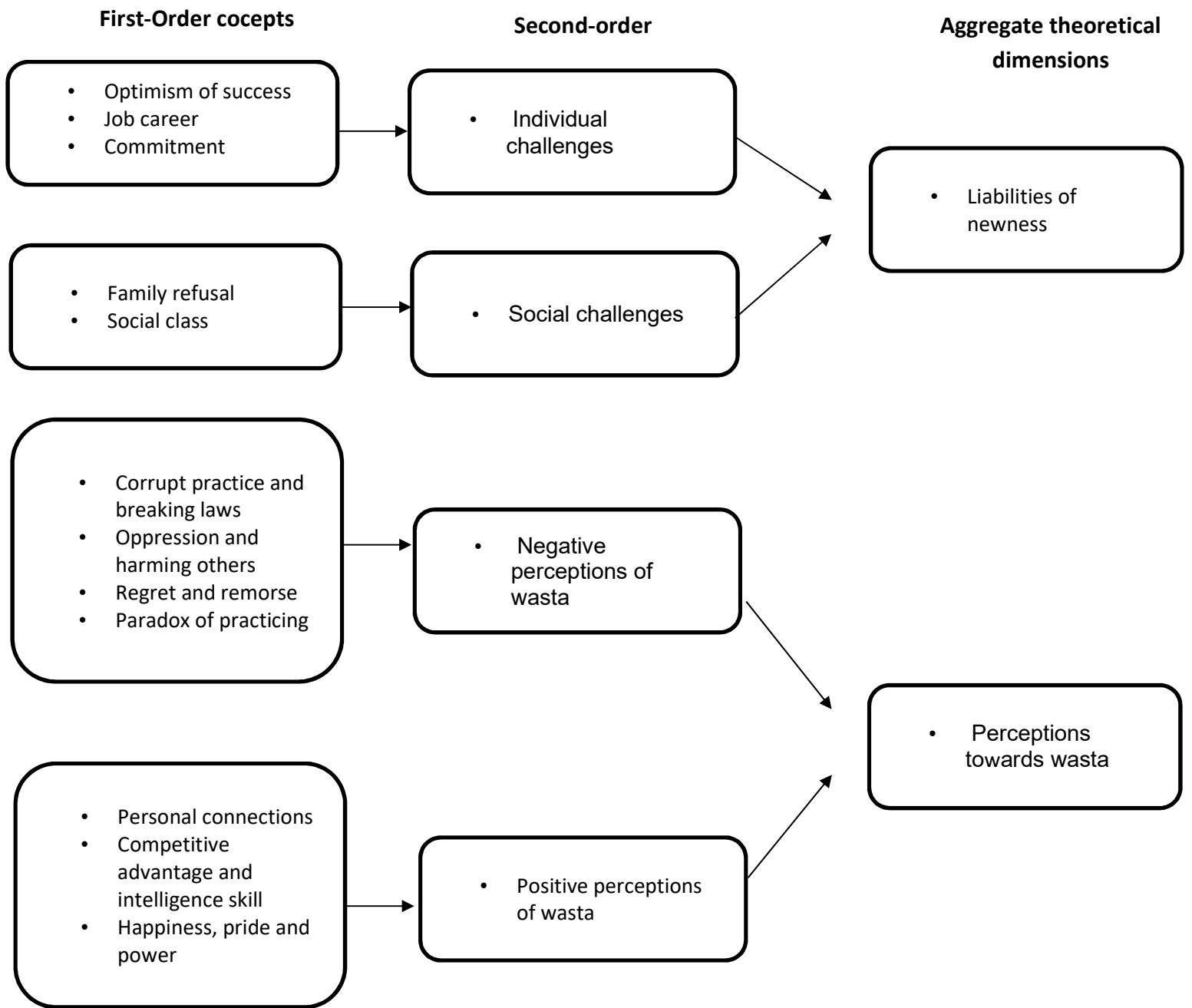


Figure 4: Analytical Coding Process to Induce Theoretical Dimensions  
Adapted from Corley & Gioia, 2004

The data collected from the semi-structured interviews was analysed using the MAXQDA program. Although there are other programs that can be used for thematic analysis of data, such as NVivo, MAXQDA supports Arabic more fully than its competitors. As mentioned earlier, all the interview transcriptions were first written in Arabic and then the final findings only translated to English. Then, the researcher reduced the data and extracted the useful quotes to be used in other chapters. The data gathered from the twenty interviews was first read without a framework, and then reread to allow the researcher to become much closer to the transcripts and to find the key themes based on the interview questions and research aim and objectives. These themes enabled the researcher to obtain valuable knowledge and deeper understanding about the phenomenon of *wasta* and entrepreneurship. Additionally, the emerging themes and findings effectively helped create the quantitative questionnaire.

### **3.5 Quantitative phase**

Like other studies on *wasta* and in the management field, this thesis employed a survey strategy (e.g. Loewe et al., 2008; Tlaiss and Kauser, 2011; Smith et al., 2012; Gold and Naufal, 2012). Surveys are the most common method to collect numeric and quantitative data (Creswell, 2013b). Surveys can use closed or open-ended questions, or a combination. They can also be self-completed or completed face to face by a researcher. They may be mailed to participants, be web-based, be distributed through social networks sites, or conducted via the telephone (Denscombe, 2014).

The survey method offers some distinct advantages such as covering a larger sample, being organised, and making it easier to analyse the results (Saunders et al., 2007). They are also lower cost than other tools like experiments (Palmquist, 2011). On the other hand, some drawbacks can be seen such as bias, missing data, and potentially lowers response rates (Bryman and Bell, 2015). The most common survey tool is questionnaires. The researcher adopted a structured web-based (online) and paper questionnaire, as will be discussed in the following sections.

#### **3.5.1 Questionnaire design**

The researcher went through several steps in developing the questionnaire instrument from different criteria. These criteria represent statements, question formats and order, design, language and lastly context. All the questions were measured and answered using a five- point

scale, apart from the demographic questions and some other questions regarding formality, which were measured using tick or multiple tick answers (Stone, 1993).

The questionnaire was prepared based on the main themes and codes derived from the semi-structured interviews with entrepreneurs in the exploratory phase of the research, and through review of the literature. The aim of the questionnaire was to investigate the role *wasta* plays in the Saudi entrepreneurial environment. The questionnaire contained 29 questions, focussing on several key areas. These were the liabilities of newness, entrepreneurial orientations, horizontal and vertical trust, tax morality and levels of formality or registration. The phenomenon of *wasta* was tested from two angles by asking entrepreneurs about their perceptions towards *wasta* and about their practical activities in respect to *wasta*. In addition to this, demographic and more questions were included. The Table (3.4) outlines the key variables examined through the questionnaire.

Table 3.4: Main Variables Used to Structure the Questionnaire

Variables	Dimensions	Measurement Items	References
<b>Liabilities of newness</b>	Internal	7	Stinchcombe 1965; Nagy et al., 2012; Morse et al., 2007 and qualitative findings.
	External	10	
<b>Entrepreneurial Orientation</b>	Risk Taking	3	Hughes and Morgan, 2007; Shan et al., 2016
	Innovativeness	3	
	Proactiveness	3	
	Competitive aggressiveness	3	
	Autonomy	4	
<b>Wasta perceptions</b>	Feeling	5	Yen et al. 2011; Berger et al., 2014
	Trust	3	
	Favour	6	
	Power	3	Cunningham and Sarayrah, 1993
	Institutional deficiency	5	Qualitative findings
	Institutions	13	Onoshchenko and Williams, 2013; Franic and Williams, 2017;
	Activities	13	



<b>Providing and Receiving Wasta practices</b>	Rewards	11	Williams and Franic, 2017; Qualitative findings
	People categories	7	
<b>Tax Morality</b>	Tax Morality	5	Williams and Franic, 2016
<b>Level of Formality</b>	Registration with institutions	7	Williams, Shahid and Martinez, 2016; Williams and Shahid, 2016; Qualitative findings

Considering the complexity, vagueness and controversy surrounding the term wasta, the researcher avoided mentioning it in the questionnaire explicitly. The term ‘personal networks’ was used instead. This thesis used a closed-ended questionnaire (structured) which consists of closed-end statements (Churchill and Iacobacci, 2002).

Since the entrepreneurs spoke Arabic as their first language, the researcher himself translated the questionnaire first. Then it was reviewed by the same Arabic academic mentioned in the qualitative phase. Furthermore, two Saudi bilingual PhD candidates and an entrepreneur who are fluent in both languages were consulted to provide their feedback on the questionnaire translation. In the final step in the translation process, a Saudi who has been teaching Arabic for 21 years was asked to check the last version of the questionnaire.

### **3.5.2 Validity and reliability**

Another important issue in the thesis was to ensure data collection tools were valid and reliable before using them. The two terms validity and reliability involve measuring the quality of the research constructs (Groves et al., 2011). Miller and Salkind (2002) assume that adopting valid and reliable scales used by previous researchers is the best approach. It is important, however, to take into account that individuals or groups in other cultures may have different responses (Nguyen, 2105). In this thesis, the themes and constructs that arose from the qualitative phase were supported by constructs from extant literature.

The term validity refers to whether or not a scale measures a targeted concept (Bryman and Bell, 2007). In quantitative studies, researchers attempt to explore a phenomenon by measurable constructs and relations that can be adopted in similar situations (Winter, 2000). Exploratory Factor Analysis (EFA) is a potential solution to validate the measurements of variables and reduce the items used in a questionnaire, to be conducted (Field, 2013). The

researcher also undertook this test to prepare the variables for answering the research questions (Conway and Huffcutt, 2003). Two types of indicators related to EFA were conducted to test the suitability and appropriateness of the data: the Kaiser-Meyer-Olkin (KMO) test (Kaiser, 1970) and Bartlett's Test for Sphericity (BTS) (Field, 2013).

After designing the questionnaire, the researcher sent it to eight experienced academics (See Table (3.5) and nine PhD holders or candidates to judge the questionnaire and provide comments in respect to the items used by previous scholars. These items derived from the literature and the interview findings, such as measures of *wasta*, the liabilities of newness, entrepreneurial orientations, and tax morality. After the results of the pilot study, all these items were tested by Cronbach's Alpha (SPSS, Version 23) to assess their reliability. The alpha values for *wasta* measurement were =0.865, liabilities of newness = 0.688, Entrepreneurial orientations =0.650 and 0.817 for tax morality respectively. Hair et al. (1998) consider an alpha value of > 0.6 as satisfactory. At this point, the researcher removed a few items from these constructs due their unsatisfactory values.

Table 3.5: The judges

Reviewers	Institution
<b>Prof. Peter Smith</b>	Emeritus Professor of Social Psychology University of Sussex - UK
<b>Prof. Alena Ledeneva</b>	Professor of Politics and Society - University College London
<b>Prof. Khaled Alhusaini</b>	Professor of Accounting – Portsmouth University - UK
<b>Dr. Andrea Velez-Calle</b>	Assistant Professor, Universidad EAFIT - USA
<b>Dr. Ali Mohamed</b>	Tutor – Manchester Metropolitan University - UK
<b>Dr. Khaled Hailat</b>	Assistant Professor of Marketing at Yarmouk University, Jordan
<b>Dr. Faisal Alshehri</b>	Assistant professor at Taiba University – Saudi Arabia
<b>Dr. Moataz Alhilo</b>	Lecturer – Liverpool University - UK

### 3.5.3 Data collection procedures

As mentioned above, the researcher made every effort to acquire and reach entrepreneurs from different industries with varied levels of formality. Therefore, the main data collection tool in this phase was a web-based questionnaire, in addition to paper copies.

Kaplowitz et al. (2004) in their comparative study recommend that higher response rates will be achieved within web-based surveys when population members have access to the Internet,

which is the case in a country such Saudi Arabia. In recent decades, technology and knowledge has dramatically advanced in most fields, and research techniques and methods are no exception to this. An obvious example is the online or web-based survey which was started in the 1990s (Schonlau et al., 2001). Similar to any research tool, the online survey has advantages and disadvantages, and Evans and Mathur (2005) summarise these as shown in Table 3.6.

Table 3.6: Strengths and Weaknesses of Online Surveys

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Global reach.</li> <li>• Flexibility</li> <li>• Speed and timeliness.</li> <li>• Convenience.</li> <li>• Ease of data entry and analysis</li> <li>• Question diversity.</li> <li>• Low administration cost</li> <li>• Large sample easy to obtain</li> <li>• Control of answer order</li> <li>• Required completion of answers</li> <li>• Knowledge of respondent vs. non-respondent characteristics</li> </ul>	<ul style="list-style-type: none"> <li>• Perception as junk mail.</li> <li>• Lack of representativeness</li> <li>• Respondent lack of online experience/expertise</li> <li>• Technological variations</li> <li>• Unclear answering instructions.</li> <li>• Impersonal</li> <li>• Privacy and security issues</li> <li>• Low response rate.</li> </ul>

Source: Evans and Mathur (2005), P. 197

The researcher was concerned about benefiting from the online survey and its features, so, he attempted to overcome the drawbacks in several ways. Firstly, the researcher chose a leading online survey programme (Qualtrics) provided by the University of Sheffield. This programme has advanced features that are consistent with different languages and several alternative question forms. Secondly, the researcher contacted and sent the pre-testing questionnaire (Evans and Mathur, 2005) to 25 entrepreneurs asking them to provide their feedback regarding the clarity and ease of use. Thirdly, the online survey is secure and anonymous, and only the respondents can have access to it via their devices.

### 3.5.4 Pilot study

A pilot study is one of the methods adopted for testing the content and validity of a questionnaire tool. According to Saunders et al. (2012), a pilot study is an opportunity to test the questions and statements used before the final distribution of a questionnaire to the target sample. In line with this, a pilot questionnaire was distributed to 42 entrepreneurs, although only 25 were completed (11 paper copies and 14 web-based questionnaires). A variety of valuable and helpful comments were delivered to the researcher regarding areas in need of

clarification, were some statements needed simplifying, and any issues with language and the questionnaire length. Six entrepreneurs were not sure how to answer a question related to their firm's performance. Consequently, the researcher removed the performance question, and amended some statements and simplified along the lines they suggested. In addition to this, a few suggestions were made regarding the web-survey program (Qualtrics), such as adding a progress chart to inform respondents what percentage they have done.

### **3.5.5 Population and sampling strategy**

Difficulties with distributing questionnaire amongst individuals and organisations are faced in many developing countries, including Saudi Arabia (Zapalska et al., 2017). In the thesis, the researcher made a great effort to reach as many potential entrepreneurs as possible, and adopted several strategies to ensure the diversity and representativeness of respondents. The researcher targeted both entrepreneurs who are formally registered and those informally registered in order to discover their level of formality, and sought to link that to the role of *wasta*. This meant that for this research, even if there are formal lists of firms from governmental organisations, there is still a need to reach a hidden population of semi and fully informal ventures who might not be included in these lists.

Vershinina and Rodionova (2011) discuss methodological issues when researching hidden populations, with the authors identifying workers and entrepreneurs evading regulations as examples of hidden populations. Hidden populations have two features: their size and boundaries are not known or declared; and there are privacy concerns due to the target of the research being engaged in illegal practices (Heckathorn, 1997). This thesis, studied an informal intuitional practice, targeted both hidden and registered firms. One of the strategies proposed to reach hidden entrepreneurs is using social networks (Salganik and Heckathorn, 2004). As Vershinina and Rodionova (2011, p.701) state "*these individuals are difficult to find, unless one has access to their informal social network*".

This thesis targeted Saudi early stage entrepreneurs in the following three large regions: the Western region where the Islamic and commercial cities are located; the Middle region where the capital city Riyadh is located; and thirdly the Eastern region where industrial and oil companies are mostly operating (Danish and Smith, 2012; Ahmed, 2012; Aldossari and Robertson, 2016; Almobaireek et al., 2014).

Despite the difficulty of acquiring data and formal lists about the target population, the researcher endeavoured to do so, starting by contacting and visiting the Chamber of Commerce, the Ministry of Commerce and the Ministry of Labour to gain access to data related to early-

stage entrepreneurs. A director at the Ministry of Commerce (Makkah Branch) informed the researcher that he should contact the Ministry in the capital city Riyadh. The Chamber of Commerce in Makkah requested a letter from the University, and after providing it to them, the researcher received a CD containing all the registered organisations but without the date of registration. It was therefore not possible to distinguish the early stage entrepreneurs from more established ones. Furthermore, although the questionnaire includes questions related to the firms' formality, the formal lists cannot reach the informal or semi-formal firms. To address these shortcomings, and to achieve a high rate of responses, and efficient responses, a mixed sampling strategy was employed in this stage of research, with the researcher utilising personal and social media networks to reach entrepreneurs working at different levels of formality. Participants were further encouraged to share the questionnaire with their friends and social media followers (Walliman, 2016). This was facilitated by the fact that the online link to the questionnaire could be easily distributed via mobile applications, emails and social networking sites. This snowball sampling strategy was used to reach individuals who were difficult to find via the use of formal lists, such as household businesses (Faugier and Sergeant, 1997; Atkinson and Flint, 2001). Such snowball (convenience) sampling is, as its name suggests, convenient, but, on its own, is likely to lead to selection bias due to its dependence on the researcher's personal networks (Atkinson and Flint, 2001; Van Meter, 1990). This was avoided in this study since the snowball sampling was a supplement to the list-based approach, rather than being the sole sampling strategy.

In this quantitative stage, the researcher sent the online questionnaire to all twenty entrepreneurs interviewed in the previous qualitative stage asking them to complete it themselves and also to distribute the link to their social network using mobile numbers, Facebook, Twitter and emails. The key advantage of this sampling strategy is expanding "*the geographical scope and facilitates the identification of individuals with barriers to access*" (Batler and Brunet, 2011, p. 57). As mentioned above, selection bias is a deficiency in snowball sampling, so, the researcher sought to address this by choosing mixed sampling methods. Additionally, scholars suggest that mixing sampling methods can be an effective means to minimise non-response rates (Kaplowits et al., 2004).

In addition to this, the researcher contacted a group of PhD candidates working in the entrepreneurship field, asking them to provide the researcher with lists of entrepreneurs. After having the acceptance from the entrepreneurs, two of those scholars sent formal lists containing 80 male and female new start-ups owners in the three regions under investigation. The

researcher sent them the survey link via email, and a few of them replied that they had completed the online questionnaire. In an attempt to increase the response rate a second round of questionnaires was distributed but this time no-one replied. A further effort was made by attending an event that took place in the Western region specifically for SME owners. Here, the researcher came across the organiser of the event, who agreed to send the questionnaire link to the attendees of this event and other previous events in the other two regions (Middle and Eastern). This step increased the number of responses.

Another step to diversify the entrepreneurs' participation and reach a higher number of responses was using Twitter and Facebook to contacting seven accelerators accounts in the three regions and ten famous entrepreneurs on social media. Three and five of these, respectively, agreed to retweet or resend the online link to their followers. Lastly, in addition to the primary data tool used in the thesis (the web-based questionnaire), the researcher distributed 100 hard copies to friends who offered to circulate it to entrepreneurs in the three areas under study, and 41 completed copies were returned.

For the reasons discussed, it was difficult to build a sampling frame relying on a probabilistic sample. The most interesting and important point is that just as this research is studying *wasta* and its role on entrepreneurs, it was very hard to reach interviewees without this *wasta* and the researcher's personal connections.

### **3.5.6 Response rate and bias**

Sufficient responses are required to ensure the quality of any research and its statistical analysis. After the pilot stage, the questionnaire was amended to meet and deal with entrepreneurs' comments and supervisors' observations. Then, the researcher created the web-link survey via (Qualtrics) software:

[https://sheffieldmanagement.eu.qualtrics.com/SE/?SID=SV\\_7TlrOXuZkF01Xhz](https://sheffieldmanagement.eu.qualtrics.com/SE/?SID=SV_7TlrOXuZkF01Xhz)

As mentioned previously, due to the difficulty reaching the targeted sample (early stage entrepreneurs) the researcher devoted his effort to maximising the opportunity to increase the response rate by using mixed sampling strategies "*the more attempts made to reach people, the greater the chances of them responding*" (Schaefer and Dillman, 1998, p. 380). The data collection began on February 2017 and finished on June 2017. The total number of respondents who started the questionnaire were about 550 and 236 were completed (35 hard copies and 201

online). In order to increase the number of responses, two to four rounds were conducted: i.e. the entrepreneurs and gatekeepers who have closer relations with Saudi entrepreneurs were asked to send the link multiple times within the period of data collection.

In terms of bias in the data sample, doing research in developed countries is much easier than in emerging regions such as Saudi Arabia. For instance, formal lists of business organizations are easily accessible in a country like the UK. In Saudi Arabia, however, there are no easily accessible lists of businesses, and this problem is compounded by the fact that the nature of this research is that we are dealing with businesses that may not be formally registered. As mentioned in the empirical findings and literature, certain degrees of informality are prevalent, and it is difficult to develop a clear picture about this issue. Until recently, it was difficult to find sufficient information about start-ups in Saudi Arabia which are not registered unless one uses his/her *wasta* and networks. Strategies like snowball sampling therefore have been employed by necessity, accepting that they may have some limitations that could lead to some biases. For example, snowball sampling, which relies on personal connections, could itself be seen as a form of *wasta*. Participants accessed in this way may therefore be more predisposed to the use of *wasta* than would be the case in an entirely random sample. This may impact the results but, as extensively discussed above, this was the only viable method in this particular context.

A number of efforts were made to encourage participants to speak freely and thereby decrease potential bias. First, the researcher built rapport and trust with the potential interviewees by sending text messages showing that he is a PhD researcher at a prestigious university, and interested in having conversations related to the developing field of entrepreneurship in Saudi Arabia. Secondly, a few days later the researcher phoned them and had friendly conversations discussing some business issues, trading on the researcher's previous business background to enhance his credibility. This opportunity was also taken to plan for the formal interviews. Thirdly, since the researcher is a Saudi person who shares similar norms and cultures with the entrepreneurs, this helped them to feel comfortable and to speak freely about issues such as challenges, motivations, registration and informality. Fourthly, when discussing *wasta* as a sensitive and widespread issue, the researcher did not imply that this phenomenon is either negative or positive, presenting it simply as a part of Saudi culture.

All of the above, raise issues around the relationship between the researcher and the researched, and my positionality. In qualitative research, it is recognised that the researcher's cultural

background (education, gender, class) beliefs and political stance can affect the research processes (Bourke, 2014). Related to this, Denzin (1986, p. 12) states that interpretive research begins and ends with the biography and self of the researcher. For instance, in this case, the business background of the researcher and his experience in dealing with government organisations make him predisposed to recognise the reasons why entrepreneurs might wish to be in the informal economy in their first two or three years of operations. As another example, the researcher's position as an academic enabled him to attend entrepreneurship events, build extensive networks with students, colleagues and entrepreneurs who have their own start-ups. This helped and enhanced his knowledge and ability to understand and analyse entrepreneurial issues. Within this thesis, the researcher dealt with *wasta* as a phenomenon which is practised in most daily life actions and business transactions. The researchers' personal connections were an effective means to gain access to entrepreneurs and reach the targeted sample. Additionally, the researcher introduced himself as a lecturer at a university who is interested in developing the area of entrepreneurship by conducting this study, and in delving into practices and challenges facing individuals in this area. This served to present him both as supportive of the environment within which entrepreneurs were working and as personally credible.

### **3.6 Ethical issues**

Any researcher should pay careful attention to ethical issues, especially when studying phenomena or practices that might be considered unethical or sensitive. At the University of Sheffield, the most important requirement to start collecting data is having Ethical Approval. All researchers are expected to follow the guidelines set out by the University's Research Ethics and Integrity Department, which are aimed at ensuring the security and storage of data, data protection, voluntary participation, and confidentiality. The researcher submitted the required forms including ethical approval, consent form and information sheets, in addition to the general design of the study, and ethical approval was granted.

In the first phase, the interviews, the entrepreneurs participating received a consent form to sign, which clarifies that the interview is voluntary, and the participants have the right to withdraw at any time without giving any reasons. Entrepreneurs were also asked to choose if they accept to be recorded and to allow the researcher to use the data for future work. In the second phase, the web-based questionnaire, the participants were provided with general



information about the study and their rights and the voluntary nature of the task. This was provided on the first page before they began participating in the questionnaire. In both phases, the issue of confidentiality was given more attention by informing entrepreneurs that their data was anonymous and held secured, and that all the data and analysis would be shredded after completing the study. For further information, see Appendixes (1, 2 and 3).

### **3.7 Conclusion**

The research strategy of the thesis was a mixed method strategy. The chapter started by discussing the study's philosophical paradigm of 'critical realism'. The study deployed a sequential exploratory design by conducting twenty semi-structured interviews with Saudi early stage entrepreneurs. This qualitative phase was used to attain deeper insights and understanding of *wasta* and its practice and impact on the field of entrepreneurship, and thus to help create the online quantitative questionnaire, which was the second and dominant phase of the study. The validity and reliability, piloting, sampling, data analysis procedures and ethical considerations were also discussed and explained in this chapter. Finally, the ethical approvals for the two stages were obtained from the University of Sheffield after meeting the requirements explained above. The next chapter 4 will present the findings and analysis of the first phase of data collection - semi-structured interviews- to understand the phenomenon and answer part of the research questions.

# Chapter 4: Findings of Qualitative analysis

## 4.0 Introduction

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4.2 The liabilities of newness and the entrepreneurial journey

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4.2.2 Regulatory challenges

4.2.3 Technological challenges

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4.3 The entrepreneurs' perceptions towards wasta

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4.4 The main reasons for using wasta

4.4.1 Bureaucracy and complexity of regulations

4.4.2 Societal habits

4.4.3 Accelerating procedures and increasing the awareness of laws

4.4.4 Managerial corruption and the lack of accountability

4.5 Wasta practices in the business field

4.5.1 Winning contracts and qualifications

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4.6 The wasta systems of rewards in the business field

- 4.6.1 Returning the favour
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- 4.7 The advantages and disadvantages of wasta
  - 4.7.1 The advantages of wasta for entrepreneurs and society
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- 4.8 The demand and supply sides: Receiving and providing wasta practices
  - 4.8.1 Receiving wasta activities and institutions
  - 4.8.2 Relationships with wasta providers
  - 4.8.3 Rewards given by entrepreneurs to others for Receiving wasta
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- 4.12 Conclusion

## 4.0 Introduction

It was decided in the previous chapter that the research design will adopt the sequential exploratory mixed method approach, which starts with semi-structured interviews. As a reminder, the research aim is to evaluate the role that personal connections (wasta) play in early stage entrepreneurial firms. This chapter provides the qualitative findings and analysis conducted by interviewing 20 Saudi early stage entrepreneurs to answer the research questions: *How do early stage entrepreneurs perceive and practice wasta when facing the challenges of starting their business? And 'How do entrepreneurs tackle the process of formalising their start-ups'?*. The aim of the qualitative data analysis was to gain better and deeper insights and interpretation of the phenomenon of wasta and its relationship to the field of entrepreneurship. The findings obtained helped explore several issues that could not be understood through quantitative tools alone. The outcomes of this qualitative stage provided the basis upon which to build the quantitative questionnaire.

In this initial phase, the researcher obtained valuable information from the interviewed Saudi start-ups about the practice of wasta. As mentioned earlier in the methodology chapter, this research adopted thematic analysis utilising the MAXQDA program. The central themes that emerged from the interviews are summarised in table 4-1, while the whole thematic analysis can be seen in Appendix 4.

Section 4.1 provides a general overview of the main characteristics of the interviewed entrepreneurs. Section 4.2 discusses the liabilities of newness encountered by the participants. The entrepreneurs' perceptions towards wasta are explored in section 4.3, while the following section 4.4 reveals the main reasons for using wasta. The parts 4.5 and 4.6 present wasta practices in the business field and its system of rewards. The advantages and disadvantages of the phenomenon are further discussed in section (4.7). Section 4.8 moves on to analyse how wasta is practised by interviewees on the demand side, while section 4.9 discusses the same issue from the supply side. Section 4.10 then presents a discussion regarding the formality of start-ups and registration issues. Wasta and Islamic teachings are presented in Section 4.11 followed by Section 4.12 which provides a summary of the qualitative chapter.

Table 0.1: the themes in phase 1

<b>The themes that emerged from the interviews</b>
<b>The main characteristics of the Saudi entrepreneurs who were interviewed</b>
<b>The liabilities of newness and the entrepreneurial journey</b>
<b>The entrepreneurs' perceptions of Wasta and its role in society</b>
<b>The main reasons for using Wasta</b>
<b>Wasta practices in the business field</b>
<b>Wasta 's system of rewards in the business field</b>
<b>The advantages and disadvantages of Wasta</b>
<b>The demand side: Receiving Wasta practices</b>
<b>The supply side: Providing Wasta practices and entrepreneurship</b>
<b>Start-ups' registration and formality</b>

#### **4.1 The main characteristics of the participating start-ups who were interviewed**

The interviews began by obtaining some information about the background of early stage entrepreneurial firms engaged in this study. This helped firstly to build a rapport with the interviewees, and also to gain sense of the nature of their start-ups. Table 4.2 offers a summary of the 20 start-ups who took part in this qualitative phase. It can be shown in the table that there was a diversity of entrepreneurial start-ups amongst the interviewees, and about 70% of them have partners. In addition to this, 14 out of 20 entrepreneurs recruited between 6-49 employees. With regards to gender, 3 out of the 20 interviewees were female, which reflects the growing interest in the fields of research and practice amongst Saudi female entrepreneurs (Danish & Smith 2012; Almobaireek et al. 2014).

Table 0.2: the main characteristics of the interviewed Saudi entrepreneurs and their firms

<b>No</b>	<b>Gen</b>	<b>Industry</b>	<b>Partnership</b>	<b>Age of business</b>	<b>No. Employees</b>
Ent01	M	Delivery application	3 Partners	April 2015	14 Employees
Ent02	M	Online Travel agency	4 Partners	June 2014	7 Employees
Ent03	M	Technology	3 Partners	Mar 2015	7 Employees
Ent04	M	Digital marketing	2 Partners	Jan 2015	8 Employees
Ent05	M	Online Travel Agency	1 Owner	Nov 2014	8 Employees
Ent06	M	Programming Co	3 Partners	Oct 2014	10 Employees
Ent07	M	Industry	3 Partners	Feb 2015	3 Employees
Ent08	F	Marketing	3 Partners	May 2015	No Employees
Ent09	M	Online Training	1 Owner	Nov 2015	13 Employees
Ent10	M	Design	4 Partners	Feb 2015	1 Employee
Ent11	F	Audio Books Platform	1 Owner	Apr 2015	5 Employees
Ent12	M	Retail	4 Partners	July 2013	45 Employees
Ent13	F	Finance	1 Owner	Dec 2015	7 Employees
Ent14	M	Virtual reality	3 Partners	Mar 2015	3 Employees

Ent15	M	Car Services	3 Partners	Nov 2014	14 Employees
Ent16	M	Photographing App	5 Partners	May 2014	10 Employees
Ent17	M	Food	1 Owner	Aug 2015	4 Employees
Ent18	M	Internal Design	2 Partners	June 2015	14 Employees
Ent19	M	Online Education Platform	1 Owner	Sep 2014	9 Employees
Ent20	M	Digital marketing	2 Partners	Jan 2015	8 Employees

*Note: Throughout this qualitative analysis words used to indicate the number of respondents carrying the following meaning: A few: 3 respondents and less, Some: 4 – 8 respondents, Many: 9 – 14 respondents, Most: 15 – 19 respondents and All: 20 respondents.*

## 4.2 The liabilities of newness and the entrepreneurial journey

The first issue discussed in the interviews concerned the challenges (liabilities of newness) encountered by entrepreneurs in the early stages of establishing and running their ventures. The entrepreneurs talked about the challenges that affected the early stages of their business journey and how they attempted to tackle them (where early stage is defined as 42 months since the company's creation, as in (GEM, 2014). The entrepreneurs' responses produced six sub-themes, which are: Individual and social challenges, regulatory challenges, technological and operational challenges, managerial challenges, marketing challenges and financial challenges. These themes will be explored further below.

### 4.2.1 Individual and social challenges

The conversations with entrepreneurs, some of whom had been employees in other institutions before starting their businesses, shed light on some interviewees' hesitation in choosing between either resigning from their job or staying for longer until their business had settled down. In other words, they were uncertain whether and when they should give up their jobs and devote themselves full time to their new ventures. For instance, two interviewees (Ent2 and Ent3) faced this situation:

*My partners and I are working in the public sector. So, one of us has to leave his job if we would like to grow the business. As a result, I decided to do so, which was a difficult decision, but we did have to sacrifice. [Ent3]*

Other entrepreneurs actively rejected working for others either in the private or public sector, and decided to take the risk of announcing their resignation:

*I worked in academia for a few years and later moved to working to corporations. Then, I challenged myself and my family to stop working for others and started up my business. [Ent6].*

*I was working for an international leading corporation, which helped me build a good reputation. However, at that time I had a dream to set up a business, but it was extremely difficult to achieve that. So, my passion led me leave the job and start the business. [Ent19]*

This type of challenge relates to the society members around entrepreneurs such as family, relatives, friends or colleagues who continually asked how they could leave a fixed salary and good position to be a risky entrepreneur:

*My family, relatives and friends have always advised me that working for the government will be secure. [Ent18]*

Another entrepreneur said:

*It was difficult to be close and live with the people who do not trust my decision to leave my job and start the business. Honestly, I was about to stop the business. [Ent3]*

Another facet of the social challenge faced by entrepreneurs was having to respond questions from people in their circle regarding the entrepreneurs' decisions:

*The most challenge I encountered was the social factor. It was extremely difficult to convince the people around you such as colleagues and teachers or even friends and family members that the production takes a longer time than is expected. [Ent7]*

A lack of support from family was another challenge raised by a female entrepreneur, when she indicated the presence of parental influence on their family members, commenting:

*The big challenge to me was my parents' refusal to carry on my dream business. [Ent13]*

These types of social challenges were probably mentioned first by the entrepreneurs due to the strong relationships between people in Saudi society and the influence of this on business owners' decisions.

#### **4.2.2 Regulatory challenges**

This type of challenge was the major challenge encountered by entrepreneurs in the country. The interviewees concentrated on the impact of legal and administrative bureaucracy when starting their businesses. Firstly, it can clearly be seen that laws were perceived to be either difficult or vague. Many of the entrepreneurs participating in the study had the same answer:

*Laws are the biggest challenge. [Ent15]*

*The current laws will not meet most of the new innovations we have witnessed these days. [Ent9]*

In addition to this, if a start-up has the desire to bid for contracts, it has to show the government that it is already registered with the group of five papers (The Ministry of Commerce, The Ministry of Labour, The Chamber of Commerce, The General Organisation of Social Insurance and The General organisation for Zakat and Tax):

*Sometimes we found business opportunities to work with the government, but we could not win them because we did not have the five papers. [Ent6]*

*We were told by personal connections (wasta) that our start-up is appropriate for a business deal from a university in order to import a product from China, but unfortunately there was the challenge of 5 papers. Therefore, we lost the deal. [Ent7]*

Using wasta could be a solution to overcome this kind of challenge, in that it might be an effective informal tool to circumvent formal requirements:

*We wanted to work and make a business deal with the university; they asked us to provide the five papers. However, the only paper we had was the Chamber of Commerce certificate. So, we solved this issue by using wasta. We contacted one of the organisers who had a contract with the university to write his name on the papers and we will give him a percentage of the profit. [Ent3]*

In the previous situation, wasta was used to defraud the university, who would presumably genuinely think that they had awarded the contract to someone other than who was actually doing the work.

Secondly, the issue of administrative bureaucracy was widely voiced by the entrepreneurs when discussing the regulatory problems they faced when starting a business in Saudi Arabia; a process that costs entrepreneurs effort, time and money:

*A university business accelerator chose our project to be supported but we faced complicated procedures need much more time to follow, and this time comes at the expense of our sales activities. [Ent3]*

Another entrepreneur pointed to the bureaucracy that hinders the process of completing the formal procedures, despite the announcement of several governmental organisations that they have eased the issue of doing business in the country:



*One of the ministries declared that it provided the branches the authority to allow start-ups to register from any city they want in the kingdom, but when I visited two different branches I could not gain any access to this procedure. [Ent2]*

Social media and the Internet and other technological developments have combined to greatly diversify the range of business opportunities available for start-ups, which increasingly do not require a tangible place. Current laws and regulations, however, have not yet caught up with this development. One of the interviewees unhappily stated:

*What I have now is only an electronic website and application, but the municipality requested me to hire an office to obtain a licence, so all the challenges are embodied in administrative procedures. [Ent11]*

The previous quotation raises a problematic issue that some governmental officials or institutions neglect the nature of business and its logical requirements.

Obeying these laws and regulations raised the issue of morality and its effect on the willingness to obey rules. Even if the regulations and laws are complex and costly, people take into consideration their moral obligations towards their society. A few interviewees mentioned moral considerations in respect to following the laws when establishing their start-ups:

*I do like to obey the rules and not to be out of the book, so we firstly decided to be fully formal as a registered company. However, it was a heavy burden on our shoulders, and I wrote on the social media that we have done the formal procedure but it was wrong to do that at this stage. [Ent2]*

### **4.2.3 Technological challenges**

This challenge was the least commonly mentioned amongst the Saudi entrepreneurs (only four of the twenty interviewees).

*When I started my business, I could easily find a partner who is experienced and has the knowledge we need to launch the application. [Ent1]*

Particularly in industry, owners require a combination of technological and production expertise:

*It was challenging to convince the society that operational process and technical issues necessitate much more effort and time. [Ent12]*

#### 4.2.4 Managerial challenges

The practice of entrepreneurship in Saudi Arabia is still emerging and growing considerably (Burton, 2017). It can be argued that some potential entrepreneurs are young and have insufficient experience to cope with the difficulties in their start-ups. (Almobaireek et al., 2011). For instance, difficulties in building teams and a lack of management skills were declared by some entrepreneurs (Ent1, Ent4, Ent6, Ent12, Ent14, Ent19 and Ent20):

*Although I am in my early entrepreneurial stage, I have been struggling to build a best teamwork; the current team is the fifth one I have built. [Ent1]*

*Building my team work is very difficult, and it is not as easy as people believe. [Ent20]*

Four entrepreneurs (Ent6, Ent11, Ent18 and Ent20) added that they also had a lack of confidence in their abilities and skills to create and manage their start-ups due to a deficiency of experience and managerial knowledge.

*I was a university student when I decided to establish the business, and I was thinking about how I can have the ability to meet customers and sell them my products. [Ent10]*

#### 4.2.5 Marketing challenges

Another type of challenge discussed by the interviewees was marketing and logistics. A few of the entrepreneurs participating mentioned that the difficulty was to reach customers in some areas:

*As you know we have a delivery application and our city is mountainous. So, it is sometimes hard to be on time or find the right address. [Ent1]*

*It is not easy to sell your products and convince customers to buy from us, so we have to be much better at marketing. [Ent6]*

#### 4.2.6 Financial challenges

This type of challenge is divided into two related issues: the establishment cost of carrying on a business and the how to gain access to the financial institutions. The lack of financial liquidity

affected entrepreneurs' decisions in several ways, including in relation to formality and registration. The need for funds to complete business registration and formalisation was mentioned by many of the interviewees as a challenge, and from different perspectives. This is illustrated in the quotations below:

*In the first days, I worked to have only the licences from the Ministry of Commerce and Chamber of Commerce due to their low cost. And then, I started to register with the Municipality, which asked me a big amount of money I could not afford, so I stopped and postponed that to the future. [Ent1]*

*Some governmental organisations such as the municipality oblige large fees. [Ent15]*

*The cost of full registration is very high. Entrepreneurs in their early stage have to reduce this cost by starting to sell their products informally to family members and friends. [Ent20]*

The entrepreneurs interviewed in the study therefore expressed their concern about the high cost of registration with the formal institutions. Another type of cost was paying employees their salary. This was a particular problem facing entrepreneurs at this critical early stage when they needed to be especially careful about spending money wisely:

*When I hired my employees, I informed them that we are in the start and need to build our reputation, so your salaries might be late for some time but I will pay you sales commissions. [Ent5]*

In some cases, entrepreneurs were struggling to repay the high loan repayment instalments as one of the female entrepreneurs commented:

*Although I was given the approval to receive the loan, the substantial payments are not appropriate for a technical project but it is suitable for traditional business. [Ent11]*

### **4.3 The entrepreneurs' perceptions towards wasta**

In order to define wasta, the entrepreneurs who participated in the interviews reported their perceptions towards the phenomenon by mentioning positive and negative points. Both of which will be discussed in the next two sections.

### 4.3.1 The positive perceptions of wasta

The entrepreneurs participating in the interviews were asked to explore their perceptions towards the positive and negative sides of wasta. This latter word is the original term and the positive side of this phenomenon. Similar to different social terms, defining wasta is complex and ambiguous (Brandstaetter et al., 2016 and Lackner, 2016). As a result, a variety of themes related to wasta emerged from the conversations with Saudi early stage entrepreneurs.

#### *Personal connections*

The first words mentioned when asking entrepreneurs to define wasta were personal connections to achieve goals. It is in agreement with the well-known definitions reviewed in the literature (Marktanner and Wilson, 2016). For example, Ent1, Ent2, Ent 3, Ent 11 and Ent19 expressed their definition to be: *“wasta is our circle of connections who one can exchange a favour with.”* [Ent19].

Whereas other entrepreneurs commented that wasta symbolised how many connections a person can have as (Ent5) said: *“wasta is the size of connections you have with people around us”*. [Ent5] It appears that the term ‘personal connections’ was considered to be an important component when defining wasta.

#### *Materialistic and beneficial purposes*

Two of the entrepreneurs interviewed directly shed light on wasta and the things done using it as materialistic. This means that wasta focuses on commercial benefits and goals, not helping or supporting society members, especially if wasta is compared to Shafaah, which is often practised for human purposes (Cunningham and Sarayrah, 1993):

*Wasta is a practice that does not have a relation to human things but unfortunately it is a materialistic means.* [Ent6]

While Shafaah has a brighter side and a positive connotation, and its practices are linked to social goals and helping other to solve conflicts: *“Shafaah is not a worldly matter, it is spiritual”*. [Ent12]

Related to this, a famous idiom was mentioned several times by interviewees when they were asked about wasta and its practices, namely the “Ends justifies the means”. A partner of one of the start-ups highlighted that this is the case in our society:

*In general, our society likes to overcome challenges and achieve goals by looking for the easiest means, and using wasta is the effective means. [Ent2]*

*Every wasta I have will be used for the sake of my project. [Ent7]*

### ***Competitive advantage and intelligent skills***

The interview data showed that some of the entrepreneurs perceived that practising wasta provides them a competitive advantage compared to others not benefiting from this phenomenon. Therefore, having connections strengthens the position of an entrepreneur in the market:

*I have an informal relationship with an official who acknowledges my experience and professional to perform any task or contract with quality. Therefore, when there is work or project he directly contacts me to visit and discuss the task. It is a competitive advantage for me, which is not harming other businesses. Yes, it is a good way to bring me at the negotiation table. [Ent6]*

Some of the entrepreneurs participating in this study stated that using wasta and benefiting from connections is a skill should be developed and a person without it is might be known as unsociable. Therefore, wasta was viewed more positively and a resource that should be cultivated amongst entrepreneurs

*Wasta is one of the most useful skills especially if it is not against the religion teachings. [Ent1]*

*If you do not harm other people, wasta is a kind of intelligence and if you lack this skill, which means that you are not a sociable person. [Ent14]*

### ***Positive feelings***

Once practising wasta, its recipients or providers will experience a variety of feelings, and they help to recognise this phenomenon and its role in society (Berger et al., 2014). These feelings vary from one practitioner to another, and also from one situation to another. Happiness, pride, power and satisfaction are the most common feelings discussed by early stage entrepreneurs after exchanging wasta with others. A good number of entrepreneurs (Ent3, Ent5, Ent7 and Ent8) responded to questions about their feelings after using wasta and achieving their goals by citing happiness: *“I have obtained what I wanted, and I was so happy”*. [Ent8]

A feeling of pride that came from practising *wasta* and achieving goals was also stressed by some of the Saudi owners of start-ups: “*When we succeeded to achieve our needs, we felt proud and self-esteem*”. [Ent9] Some of entrepreneurs showed their power once they had something done by *wasta*, although they might also receive this feeling from people around them: “*People said to me that I have power representing in my connections, and I am different from other individuals*”. [Ent18] As well as this, a female entrepreneur mentioned the terms enjoyment and satisfaction to express her feelings after benefiting from *wasta*: “*I was satisfied, and it was an enjoyable moment*”. [Ent8]

### **4.3.2 The negative perceptions of *wasta***

The interviewees also took into consideration the negative effects of *wasta* on society from different perspectives.

#### ***Corrupt practices and breaking laws at the society level***

This negative issue was raised by some early stage owners who revealed that *wasta* is a type of corrupt practice, and the majority of society members admit its presence.

*The government has started to combat corruption and allow much more freedom to the media to discuss this issue. All of us individuals or governmental officials acknowledge that *wasta* is dominant.* [Ent19]

*Our society considers *wasta* as a synonym of corruption, 70% of its practices are used to infringe other’s rights or oppression directly or indirectly.* [Ent17]

Another interviewee discussed the issue from a different perspective. He mentioned that some emerging countries have reached prosperity as a result of strengthening the justice system and combating corruption:

*Many developing nations have riches and power. However, the corrupt *wasta* hinders these countries’ growth. While countries with effective systems and fewer capabilities, such as Arab Emirates and Singapore, they have been prospering due to their lower corrupt practices.* [Ent5]

Commentators discussed *wasta* from a negative perspective related to the breaking of laws and regulations. *Wasta* is practised in unethical ways and against the law, as mentioned by one of the partners of a tech start-up: “*Practising *wasta* is circumventing laws and taking advantage of an opportunity unequally*”. [Ent16] Another interviewee illustrated that *wasta* is linked to illegal practices and incorrect issues: “**wasta* takes place in a wrong position and it is against the laws*”. [Ent3]

### ***Oppression and harming others***

This is a big issue related to the dark side of wasta practices, and one which distinguishes wasta from Shafaah: *“In the end, we have to admit that when using wasta someone will be harmed and negatively affected”*. [Ent4] An entrepreneur interviewed commented that wasta has a linkage with aggressive behaviour: *“I will call it wasta once it harms other people, whereas Shafaah does not harm others”*. [Ent17]

Additionally, a few interviewees demonstrated that the desire to have better connections in institutions or society regardless of the rights of others is a form of oppression. For example, when there is a competition to access to a job vacancy, a person with a wasta connection obtains this job regardless of the principals of equity and efficiency: *“A kind of oppression happens when one achieves things done while he or she does not deserve it”* [Ent18]. Others consider that practising wasta could be against legality and morality: *“Infringing others’ rights is illegal and illegitimate”*. [Ent20]

### ***Negative feelings***

When the entrepreneurs interviewed were asked about their opinions on how society perceives the practice of wasta, new themes were developed such as bribery, corruption and the paradox about practising wasta. In contrast to the feelings of happiness expressed above, some of the start-ups’ owners had a sense of regret when practising wasta and achieving their goals: *“In order to take my rights I was obliged to contact one of my connections, so I was remorseful”*. [Ent19]

### ***Paradox of practising wasta***

Some people condemn wasta and its use by others but then they use wasta themselves. In other words, some wasta practitioners utilise the phenomenon to achieve their goals, but when it comes to others, those same practitioners deplore the attitude.

*Frankly, all of us criticise wasta and its practices even though we are at the same time using and achieving goals through it simultaneously.* [Ent10]

*Wasta is good when it comes to you and benefits from its using, but it would be shame when it is for others, and one will say look at this person who got things done by wasta only.* [Ent1]

*Wasta is deemed as a bad term but I think it is not. However, the absence of wasta might be unhealthy.* [Ent15]

A female entrepreneur who was completely against wasta elaborated that: *“Society members judge wasta as a bad thing due to their harming and corrupt practise of it”*. [Ent13]

## **4.4 The main reasons for using wasta**

When asking entrepreneurs about the main reasons that led them to use wasta several important themes were developed.

### **4.4.1 Bureaucracy and complexity of regulations**

This reason was frequently mentioned by the participants. Nowadays, the Saudi government is increasingly focused on improving regulations (Alreshoodi, 2016). Many entrepreneurs announced that they have faced bureaucracy in the governmental institutions when starting up their businesses. This forced them to find a solution to overcome this challenge and using wasta was an effective way of achieving this.

*Bureaucracy is everywhere. If the regulations were easy, entrepreneurs would not have used wasta to get things done. [Ent20]*

*To be honest, I am personally using wasta and the reason for that is that the system is more complex than it should be. So, I sometimes call a friend to find a fast solution. [Ent16]*

Other entrepreneurs discussed the lack of coordination between governmental institutions. Every institution has its own procedures which might contradict with those of other institutions; the scholarly term for this is institutional asymmetry, when there is no consistency in formal and informal institutional rules and laws among organisations in a sector or area (Williams and Vorley, 2015).

*Procedures are time-consuming and complicated. Additionally, they are not connected to each other. The governmental institutions are like a complex net. [Ent7]*

*Usually, if you need any service from a governmental institution, your task will not be achieved without knowing a person inside the institution. If not, a document which only requires a signature in one day, it might take one or two months. [Ent11]*

No one in Saudi Arabia can deny the remarkable improvement in electronic government, however, and the attempts being made to develop the ease of doing business in the country (Al-Ghamri, 2017; Thompson, 2017). Even so, a few entrepreneurs involved in this research noted that even with this improvement, wasta is still practised.

*Some governmental institutions announced that their transactions are electronic. However, when one applies to a service, he or she will find that the only thing automated is the payment. [Ent12]*



*Even in the case of using electronic transaction, there is wasta. [Ent2]*

Another issue related to the rules and their clarity was gaps in these laws and rules when early stage entrepreneurs register their start-ups: “Unfortunately, in every ministry there are gaps in its laws and procedures, so this will motivate people to use and prompt wasta”. [Ent19]

In addition to this, this lack of clarity might lead to delays in receiving a business licence which is also related to bureaucracy, and so the female entrepreneur (Ent11) said: “As an example, I obtained my start-up licence within eight months although I already met all the requirements”. [Ent11]

Another interviewee discussed the issue from a different side by talking about how the rules and laws affecting business people: “The current laws and rules have not been updated; they are not valid for the contemporary business world”. [Ent3]

Many of the Saudi entrepreneurs interviewed declared this was an important driver for the use wasta, since this would help to solve the delay in registration.

*Because there are no clear rules, this causes the need for using and benefiting from wasta. [Ent14]*

*The rules already set are neither flexible nor clear. As a consequence, I simply cannot gain my rights, so I will use the soft power of wasta. [Ent9]*

#### **4.4.2 Societal habits**

This is an important reason why people in general, and entrepreneurs in particular, attempt to try wasta and employ it throughout their daily lives. As mentioned in the literature review chapter, Arabic culture depends heavily on tribal and social connections (Cunningham and Sarayrah, 1993), entrepreneurs are part of this culture and they are not exceptional. Many of the participants indicated the role tribal affiliations play in individuals’ transactions and wider interactions; this is illustrated in the quotations below:

*We are a tribal society, our loyalty to our tribe or clan is very high. We have to help others around us and provide them favour to accelerate procedures. [Ent9]*

*We are an extended family society, and most families are interdependent and they have the same mentality regarding benefiting from each other. Therefore, it is logical that anyone can find a friend or relative who will help and provide a favour in any institution. [Ent10]*

A few entrepreneurs talked about the issue that this phenomenon has become almost obligatory and that therefore it would now be difficult to get rid of it.

*I am assuming that wasta has been inherent obligation. Having things done with wasta has been part of our culture and habits. [Ent4]*

*It is a shame if you cannot help your cousin or your relatives. There is a proverb that says your position in an organisation is temporary while the helping others will stay for ever". [Ent7]*

It is therefore difficult to draw out the societal impact on people's transactions, particularly in a collective society such as Saudi Arabia, where tribes, wide connections and norms play a vital role (Cunningham and Sarayrah, 1993). An entrepreneur who is from a large tribe in the country stated that the tribal effect could reduce when the tribe members live in different areas: "The more tribe individuals are dispersed in several areas, the less wasta would be". [Ent7] There might be two reasons for this. First, internal migration movement weakens the relationships between tribe members due to the distance, and in this case the impact of wasta would be lower. Second, the migration of tribe members to different cities might strengthen the impact of wasta by creating gatekeepers in several areas and institutions.

#### **4.4.3 Accelerating procedures and increasing the awareness of laws**

Many of the interviewees demonstrated that they tried to use wasta in order to get access to the services they needed more quickly. Related to this, the ease of doing business ranking shows that Saudi Arabia governmental institutions are a source of delays in completing the procedures (Doing Business Report, 2018).

*I deserve a financial entitlement from a governmental institution. I have tried to take it as soon as possible but I could not, and then I talked to someone who knows an official in this institution to accelerate giving my money. [Ent6]*

Some of early stage entrepreneurs used wasta to obtain their business licence quickly and it succeeded, and without this wasta this would take a longer period of time.

*I hired a commercial website to set up my business. I started to get the licence which required long procedures and requirements, but I could not. I lost some of my money, so I had to use wasta. Yes, I was using it to receive my rights and accelerate the procedures. [Ent12]*

*If you want to achieve your goals, you do need to use wasta. If not, you can be sure that you will not get what you want soon. [Ent4]*

An entrepreneur affirmed that personal connections are the most effective means to obtain your needs by stating: *“Having connections everywhere means that all your businesses and goals will be easily achieved”*. [Ent5] Additionally, some of the interviewed entrepreneurs admitted that they took responsibility for not reading the laws and instructions when making their start-up applications, and simply attempted to look for wasta to achieve their needs.

*Some entrepreneurs are not reasonable, and they do not want to be knowledgeable by reading the rights or responsibilities.* [Ent20]

*There is a kind of people who are lazy and only prefer to pay for others to work and achieve paperwork on their behalf.* [Ent11]

#### **4.4.4. Managerial corruption and the lack of accountability**

The entrepreneurs who participated in this qualitative phase blamed governmental officials and employees for delaying and not completing entrepreneurs’ applications in a timely fashion. A variety of reasons for this were suggested by the entrepreneurs interviewed. Ent3, Ent6, Ent11 and Ent12 each expressed that the employees who works for governmental institutions, dealing with entrepreneurs, do not perform their tasks on time and precisely:

*Sometimes, a few governmental employees have been remiss in not accomplishing their work due to their laziness and/or bad mood”.* [Ent12]

Another reason was when a person visits an institution to follow up on applications, they might not find this employee since they have an excuse to leave his office. In other words, in some cases, public officials are unaccountable if they do not achieve or delay their duties. A female entrepreneur mentioned that:

*When you need to track your application in person and visit the institution, you might not find the employee who might leave to pick up his children or being in a meeting outside.* [Ent11]

A dangerous issue declared by an interviewee who mentioned that a few governmental employees deliberately refuse or impede an application in order to force you to find wasta , and then those employees will benefit from that in the future:

*Some employees do not complete your papers until you bring and talk to a middleman as a wasta to finish this task.* [Ent12]

Moreover, another issue related to this main reason was that the early stage entrepreneurs stressed the responsibility of ministers to choose the best qualified employees and control them:

*When coping with governmental employees, the main reason for using wasta was that the government sometimes recruits staffs that are not highly qualified or professional. There are no effective criteria for recruitment of staff; it is not based on merit and competency". [Ent19]*

## **4.5 Wasta practices in the business field**

In this part the early stage entrepreneurs were questioned about the most important practices in their business area. They generally referred to three major transactions, which will be discussed below.

### **4.5.1 Winning contracts and qualifications**

One of the interviewees affirmed that when talking with his partners they agreed that they should only pursue market opportunities if they are qualified for them:

*I rejected lots of projects through wasta connections. The reason was that I believed that there are other entrepreneurs who are better than us in this work, and we are not going to win it due to our connections. I completely disagree to work on a project with wasta. [Ent18]*

Related to this, the owner of an industrial start-up (Ent7) was upset when he narrated a story about a competition to obtain funding from an accelerator, and how wasta played a role in allowing other competitors to reach the final stages.

*We entered a competition and in the second stage we discovered that our start-up was outside. Then, I discussed with one of the directors who told me that the reason was that the competitors have had a sales record while our start-up has not. The problem was that I know those competitors and know that they only sold for this accelerator and did not sell to other markets. It was wasta. [Ent7]*

Another entrepreneur added that we all can see this practice in our society especially when looking for contracts:

*It is tangible to see some entrepreneurs win contracts without qualifications or skills. It is because their connections. Unfortunately, some organisations require a sales record but when wasta comes they ignore this requirement. [Ent20]*

On the other hand, some early stage entrepreneurs who participated in the research revealed that *wasta* can be a means to grasp opportunities, win contracts or entire competitions with appropriate qualifications and good skills:

*I will use wasta to win a contract if there is no competitor who is more skilled and qualified than me. It is unethical, illegal and against our religion's teaching to win due to your relations and wasta. If this happens, make sure that in the long term you will prove that you are not good enough to be in the market". [Ent6]*

The female entrepreneur (Ent11), however, argued that finding opportunities through connections is not called *wasta*:

*From my experience, it is not wasta when someone goes between you and another person or organisation to sell your products; it is a kind of how good and qualified I am. [Ent11]*

#### **4.5.2 Circumventing complexity in regulations**

This issue was uncovered by a few entrepreneurs who indicated the corrupt side of practising *wasta* in business life, particularly in the absence of a 'no *wasta*' policy in the Saudi business field (Williams and Yang, 2017)

*Wasta is not a general practice, it is more than that. It is a kind of corruption when business people use their connections and power to achieve their goals by bypassing the formal laws and regulations". [Ent19]*

A female entrepreneur discussed the complexity of regulations, starting:

*In business, some regulations cannot be met without using wasta and circumventing them". [Ent11]*

Therefore, people attempt to bypass formal procedures as a result of the asymmetry between these formal laws and informal norms such as *wasta* practices.

#### **4.5.3 Achieving goals by having power and clout**

The last issue discussed regarding practices of *wasta* in the business field was that considering wide networks as an indication of having power in society. Therefore, people will deal differently with those who have this power and clout, which might lead to people with power gaining some privilege or preferential treatment.

*Although the system and laws are formulated for the sake of all individuals in a society, some people with power and influence can bypass the laws. [Ent2]*

*People with wasta are powerful. Yes, they have the power, they can get things done easily. [Ent16]*

Those people with power might exploit people around them, and take advantage of having things done. For example, when those powerful individuals visit governmental institutions to attain a licence, officials might provide them some honour and help them to complete their needs quickly.

## **4.6 The wasta systems of rewards in the business field**

The early stage entrepreneurs also discussed their perspectives of the system of rewards practised between recipients and providers of wasta in society and particularly business. Several types of rewards were revealed, as discussed below.

### **4.6.1 Returning the favour**

The majority of early stage entrepreneurs interviewed mentioned that returning the favour is the most common reward to someone providing wasta. This means that the wasta provider expects that the beneficiary will ask him/her a favour in the future.

*The person receiving wasta feels that the provider has the credit and receivers have to return the help. Our society also believes in that, I might do it even if it is illegal. [Ent1]*

*You have to expect a call from the wasta provider anytime, and be ready for help. [Ent16]*

An entrepreneur added that it was not only related to him but also his family or relatives who might have participated in this practice.

*It is a reciprocal exchange. Today, I will help you, and tomorrow you will return this favour to my brother or my relatives, or I may need your help in a place where you have a connection with. [Ent17]*

*It is a -you scratch my back and I'll scratch yours- situation. [Ent18]*

## 4.6.2 Money

Rewarding wasta providers for is another issue in the business field. Many of the interviewees declared that wasta can be paid with cash in their society. Wasta providers who have wide connections deal others' problems for money:

*Wasta providers are mostly after the money. In business life, if someone helps you to win a contract, he or she might ask for specific amount of money or a percentage of benefits. [Ent4]*

Another entrepreneur advocated the previous belief when he mentioned: “Wasta is rewarded with offering a percentage for providers simultaneously or in the future”. [Ent3] However, a few entrepreneurs regarded this type of reward as corruption:

*If a wasta provider asks for money, it means that it is corruption. [Ent17]*

*If wasta is monetised, I will ask everyone to call it corruption. [Ent11]*

One entrepreneur (Ent15) declared that he was ready to pay anything to solve a problem with one of the public institutions:

*I had a project and I urgently needed a license from the Ministry of Electricity to start the business. This procedure might take a year. I found myself in a situation that if someone could help me to accelerate that, I would give him one of my children. [Ent15]*

Therefore, in some cases when the entrepreneurs encounter difficulty or complexity, in order to accelerate procedures or obtain lenience, connections, agents or brokers might offer their monetised services to help the entrepreneurs achieve their goals.

## 4.6.3 Gifts or invitation to meals

Another feature of wasta reward was giving providers small or valuable gifts depending on the value of the favour they had provided. Many of the start-ups' owners indicated that in their interviews.

*There are gifts and there is cash. Some wasta providers prefer to say: we want a gift like a mobile phone. [Ent2]*

*If the favour is valuable and the wasta provider solved a serious problem, the receiver might offer invitation to a meal and other things. While if it a little favour, a small gift might be enough. [Ent19]*

Even in the event of giving gifts, a few interviewees expressed that providing gifts is similar to corrupt money. The virtual reality start-up's owner stated:

*If a wasta provider asks the receiver a gift before the problem is solved, this is considered as corruption. However, if the wasta provider never requires a gift, this would be socially accepted. [Ent14]*

Exchanging gifts between members in Islamic societies is recommended by Islamic teachings. Distinguishing what gifts are acceptable and what are forbidden is contentious, however. For instance, in studies researching a similar phenomenon 'Russian Blat', laws consider a gift with a value above £40 as a bribe (Schmidt, Ledeneva and Shekshnia, 2014).

Another type of reward was invitation to meals: a few entrepreneurs mentioned that in society people reward wasta providers with inviting them to a meal.

*I have witnessed this several times, when one received a favour from others to achieve a need by using wasta connection, the receiver simply invites the provider to a meal. [Ent15]*

#### **4.6.4 Compliments, reputation and thanks**

Verbal gratitude was one of the compensations given to favour providers in different societies (Francic and Williams, 2017). Social and cultural factors play important roles in people's lives in Arabic nations, including Saudi Arabia (Cunningham and Sarayrah, 1993). For instance, people are concerned with their reputation within their tribes or families.

*When a friend of yours needs a bed at hospital and you can help to get that, you will prove that you are helpful, and then society members surrounding us will respect you. It leads to personal fulfilment. [Ent12]*

*Wasta gives its providers special privilege in the society. [Ent2]*

*Helping others through wasta offers a high position to the providers. [Ent5]*

Additionally, an important part of Islamic teaching is that if someone helps you, it is crucial to be thankful. One way of expressing that is to ask Allah (The God) to help and give that wasta



provider happiness, success, mercy and what he or she wants: “*When someone helps another, this receiver will ask Allah to bestow success on this provider*”. [Ent12]

Although this type of reward is not material or visible, Muslims appreciate it and consider it in a favourable way, because it is something mentioned in the Holy Quran and the teachings of the Prophet, and it is a part of worship.

#### **4.6.5 Offering market opportunities**

A few entrepreneurs reported that using wasta and benefiting from its practices could motivate providers to ask receivers to find some market opportunities or allow them to be partners in the entrepreneurs’ start-ups.

*I will use my power to allow you to win the commercial opportunity, but I will share the profit with you.* [Ent6]

*I will help you by using my connections, but I will promote your products amongst my connections and share part of the profits.* [Ent4]

#### **4.7 The advantages and disadvantages of wasta**

The early stage entrepreneurs who participated in the conversations confirmed that wasta practices can have both advantages and drawbacks. These issues could be related to entrepreneurs or their society, and will be discussed in this part.

##### **4.7.1 The advantages of wasta for entrepreneurs and society**

###### ***Accelerating processes***

Most of the entrepreneurs interviewed in the qualitative part agreed that using wasta accelerated several procedures, in ways that would be difficult to achieve without it.

*From my perspective, the most important benefits of using wasta is facilitating and accelerating the procedures.* [Ent13]

*The only advantage of wasta is that it saves our time and effort. wasta can facilitate the business life cycle.* [Ent3]

Finding and reaching the gatekeepers and influential people through *wasta* helped to accelerate procedures.

*I do not need to waste my time. By using *wasta*, I can quickly reach decision makers and get things done. [Ent7]*

Other interviewees declared the beneficial effect of *wasta* on their start-ups from several different perspectives, including how *wasta* helps to accelerate procedures or production:

*Wasta was not the main success factor; it was one of the factors. For example, if I wanted to reach a stage which might require two or three months without *wasta*, it would take a month with it. [Ent10]*

### ***Achieving goals and reaching decision makers***

Some early stage entrepreneurs mentioned that *wasta* is characterised by its ability to achieve goals, particularly in business matters.

*Through *wasta* you can achieve what you want. In business, you can increase your sales, strengthen your networks and obtain more market opportunities. [Ent10]*

*Wasta allows me to reach the people who help me achieve my goals quickly. [Ent14]*

Two start-up owners (Ent6 and Ent7) believed that *wasta* brings great advantages though providing access to the decision makers who have the ability and power to solve problems and offer solutions.

*Sometimes, I get tired of trying to reach influential people in some institutions. But by *wasta* I can reach them rapidly. [Ent7]*

*I bought some products and services to an institution and we agreed to take my money within three months. I waited more than this period of time but no response. Then I used my connections to reach the head of the institution that helped me to gain my money. [Ent6]*

Another view focused on building new relations and finding potential customers, while the third view was related to pursuing opportunities and new markets.

*Wasta has opened new opportunities, built relationships with new customers and allowed me to enter into partnership with specific companies. [Ent3]*

*A large part of my business went to markets by my connections. Many of them were trying to support me to be bigger and more successful. [Ent1]*

## **Personal networks to share interest and build a network**

Some entrepreneurs interviewed discussed their *wasta* practices in the business field from the aspect of sharing interest:

*It is notable that many entrepreneurs try to build an entrepreneurial society in order to know and benefit from each other. Surely, wasta and using connections will expand this society. [Ent7]*

Another interviewee mentioned that this networking will provide entrepreneurs to reach different organisations:

*Wasta is useful. It can give us access to a lot of companies in many areas. [Ent10]*

### ***Serving others to obtain rights***

The entrepreneurs interviewed also shed some light on the benefits of *wasta* for society as a whole. This issue was raised by a few entrepreneurs who care about other people needs. The interviewees commented that *wasta* is an effective means to support others which is part of Islamic teaching and culture:

*It is important to use wasta in good deeds. Some people need to study, develop themselves or find job. So, if he is qualified, we will use wasta to support and offer him some space to innovate and achieve. [Ent5]*

## **4.7.2 The disadvantages of *wasta* for entrepreneurs and society**

This part illustrates the dark side of practising *wasta*. The entrepreneurs who participated in the interviews expressed their concerns about these drawbacks and their effect on people's lives, and also the business environment.

### ***Infringing others' rights***

Many interviewees mentioned this issue as a first response to the question, particularly noting that it was against the principals of the Islamic religion. Ent20 stated that: "*The first disadvantage of having things done by wasta is taking others' rights*", and this was supported by Ent4 and Ent19.

Other entrepreneurs discussed it from a job requirement perspective, in the sense of when someone gets a job that another person deserved to get.

*It is very negative when some people take others' places. [Ent13]*

*If this happened, this means that you are infringing the rights of others. [Ent10]*

*Wasta could be used wrongly when you employ a person in the wrong vacancy. [Ent3]*

Most of the entrepreneurs raising this issue linked it with injustice, which is forbidden in all religions.

*The extreme negative I see when using wasta is to oppress anyone. [Ent1]*

*I am assuming that wasta has usually been a kind of injustice to other people in society. [Ent18]*

### ***Inequality is leading to hostile feelings and/or depression***

Individuals with power and high social status have access to a variety of resources, and this leads to corrupt practices and inequality, which will lead to negative circumstances (Bapuji, 2015). The travel agency owner (Ent5) confirmed that by saying:

*People who lose from using others wasta will feel possessed and the victims of injustice. This will negatively affect his or her confidence in society, institutions and businesses. For instance, if a businessman has creative ideas or projects, when looking to things achieved by wasta he/she will give up and stop. [Ent5]*

### ***Leading to failure***

The entrepreneurs indicated that depending on wasta connections in their transactions might result in people being less knowledgeable and experienced. Failure is an integral part of entrepreneurial field (García-Ramos et al., 2017), and must be seen as a positive process for independent business people who devote themselves to their projects. In this sense depending only on connections and power without making the necessary individual efforts will undermine the viability of the business in the long-term.

*When entrepreneurs build their business and fortune by relying on wasta benefits, it is expected that it would be difficult to overcome future challenges. However, if entrepreneurs set up their businesses correctly by depending on themselves and their ability, they will be qualified to start a business everywhere, and their start-up will be sustainable. [Ent9]*

Another interviewee commented that the widespread practise of wasta in the Saudi entrepreneurial field might lead to business failure indirectly:

*Some entrepreneurs stop devoting their effort and time to building their businesses. The entrepreneurs justify that competitors have more power and connections than them, so this excuse might lead to failure. [Ent14]*

Furthermore, two entrepreneurs indicated the dark side of practising wasta. For example, the interviewee (Ent7) stated:

*The negative effect of wasta is when entrepreneurs heavily depend on it to achieve their goals, and suddenly they lose this power. For instance, one of an accelerator's directors believed in us and our product, so he continuously supported us. Recently, he left his institution, which caused a big problem for us. [Ent7]*

While the entrepreneur (Ent16) discussed it from a different perspective:

*Wasta will negatively affect entrepreneurs who win contracts or work in a project based on wasta and without qualification. They will mostly fail, especially if they could not offer added value. They will benefit from wasta once, twice or three times but these benefits will reduce in the future. [Ent16]*

### ***Circumventing formal procedures***

One of the disadvantages of using wasta mentioned by entrepreneurs was manipulating laws and regulations.

*Wasta and its practice prevent adopting and forcing the laws and regulations in any society. [Ent16]*

*There is a formal justice system that must exist but it does not because of the phenomenon called wasta. [Ent2]*

This links to the institutional deficiency which motivates people to distrust the formal institutions and resort to informal practices such as wasta.

### ***Fertile soil for corruption and damages morals***

This negative issue could affect both entrepreneurs and also society, which might illustrate why people may turn to wasta if institutions are dysfunctional or failing, creating a situation in which wasta would further catalyse corruption in society. Two Saudi entrepreneurs (Ent6 and Ent7) acknowledged that when they spoke about wasta.

*Mostly, wasta supports corruption. Corruption is lined to wasta. [Ent7]*

*When the government makes procedures long and complex, this requires looking for connections and wasta. Then, it will increase corruption. [Ent6]*

A few interviewees considered some of the contemporary practices of wasta as against morale phenomenon and wicked manner.

*It might lead to damage to the ethics of society. [Ent10]*

*The moral level in a society when practising wasta could be very bad. [Ent9]*

### ***Hindering development***

This drawback also relates to the negative effect of wasta on the societal level. If we consider the whole picture, some entrepreneurs blame the current practices of wasta for its role in obstructing economic development.

*If there is a project or contract which is given to someone through wasta, the quality of the implantation will mostly be bad. This will definitely affect the regional development negatively. [Ent18]*

*Practising wasta especially when infringing others' rights will lead to damage to the public interest. [Ent19]*

## **4.8 The demand and supply sides: Receiving and providing wasta practices**

This part considers the practices of early stage entrepreneurs when receiving wasta (demand side). It is divided into three sections: activities and institutions, rewards and the category of people engaging in this practice. This division reflects the literature review which investigated this phenomenon and other similar ones around the world (e.g. Onoshchenko and Williams, 2013; Aljbour, 2014; Franic and Williams, 2017)

### **4.8.1: Receiving wasta activities and institutions**

This section discusses the nature of the wasta practices used by Saudi early stage entrepreneurs who received benefits from wasta.

#### ***Accelerating procedures***

Many of the entrepreneurs interviewed in this research practised wasta in order to speed up the formal procedures, particularly when starting their businesses.

*Imagine! If I have to follow and meet every single procedure or regulation when starting my business: it means that all my time should be focused on completing the procedures, and then I will stop the business due to the limited time. [Ent18]*

*When dealing with governmental institutions to gain the licenses, the procedures take a long time. It might take six months, but with wasta getting the licenses might take two days. [Ent12]*

*Because I was a co-worker at SAMBA Bank, it is very easy and effective to benefit from my relations whenever I have transactions. [Ent10]*

In other words, entrepreneurs with previous experiences and positions in an organisation will utilise their wasta connections with colleagues to get things done.

### ***Pursuing opportunities***

Some of the interviewees declared that they captured some business opportunities based on their connections with others.

*Yes, I am practising wasta in the infrastructure sector. The government supports local entrepreneurs. I am a local and qualified entrepreneur, which is why I win contracts. [Ent16]*

*I used my wasta connections to reach a decision maker at another company. It has a product and I visited them and offered some improvements to the product. But I informed them that I have the ability and skills to make this improvement for them. Both benefited from this action. The lesson I have taken from my business life was that relationships is the most important factor, yes relationships. [Ent6]*

### ***Circumventing procedures***

Although this activity has been considered as a dark side aspect of wasta, four entrepreneurs (Ent1, Ent5, Ent10 and Ent17) admitted that they used wasta to circumvent some procedures.

*When I was about to start my business, I faced a big challenge. The governmental requirements were a lot and I did not have enough money to meet up with them. The problem was that I already bought part of the products which have expiry dates. In addition to this, fixed costs were paid. Therefore, I was obliged to look for wasta in the municipality in order to open the project and I promised the officials that I will complete these procedures as soon as possible. [Ent17]*

*Sometimes, I use wasta in banking services because when I visit a bank branch I do not know any person who works there, and they said what I want is not allowed. However, by wasta I can get it. [Ent5]*

### ***Appointment or place at health or educational institutions***

Some of the entrepreneurs spoke about the importance use of wasta to make an appointment:

*It is a usual practice. Once my children or I need to visit a hospital, I try to find one of my connections to speed up making appointments. [Ent14]*

*When I was working with the university accelerator, I met a doctor who is working at the university hospital. I built a good relationship with him. Later, I requested a favour from him to speed my appointment and jump the queue, and it was done. [Ent3]*

The owner of the travel agency (Ent5) narrated a story related to using wasta with a hospital:

*Last week, my uncle was in a hospital for a surgical operation. The GP sent a fax to the hospital, and then I used my connections to accelerate the procedure. [Ent5]*

One of the female entrepreneurs, who were against wasta, admitted that she utilised her connections to have access to a dentist in another city:

*I am from Makkah and I could not open a file at a hospital in Jeddah city. I asked my cousin who is a doctor at the same hospital to do that, and fortunately he did it. [Ent11]*

Some entrepreneurs discussed the need for wasta when dealing with educational institutions such as universities or schools. For example, the activities practised here were to find a place or to amend a timetable of lectures.

*Yes, I benefited from using wasta when I wanted to join the university. I asked my father to speak to his friend, and it succeeded. [Ent13]*

*I asked my cousin, who is a head teacher, to find places for my children in a primary school, and he did it". [Ent17]*

In this part, wasta within family members or friends were used to achieve entrepreneurs' goals. As a result, the entrepreneurs are expecting that they might return these favours within either their start-ups or other organisations.

### ***Meeting potential customers***

Another activity uncovered by some interviewees was related to their business practices. Wasta was used to reach prospective customers.



*I have been using wasta since starting my business. It would be difficult to meet key customers, but with wasta connections you can. [Ent3]*

*My strategy is to know as many connections as I can. Some of these connections might be new customers and some others might go in between me and potential customers. [Ent19]*

Meeting those people might help entrepreneurs to enter new markets, increase sales and build wider connections.

### ***Winning contracts***

This practice was related to the entrepreneurs' business transactions. A few of these interviewees acknowledged that they won contracts by using wasta:

*I had a story when my start-up wanted to win one of the big contracts we have done. I had tried many times to contact the company regarding this project, I used emails, phones and social media but no one replied. Then, I thought that wasta is the solution. I called a well-known entrepreneur I have a relationship with him. He just used his Twitter account and mentioned my request, the company phoned me and we signed the contract. [Ent10]*

### ***Funding and entering a competition***

These activities were declared by a few entrepreneurs interviewed in this qualitative stage:

*I have relationship with a person who works at an accelerator. He asked me to present my business idea to them and he would help me to be funded. Additionally, even if there are competitions, they reminded me to participate. [Ent1]*

Entering these competitions will allow entrepreneurs to gain support and funding. These completions are usually arranged by business accelerators or governmental institutions, which can help entrepreneurs to broaden their connections, meet investors and improve their start-ups.

## **4.8.2 Relationships with wasta providers**

The practice of wasta must take place between two or more parties. This section discusses the relationships between Saudi entrepreneurs and people who provided their wasta to the entrepreneurs, offering an overview of people who provided wasta for the entrepreneurs

interviewed in this study. It is important to understand whether wasta is practised in narrow networks of connections or whether it is widespread regardless of the nature of relationship.

### ***Friends***

One interesting finding was that interviewees mostly asked their friends regarding benefiting from wasta.

*It does not matter how long I have had relationship with the person who I will ask wasta from. The people I mostly ask from are my friends. [Ent3]*

*I usually benefited from using wasta through my friends who are close to me. [Ent7]*

*If I needed wasta to get things done, I will start asking my friends to do it. [Ent18]*

This indicated the significant effect of friends on the entrepreneurs who participated in the qualitative phase.

### ***Family members and relatives***

Family member refers to very close relationships such as parents and grand-parents, brothers, sisters, children, wives and husbands. Relatives would be the people in a relationship with family members. According to the interview findings, entrepreneurs' family members were also supportive by offering their wasta connections to help the entrepreneurs: *"When I am stuck in some difficult issues, I always turn to my older brother who has extensive connections. He has a key for every challenge I have". [Ent7]*

The second category of people who were asked for providing wasta was the entrepreneurs' relatives. Many interviewees indicated to those people: *"Our society is tribal. The relationships are extended. So, most of your relations will be with relatives". [Ent12]* The entrepreneurs (Ent4, Ent6, Ent16 and Ent17) similarly stated that: *"We usually request wasta from our relatives to achieve our goals". [Ent6]*

### ***Degree of relationships***

The interviewees were not only asking for wasta from their relatives but also making use of relationships with their friends and their friends' relatives as well.

*Wasta is like a series of relations. One knows another who has a relationship with others. [Ent10]*

*When I need wasta, some of my relatives make efforts to help me build relations with their friends who can support me to obtain my request. [Ent16]*

### ***Ex-colleagues or classmates***

Benefiting from wasta by asking people who the interviewees had worked or studied with was another issue raised in this part. The programmer entrepreneur (Ent6) mentioned:

*Definitely, I have used my connections with classmates to achieve some of my targets. [Ent6]*

While another entrepreneur acknowledged that he utilised his part-time seasonal job to build relationships with influential people:

*Every year in the Pilgrimage season I work as part time, I am always trying to do my best at my tasks. This helps me to establish new relationships. It is advantage and I can benefit from that. [Ent2]*

### ***Public people***

One of the interviewees stated that even people who do not know them might be beneficial:

*Sometimes, I meet people I do not know them in a meeting or exhibition. After chatting with them, they ask me if I need any help. Once, I found a mobile number saved in my phone for a person who works at a bank. I called him and asked for a favour, and he did it. Honestly, if I see this bank director somewhere, I will never recognise him. [Ent9]*

Those public people can be potential friends, and some of them might wish to strengthen the relationships with others for different types of benefits, or to widen his/her own connections.

In this previous part the nature of relationship between these groups were different. For instance, there is close relationships between entrepreneurs and their family members in several issues based on kinship, while in some other issues, entrepreneurs will need to communicate with people outside the family. For instance, the relationship with others such as friends could be stronger as a result of the shared interest.

### **4.8.3 Rewards given by entrepreneurs to others for receiving wasta**

The last issue in respect to receiving wasta was how those who provided wasta were rewarded by interviewees who had benefited from that wasta.

#### ***Return the favour***

This the most common type of reward mentioned by the interviewees. Many early stage entrepreneurs declared that their rewards for the people who helped them were to reciprocate.

*I do not reward wasta providers by giving them tangible things, I am following the way of returning the same favour to providers or better than they did to me. [Ent5]*

*I will never forget providers' favour given to me. I will try to provide them any service they want. [Ent17]*

#### ***Thanks and Supplication***

Saying thanks was another regular reward given to people who provided wasta to the entrepreneurs. Some interviewees mentioned that:

*Regarding how I rewarded the majority of people who served me, there was not any reward apart from thanking them. [Ent4]*

*I have never given any wasta providers a gift or money, it was only thanks. [Ent20]*

Supplication is a type of reward that is important for Muslims. Praying for others and supplicating for them is part of Islamic teachings. The interviewees talked about that in the conversations.

*Yes, I prayed for those people, who offered me their wasta connections. I asked Allah (The God) for them to be in heaven and to live in a blessed life. [Ent12]*

*It seemed to me that some people prefer others to supplicate for them than offer any rewards. So, I do that for them when they helped me. [Ent5]*

#### ***Invitation to a meal***

Only three entrepreneurs said that they invited wasta providers to a meal.

*I usually compensate others who offer me a favour by thanking them and inviting them to a lunch or dinner meal. I have never offered anyone more than this. [Ent19]*

### ***Compliments and reputation***

Another specific feature related to the Arabic culture is that people like to be known within their society, and mention that they are helpers and have power and wasta connections.

*Our tribal connections play a role in providing wasta. The tribes' members usually talk positively about the one who helps and uses his connections and authority to help people around him. It is a type of building reputation. [Ent12]*

*One of the rewards given to my connections that helped me throughout wasta was the compliment. [Ent10]*

### ***Providing managerial tasks or consultation***

Another type of reward uncovered by a few entrepreneurs was offering wasta providers with some help in their work or business:

*I have a master's degree in information systems, and some experience in business. So, I rewarded the people who offered me favours by being as consultant for them in some aspects related to my profession. [Ent2]*

While another entrepreneur compensated wasta providers by offering some help in managerial tasks, as (Ent1) stated:

*For, example, my friend Abdullah has supported me in my business several times, Therefore, I helped and worked with him at his business in some tasks like planning, leading teams and operation. All of this for free. [Ent1]*

### ***Connecting providers with customers***

In this case, wasta providers have their own businesses. The early stage entrepreneurs interviewed replied to the favour by linking the providers with potential customers. As the programmer entrepreneur mentioned:

*I was working with a friend who supported me several times. Later, I knew that there is a company that has a problem and needs a solution. I directly contacted the company manager and I informed him that this problem can be solved by my friend. I linked this friend with the company. [Ent6]*

### ***Finding a job***

Recruiting employees was another type of reward offered to wasta providers. The photographing application owner (Ent16) declared that:

*I succeeded in findings jobs for some wasta providers who had helped me to achieve my goals. The jobs were in different organisations, not in my start-up. [Ent16]*

All the previous rewards explored the nature of the compensation returned to wasta providers by the entrepreneurs interviewed.

## **4.9 The supply side: Providing wasta practices and entrepreneurship**

In this section, the demand side of practising wasta within early stage entrepreneurial start-ups will be discussed. It is also divided into three sections: activities and institutions, rewards and the category of people engaging in this practice. These three sections represent all the practices related to entrepreneurs offering wasta to other people.

### **4.9.1 Providing wasta activities and institutions**

This section shows the wasta activities provided by Saudi early stage entrepreneurs to others.

#### ***Finding a place at hospital or educational institutions***

Helping others to make appointments or find beds at hospitals were among the activities provided by the entrepreneurs to other people.

*Honestly, wasta can be clearly seen in hospitals. As you know I am now an emergency doctor in my training year. Yes, I provided wasta to see doctors for my friends and their families or even for people I do not know in some cases. The issue made me feel regret about jumping other patients in the queue. [Ent7]*

*It is usually happening when people call me if I have wasta in a hospital. If it is not harming others, I surely do it. [Ent5]*

Although the female entrepreneur (Ent11) hates practising wasta activities, she was stuck in an awkward position in respect to helping a neighbour's child to get preferential treatment, she mentioned:

*Really, all the people around me know that I do not like wasta and its practices. However, I knew that one of our neighbours' kids is sick and needs a hospital but his family is poor. I used my connections to make an appointment for him in a hospital. [Ent11]*

In addition to this previous institution, two interviewees discussed their benefiting from their connections to obtain a place at schools.

*I know a person who asked me if I have a relationship in a specific school in the area, because he tried to apply to them but they told that the school is full. Then, I called a head teacher I know, and asked him to make his effort to find a place and he did it. [Ent9]*

*In our daily life, people ask me to use my wasta to find a place for their children at schools. [Ent12]*

### ***Finding a job***

Some entrepreneurs uncovered that they used their connections to help others finding job opportunities.

*Due to my expansive relationships, many friend and relatives asked me for helping them through my connections. If he or she has applied to a job, I would make my effort to support him/her unless there are competitors who are looking for the vacancies. [Ent19]*

*People around me know that I have connections and I am sociable. Therefore, many of them have contacted me to find jobs for them; I do it if it is not harming others. [Ent5]*

### ***Accelerating and circumventing formal procedures***

Three of the early stage interviewees who participated in the research admitted that they provided people with wasta to accelerate some procedures.

*Because I was an ex-employee at a bank, I have lots of relationships with officials or employees in the banking sector, the municipalities and the Electricity Company. So, I am using my relationships to solve others' problems and challenges. [Ent10]*

*I have good relationships with officials in the Ministry of Commerce. From time to time, some people come to me and ask me to help them by using my connections. Then, I evaluate the need and situation. I usually helped them if there is not a problem or harm to others. [Ent6]*

Circumventing formal procedures was also mentioned by the entrepreneurs as a way of practising their connections to help and support other people.

*I have usually been asked by friends or family members to use my connections, particularly in governmental institutions, to help them avoid some simple procedures. [Ent12]*

*One of my relatives contacted me to circumvent a procedure for his daughter who studies at a university which I used to work at. I told him that I would do my best if the solution is not harming others. What is more, another relative called me to help his son to get priority in a competition but I refused. [Ent6]*

### ***Banking transactions***

Having services done by wasta in banks was another activity provided by the entrepreneurs. Ent9, Ent10 and Ent19 acknowledged that:

*One of my relatives wanted to open a bank account, he visited the bank a few times but they usually refused for different reasons. He asked to me if I knew anyone. I called the bank manager who I know. He finished this issue and opened the account. [Ent9]*

Another entrepreneur, who was also an ex-employee in the banking sector said:

*People around me have often asked me to use my connections with colleagues to finish or solve problems. For example, some people asked me to provide them some reduction allowance for their loans. [Ent19]*

This might not have a direct effect on entrepreneurs' start-ups but the return of these favours in the future could be beneficial for the entrepreneurial projects.

### ***Meeting mentors, experts or potential customers***

A few participants demonstrated that they used and benefited from their connections with experts to help and support people who had served them in previous circumstances.

*It is natural to say that people involved in the entrepreneurship field like us have wide networks. I really like to support other early stage entrepreneurs to meet professionals by using my connections. [Ent18]*



*I usually help some people around me by linking them to others who I know. It is related to recommendation and trust but without monetisation. [Ent12]*

Helping others to find potential customers was another activity provided by the interviewees. This was declared by the entrepreneurs Ent3 and Ent18, who considered it as part of their business transactions.

*Part of the tasks in our business society is to help each other as entrepreneurs by recommending and exchanging our customers. [Ent3]*

*Our entrepreneurial society has extensive relationships in the market, and I am part of this society. Therefore, I supported the start-ups to get some opportunities. [Ent18]*

#### **4.9.2 Relationships between entrepreneurs and wasta receivers**

In this part, the entrepreneurs interviewed announced five categories of people who they had used their Wasta to help.

##### **Friends**

Those people were the type that most frequently requested wasta from the entrepreneurs investigated in this research. Many of them declared that they supported their friends to achieve their goals.

*Many people have been asking me for wasta to meet their needs, and most of them are friends. [Ent3]*

*My friends, particularly who live in my city, are the most kind of individuals asking for wasta. [Ent7]*

##### **Family members and relatives**

The entrepreneurs' family members were another relationship category who benefited from wasta. Some of interviewees stated that they helped parents and others in their families who considering this practice as a must.

*Our relatives believe that we have to offer them and use our connections to accomplish their needs and requirements. [Ent4]*

*I am not a sociable person, I like sitting alone. Apart from my family members, particularly my father, few people ask me to provide a favour, they know me that I am strict about this phenomenon. [Ent9]*

Some entrepreneurs mentioned that relatives also receive wasta from these entrepreneurs to overcome some challenges or acquire necessities.

*Two types of people who usually ask me a favour and vice versa: relatives and friends. [Ent16]*

*Yes, my relatives are the people to whom usually I offer wasta. [Ent6]*

### **Public people**

Some early stage entrepreneurs (Ent1, Ent4, Ent11 and Ent12) uncovered that even public people can benefit from entrepreneurs' wasta connections.

*My partner established a training course to develop programmers with limited seats. Sometimes, young people have the desire to take part in this program and call me to try to find a place. In this case, I evaluate their passion and insistence. Then, I talked to the course directors to accept them. [Ent1]*

*Occasionally, people I have no relation with know that I possess good networks at an institution and come to me and illustrate their situation and need. If I have the ability to do it, I will do so for the sake of Allah. [Ent12]*

### **Relations of relations**

The last theme emerged from this question was the relations of the interviewees' relations. As mentioned in previous parts, Saudis have extended families and relations. Therefore, it is not surprising that the relations of the entrepreneurs' relations can approach someone and ask for a favour.

*One of my friends knows that I am in the hospital, and he sent his friend to me. I accomplished what he wanted based on my friend's recommendation. [Ent7]*

*Sometimes, I serve people who I might meet them once with a friend of mine. They come to me and ask me to find a solution or solve a problem. [Ent10]*

### **4.9.3 Rewards given by people to entrepreneurs for providing their wasta**

Entrepreneurs received several types of rewards as a result of the favours provided to people around the entrepreneurs.

### ***Thanks and supplication***

Some start-ups owners participated in the study asserted that receiving the word “thanks” was the reward for their help and the use of their connections for the sake of others.

*No one has rewarded me for any favour. I will only accept the word thank you, I will be happy. [Ent11]*

*When I do something to others, I do not wait for a reward from them. It happened, it was only thanks. [Ent14]*

Additionally, another widespread reward was supplication and praying for the entrepreneurs who had provided their assistance.

*When I supported some people by using my networks, I received a supplication such as May God help you or May God provide you with health. [Ent7]*

*Some wasta beneficiaries replied to me that they would ask God for me in their prayers. [Ent5]*

However, even if there is no immediate reward apart from thank, this does not mean that in the future entrepreneurs here would not feel justified in approaching these people to seek a favour from them if the need arose. Wasta rests on the slow development of a network of connections that demonstrates influence and can be called upon as and when needed in the future.

### ***Returning the favour***

Exchanging the favour and reciprocating their help was another reward offered by people received wasta.

*I do not wait for reciprocation when I gave a favour to anyone. However, it is not wrong if he or she found an opportunity to return the favour in the future. [Ent18]*

*It is nice when others compete in providing you a favour when you had used your connections to help them in the past. [Ent6]*

The delivery application owner declared that when helping people surrounding you, they will be concerned how to return this favour to you:

*When you provide different types of people with wasta connections, you feel that those receivers were eager to return this help. [Ent1]*

### ***Pursuing opportunities or marketing products***

This reward was business exchange reciprocation between the entrepreneurs who were providing wasta and the recipients.

*Using your wasta connections for others will return to you to get more business opportunities, nominating for a prize and having access to exhibitions. [Ent20]*

*Those people who achieved their goals through my wasta were looking for any market opportunity that might be lucrative for me. [Ent18]*

Rewarding entrepreneurs by opening new markets for their products or survives was another action by recipients. Ent1 and Ent2 mentioned that this was the case.

*I was in a situation that people who I had already helped them, they did not know how to compensate for me. One of them tried that by advertising my products via well-known social media platforms. [Ent1]*

*I used to work in the Ministry of Pilgrimage. I have strong relations with organisations working in this industry, and I provided them a lot of services. One day, I needed to install our product on buses as part of a contract. It was impossible to do it without permission and the time was limited to get it. Then, I used one of my connections who provided us access to that, and it worked. [Ent2]*

Here we can see, therefore, that entrepreneurs who provide wasta to other people could eventually receive a return that in some form boosts their sales or profit in their start-ups.

### ***Invitation to meals or gifts***

Three entrepreneurs (Ent1, Ent3 and Ent7) admitted that they were rewarded by an invitation to a meal by the people who benefited from their connections.

*Some of those receiving my wasta invited me to a dinner. [Ent3]*

*Yes, might be a dinner meal. [Ent7]*

One of the entrepreneurs (Ent1) mentioned that a wasta recipient rewarded him with gifts and working for the entrepreneur for free after benefiting from Wasta:

*Yes, I received gifts from people to whom I had provided wasta connections.*

### ***Compliments and reputation***

Two other interviewees announced different rewards provided by people around entrepreneurs as a reaction to previous help.

*I was informed after providing my wasta to others who used the emotional words such as you are amazing and powerful. [Ent9]*

*They rewarded me by giving me more respectful supplication and reputation in my society. [Ent12]*

## **4.10 Registration and formality of Start-ups**

The formality of the start-ups investigated in this study was an important consideration due to its effect on the entrepreneurs themselves and the governmental institutions in any country. Additionally, this issue was also affected by socio-cultural, economic and political considerations, and vice versa.

*The optimal situation is that no one needs wasta, this will happen when regulations and procedures become easy and clear, but unfortunately the reality is different because most daily life transactions do not go smoothly without personal connections. [Ent3]*

*My legal status is considered as semi-informal, but I used wasta to have access and work in a project with a formal company by signing informal agreement [Ent1]*

### **4.10.1 Registration and level of formality**

The degree of formality in Saudi early stage start-ups' varied into three levels: fully formal, semi-formal and fully informal. In addition to this, other themes related to formalisation emerged from the interviews.

#### ***Fully formal start-ups***

Some interviewees announced that their start-ups are fully registered with the governmental institutions, and they met all the requirements to be in this level.

*My partners and I decided to be a fully formal start-up. We knew that it would take a longer time but we did it. It was a good experience, and took about three months to complete all the requirements. [Ent4]*

*It is difficult to be 100% compliant, but I did it. This is very good for start-ups to grow out of trouble. [Ent9]*

*We found an investor who offered us a fund to be partner in the business. We agreed and part of his job is to complete all the registration procedures. So, we are now a fully formal business. [Ent16]*

### ***Semi-formal***

Most of the entrepreneurs interviewed admitted that their projects were partly-formal. Some of them thought that their current level is enough for this stage, while others had a future plan to complete their registration procedures.

*The legal part of my start-up was never completed. [Ent8]*

*I am anxious to be fully formal due to my desire to make a global brand name. However, I really hate the long formal procedures. Therefore, I decided to delay the whole registration to the near future. It would be kind of stupidity to follow all the roles and spend my limited money on registration fees". [Ent1]*

Other interviewees declared that they registered as a solo establishment but the real situation was that they were a company consisting of two or more partners. The reason for that was the complexity and cost of regulations.

*We are registered as an individual establishment, but we recently decided to transform our legal position to be a company. We started one year ago and we have not finished yet. [Ent18]*

It can be noticed that there were several configurations of semi-formality. These range from low to high levels of informality. For instance, some entrepreneurs register with one or two formal institutions while other start-ups could be registered with three or four. The reason for that differentiation could be due to the complexity of regulations, the high cost of registration or when there is no need to comply with a governmental institution because the nature of start-ups. An obvious example is when an entrepreneur starts an online platform which does not requires a physical office; this entrepreneur will not register with the municipality since that process usually requires having an office.

### ***Fully informal***

None of interviewees mentioned that his /her start-up was fully-informal, although the online training owner stated:

*If I had been given the opportunity again, I would have been fully informal and started the registration phase after growth. [Ent9]*

#### 4.10.2 The Five papers

This term was mentioned by many early stage entrepreneurs interviewed in this research. The term means that if any Saudi start-up or company wants to be fully formal and enter and win governmental contracts, these companies must register with five organisations: Ministry of Commerce, Ministry of Labour, Chamber of Commerce, General Organisation of Social Insurance and the Zakat and Tax Organisation.

*The government does not allow either start-ups or big companies to win a contract without having the five certificates. In general, we, as early stage entrepreneurs, do not target the projects of government due to the difficulty to compete with leading and well-known companies. [Ent6]*

*It is part of the complexity that faces entrepreneurs when starting their businesses. The government should offer broad facilities for the entrepreneurs who need to focus on their daily tasks rather than the long procedures. These five papers might require three months to be achieved, which means that entrepreneurs have to be away from their businesses. [Ent19]*

Regarding the reason for registration, some of the entrepreneurs spoke freely about the motives that made them to be in their level of formalisation. A few interviewees mentioned that the poor coordination between the five organisations meant that entrepreneurs avoided following all procedures, as the owner of the design start-up (Ent18) said:

*I wanted to set up a new company but the complexity in regulations and procedures prevented me to do so. The issue is highly complex as a result of the absence of coordination between government institutions. [Ent18]*

*We are three partners, but the formal documents only include my name only, while the other two partners are employees in the government which is not allowed to be with me on the formal papers. We need some time to accommodate the formal procedures. [Ent7]*

The societal influence also played a role in entrepreneurs' decisions to be at a specific level of formality. A few of them indicated this issue:

*All society members might accept being at this level of formality, especially if your start-up registered with the Ministry of Commerce. Customers care about our product and service rather than our registration. [Ent1]*

Another perspective was mentioned by an entrepreneur who mentioned:

*Most of the laws and regulations were enacted in an environment which is isolated from socio-cultural norms and habits. [Ent9]*

#### **4.11 Wasta, Islamic teachings and business ethics**

The Saudi interviewees were asked about the relationship between Islam and the current practice of wasta, and how wasta can be in consistent with religious principles.

##### **4.11.1 Infringing others' rights**

Many of the entrepreneurs who participated in the study affirmed that for wasta to be compatible with religion it must not infringe other people' rights.

*Wasta will be against our religion if one takes another person' place or opportunity. [Ent13]*

*In the business field, wasta will be forbidden if a businessman won a contract without healthy competition. [Ent4]*

##### **4.11.2 Providing benefits without harming others**

It is very crucial for wasta practitioners to avoid harming anyone if they want to follow Islamic religion teachings. Many entrepreneurs reassured that helping others without injustice is recommended:

*The main criterion is that wasta does not harm another person or the community, so practitioners must take things they deserve. [Ent8]*

##### **4.11.3 Monetisation**

Two entrepreneurs (Ent4 and Ent17) discussed the issue of monetary consideration.

*The important factor to be compliant with the religion is that the benefits one receives or provides must not be monetised. [Ent4]*

*If money comes between wasta practitioners, we can call it bribe, which is forbidden in our religion. [Ent17]*

##### **4.11.4 Contradicting Islamic teachings**



Two other entrepreneurs (Ent9 and Ent18) uncovered that the current practices of wasta are against the Islamic religion teachings: *“The contemporary practices of wasta are badly immoral”*. [Ent9]

#### **4.12 Conclusion**

To conclude, the twenty semi-structured interviews with Saudi entrepreneurs enabled the researcher to attain a deeper and better understanding of the phenomenon of wasta in the entrepreneurial field. The findings of the interviews also provided a foundation upon which to build the quantitative questionnaire, which will be analysed in the next chapter.

The qualitative data analysis reported several important subjects and themes related to the entrepreneurs' perceptions, knowledge and experience of the role of wasta in the entrepreneurial field in Saudi Arabia. The interviewees discussed the challenges faced in their early stage entrepreneurial journey. Then, the participants revealed their perception towards wasta and its practices in society from the positive and negative sides, followed by the main reasons for resorting to this social phenomenon. Furthermore, wasta practices and its system of rewards in the business field were also explored. The entrepreneurs who participated in the interviews were also questioned about receiving wasta from other people and providing it to others as well 'supply and demand', this included the activities, compensations and who they were exchanging with. As a result of these practices, it was revealed that these start-ups had different experiences in respect to the issue of formality and registration. Finally, the participants shed some light on the contradiction between the informal institution of wasta and Islamic teachings. All the emerged themes and qualitative findings helped to answer the research questions and then design the quantitative questionnaire that will be discussed in the next chapter.

# Chapter 5: Findings of Quantitative analysis

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### 5-4 Conclusion

## 5.0 Introduction

The previous chapter reported the findings and analysis of the first qualitative phase. This phase, together with the literature review, helped develop the main questionnaire used in the second phase of this research, which will be discussed in this chapter. As mentioned earlier, the aim of this thesis is to evaluate the role that personal connections (*wasta*) play in early stage entrepreneurial firms. This chapter aims to analyse the quantitative questionnaire, and to present the procedures and results of data analysis tests conducted using SPSS. Before testing the scales, it is important to mention the validity and reliability of the questionnaire. The chapter will refer to several types of analysis: explanatory factor analysis for some of the scales, followed by descriptive analysis for the whole questionnaire, and finally multiple linear regressions to test the relationships between dependent and independent variables.

The first part, 5.1, assesses the validity and reliability of the measurements employed in this thesis, in addition to the suitability and adequacy of sampling. Section 5.2 reports the descriptive statistics of the questionnaire participants for the main variables: *demographic questions*, *liabilities of newness*, *entrepreneurial orientations*, *wasta practices* and *tax morality*, and also some other issues related to *wasta* and entrepreneurship in Saudi Arabia. The results of the descriptive analysis will answer the three research questions: “*What are the characteristics of the individual and organisational levels of Saudi early stage entrepreneurship?*”; and “*How is wasta practised by early stage entrepreneurs?*”. Section 5.3 introduces the results of multiple linear regression analysis models, which test the hypotheses:

**H1. Receiving wasta reduces liabilities of newness**

**H2. Providing wasta reduces liabilities of newness**

**H3. Receiving wasta increases entrepreneurial orientation**

**H4. Providing wasta increases entrepreneurial orientations**

**H5. Receiving wasta reduces tax morality**

**H6. Providing wasta reduces tax morality**

**H7. Receiving wasta reduces level of formality**

**H8. Providing wasta reduces level of formality**

And, the last section, 5.4, provides a brief conclusion of the whole chapter.

### **5.0.1 Process of developing the questionnaire**

Developing a high-quality questionnaire is a difficult step which requires significant effort (Rowley, 2012). As mentioned in the methodology chapter, the researcher designed the questionnaire based on both an extensive literature review and the qualitative interviews (Bryman and Bell, 2015). Prior to the qualitative phase, the researcher started by reviewing the literature and studying the concepts and constructs. This helped with pilot interviews to conduct the semi-structure interviews. As a consequence, the qualitative results supported the literature and researchers' validated measures to enable the study to refine and design the items of a meaningful and coherent questionnaire. This questionnaire is organised into eight different parts. The next paragraphs will discuss how the literature was used to help the research ask questions about broad ideas such as tax morality, receiving *wasta*, and how the qualitative information was used to build the specific items to test in the questionnaire (Appendix 5.30).

The first part (Questions 1-8) provides general background information from the participants on their individual and organisational levels. At the individual level, the respondents were asked about their age, gender and level of education. Drawing on the Global Entrepreneurship Monitor report (2010), the age group of entrepreneurs was between 18 to 64 years old. The levels of education included all the degrees from secondary school or below to PhD, and a choice of "other" was also written in the question. The organisational level consisted of five areas: location, business start date, type of business, ownership and number of employees. Regarding the location, the aim of this study was to concentrate on the three main regions of Saudi Arabia. With regard to business start date, due to focusing on early stage entrepreneurship (GEM, 2010), the researcher studied businesses who had been established between 0 and 42 months. The options in respect to type of business were based on ISIC (2008) and from the United Nations list. In terms of ownership, the researcher noticed in the qualitative interviews that the majority of participants had from one to four partners. Lastly, the categories in the question of number of employees was drawn from the classification of the Saudi Ministry of Commerce.

The second, third and fourth parts (Questions 9-11) discuss liabilities of newness, entrepreneurs' perception of measuring *wasta*, and entrepreneurial orientations. Regarding liabilities of newness, some of these liabilities were raised by the interviewees such as: licensing and regulatory barriers; lack of managerial experience; socio-cultural constraints; barriers to entry due to competition and competing and winning contracts. In addition to this, these liabilities and others like: lack of stable relations; general economic situation; fear of

failure; cost of learning and developing programmes were found in the literature review (Stinchcombe 1965; Nagy et al., 2012; Morse et al., 2007). In terms of the perception of entrepreneurs towards *wasta*, three constructs (feeling-favour-trust) were used, as validated by Yen et al. (2011) and Berger et al. (2014), and the fourth construct (power) was taken from the work of Cunningham and Sarayrah (1993), while the last construct, institutional deficiency, was suggested by the researcher based on the qualitative findings. This construct of this part was measuring the entrepreneurs' orientations. All five constructs of orientation (risk taking – innovativeness – proactiveness – competitive aggressiveness – autonomy) were taken from the studies of Hughes and Morgan (2007) and Shan et al. (2016).

The fifth part (Questions 12-19) tests receiving and providing *wasta* practices. Both the demand and supply sides of *wasta* consist of four areas: institutions, activities, rewards and people. Regarding the institutions, the interviewees mentioned several institutions as venues for the benefit or provision of *wasta*: Chamber of Ecommerce, Civil Defence, Zakat and Tax organisation and the municipality. Regarding the activities, ones like winning contracts, getting information, receiving special services and circumventing rules and laws emerged from the interviews and were found with others in the literature as well. Most of the rewards were mentioned in the literature and the findings of interviews, while two rewards were only mentioned in the conversations with the entrepreneurs, which were compliments and reputation in society and appreciation (supplication). The categories of people who were exchanging *wasta* with entrepreneurs were similar. The literature in this part is represented in the work of Onoshchenko and Williams (2013), Franic and Williams (2017) and Williams and Franic (2017).

The sixth part of the questionnaire includes three general areas (Questions 20-22). The first one questioned how *wasta* generally affects the success or failure of their start-ups. While the question (21) compared how *wasta* is considered essential in Saudi Arabia, Arabic countries and the rest of the world, while the last question in this part asked whether the current practices of *wasta* confirm or contradict Islamic teachings. All three questions emerged from the conversations with interviewees.

The seventh part consisted of two questions (23-24) regarding vertical and horizontal trust, which was represented by items on tax morality and the percentage of counterpart entrepreneurs engaging in *wasta* to achieve their goals. The tax morality validated items were developed referring to the work of Williams and Franic (2016). Question 24 provided

information about the proportions of other entrepreneurs engaging in *wasta*, in the opinion of the participants. This question emerged from the qualitative findings when the interviewees mentioned that most people use and benefit from this social phenomenon.

The eighth and last part of the quantitative questionnaire (questions 25-28) was related to the issue of registration and level of start-ups' formality. Related to the qualitative phase, the entrepreneurs discussed the registration and the need for the five papers to be fully formal and competing and winning contracts. The questions asked whether they registered for any number of formal institutions or none of them. Those entrepreneurs were also questioned about their situation with the registration with the Zakat and Tax organisation in addition to having individual or firm bank accounts. These institutions were also mentioned and developed from the literature review (Williams, Shahid and Martinez, 2016; Williams and Shahid, 2016) which studied the level of formality in other countries. In the next sections these questions will be shown before the analysis.

## **5.1 Exploratory factor analysis and reliability of measurements**

This section refers to the explanatory factor analysis and Cronbach Alpha. Exploratory Factor Analysis (EFA) was undertaken in order to prepare the dataset for testing (Conway and Huffcutt, 2003) and to evaluate the measurements by reducing the variables and analysing the interrelationship amongst them (Hair et al., 2010; Field, 2013). Prior to this, two tests were conducted to examine the suitability of dataset for factor analysis: Kaiser–Meyer–Olkin (KMO) and Bartlett's Test of Sphericity (BTS) (Kaiser, 1970; Field, 2013). The main five behavioural scales of concern in this research: *liabilities of newness*, *entrepreneurial orientations*, *receiving *wasta* activities*, *providing *wasta* activities* and *tax morality* were all factor analysed, while the sixth scale the *level of formality* was nominal. Scholars have suggested that to be considered adequate for Factor Analysis the statistical value of the KMO level should be 0.6 as a minimum, with a significance level between items of less than 0.05, (Kaiser, 1974; Field, 2013). The findings from the KMO and BTS analysis revealed that all the research variables achieved the suggested standards.

Regarding recommended loading values, Field (2013, p. 1994) states that "*a loading of 0.4 is substantial, so we don't throw out the baby with the bath water, setting the value to 0.3 is sensible*", therefore in this thesis we set the value to 0.4 as a minimum. In order to validate and reduce the items (Field, 2013), factor analysis was preceded by using Eigenvalues and a

Promax rotation method for the components. The researcher performed factor analysis testing on multiple occasions. Regarding the reliability, particularly in the case of using factor analysis, it is recommended to utilise Cronbach's alpha assessment (Field, 2009). A limited value of 0.7 or higher is acceptable for a reliable construct, although 0.6 is acceptable especially for new scales (Nunnally and Bernstein, 1978) or "in the early stages of research" (Hair et al., 2010, p. 2037). Based on the test conducted on the main five independent and dependent scales, the results revealed that most of the constructs were consistent with the Cronbach's alpha limit of 0.7, apart from three of the scales which were close to this value, which will be discussed later. Additionally, the other scales in the questionnaire were also tested to find their Cronbach's alpha values.

### **5.1.1 Factor Analysis and reliability of Liabilities of Newness items**

The first scale *Liabilities of newness* (LoN) was factor analysed several times in order to find the best solution. There were seventeen items of *liabilities of newness* in the original questionnaire. According to the Table 5.1, the KMO and BTS values for the *liabilities of newness* items were in the recommended range by having KMO=0.770 and highly significant BTS ( $p<0.001$ ) respectively. This indicates that the items used in factor analysis are adequate. In relation to the initial eigenvalues part, the two component (internal and external liabilities) of the overall factor described 34.58% of the total variance (See Appendix Table 5.31).

The researcher undertook several trials on the items to remove low and cross-loadings. After removing the lower loading  $<0.4$  and highly cross-loadings, eleven items were retained for the next stage and six items were extracted. The final factor analysis resulted in two factors. In other words, these eleven items were divided into two components. By reviewing the first component, which contains six items, all of them reflected *external liabilities of newness*, whereas the second component with five items returned to *internal liabilities of newness*, which is theoretically supported (e.g. Stinchcombe, 1965; Nagy et al., 2012; Morse et al., 2007). Related to this, the Pattern Matrix Table (5.1) showed that *external liabilities* were loaded between 0.720 and 0.445, while the *internal* ones were ranged between 0.702 and 0.48.

The first component includes six statements and was called *external liabilities*, and all of these liabilities are linked to the challenges encountered by entrepreneurs outside their start-ups. For instance, liabilities relating to: "*lack of stable relations*", "*entering & winning contracts*", "*the general economic situation*", "*licensing*", "*competition*" and "*industry trends*" which all



originate outside organisations. While the other set of liabilities: “*fear of failure*”, “*lack of managerial experience*”, “*socio-cultural constraints*”, “*cost of learning*” and finally “*firm commitment*” are called internal liabilities.

Table 4.1: The Factor Analysis and Cronbach alpha values of Liabilities of Newness)

	<b>Pattern Matrix<sup>a</sup></b>		<b>Cronbach alpha</b>
	<b>Component</b>		
	<b>External</b>	<b>Internal</b>	
	<b>1</b>	<b>2</b>	
Lack of stable relations	.720		
Entering and winning contracts	.615		
General economic situation (e.g. oil prices – state plans)	.604		
Licensing and regulatory barriers	.598		<b>0.690</b>
Barriers of entry due to competition	.506		
Industry trend (Business cycle stage)	.445		
Fear of failure		.702	
Lack of managerial experience		.672	
Socio-cultural constraints		.621	<b>0.678</b>
Cost of learning and developing programmes		.594	
Finding enough time to spend on personal capital (firm commitment)		.481	

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalisation.

Rotation converged in 3 iterations.

**(Chi-square 510.862; df 91; sig.0.000) KMO=0.770**

### 5.1.2 Factor analysis and reliability of Entrepreneurial Orientation items

The second Exploratory Factor Analysis was performed for *Entrepreneurial Orientation*. According to the Table 5.2, the *Entrepreneurial Orientation*’ KMO value was 0.840, which is considered satisfactory according to Hutcheson and Sofroniou (1999). Also, BTS was highly significant with ( $p < 0.001$ ), indicating that the sample is suitable and adequate. Additionally, the Total Variance Table (See Appendix Table 5.32) shows that the first four components, relate to the orientations, had eigenvalues higher than one, which explained 34.08, 12.58, 9.14 and 6.99 of the total variance, respectively. The first five components, which had values of more than 5% of the whole variance, explain 68.60% of the total variance.

The Pattern Matrix Table below (5.2) shows that the final factor analysis results led to four *Entrepreneurial Orientation* dimensions: *Innovativeness and Proactiveness*; *Autonomy*; *Risk Taking* and *Competitive Aggressiveness*, with all values being arranged by size. Every one of these dimensions was gathered in a separate component, which is supported in the literature (Hughes and Morgan, 2007; Shan et al., 2016), except for *Innovativeness and Proactiveness* which were combined in one dimension. Exploring this a little more fully, the first set of components (1) had six statements linked to *innovative and proactive* actions such as “*We initiate actions to which other organisations respond*”, “*Our business seeks out new ways to do things*” and “*We excel at identifying opportunities*”. In the literature review, these items in the first component were separated, whereas here they resulted in one group. This suggests that both *Innovativeness and Proactiveness* have similarities in the way that respondents answered these questions, probably linked to the idea of taking the initiative. The four items that came together were related with providing employees with the freedom to act and communicate, namely “*Employees are permitted to act and think without interference*” and “*Employees are given freedom to communicate without interference*”, so this dimension was called *Autonomy*.

The third dimension of entrepreneurial orientation was named *Risk taking* which is measured by three statements. Firstly, the statement “*The term ‘risk taker’ is considered a positive attribute for people in our business*” had the highest value of all the dimensions with 0.875, and the second statement “*People in our business are encouraged to take calculated risks with new ideas*” also had a high loading of 0.841, while the third item “*Our business emphasises both exploration and experimentation for opportunities*” had the lower value of 0.640, although this was still considered acceptable.

The fourth dimension was called the *Competitive Aggressiveness* dimension, which had only three items ranged from 0.543 for “*Our business is intensely competitive*” to 0.827 for “*We try to undo and out-manoeuvre competition as best as we can*” and 0.836 for “*In general, our business takes a bold or aggressive approach when competing*”. As one can see, all these three statements link to the idea of competition. The factor loading scores were all sufficiently high to mean that all three statements could be retained.

Table 4.2: The values of (EO) components' loadings and Cronbach's alpha ( $\alpha$ )

	<b>Pattern Matrix<sup>a</sup></b>				<b><math>\alpha</math></b>
	<b>Component</b>				
	1	2	3	4	
Our business seeks out new ways to do things	.827				
Our business is creative in its methods of operation	.775				
We excel at identifying opportunities	.769				
We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)	.760				<b>0 .860</b>
We introduce improvements and innovations in our business	.744				
We initiate actions to which other organisations respond	.710				
Employees are given freedom to communicate without interference		.870			
Employees are given freedom and independence to decide on their own how to go about doing their work		.839			<b>0 .800</b>
Employees have access to all vital information		.735			
Employees are permitted to act and think without interference		.700			
The term 'risk taker' is considered a positive attribute for people in our business			.875		
People in our business are encouraged to take calculated risks with new ideas			.841		<b>0 .748</b>
Our business emphasises both exploration and experimentation for opportunities			.641		
In general, our business takes a bold or aggressive approach when competing				.836	
We try to undo and out-manoeuvre competition as best as we can				.827	<b>0 .698</b>
Our business is intensely competitive				.543	

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalisation.

a. Rotation converged in 6 iterations.

**(Chi-square 1485.786; df 120; sig.0.000) KMO=0. 840**

In terms of the reliability of *entrepreneurial orientation*, as shown in Table 5.2, the Cronbach alpha values for all four dimensions were within acceptable limits, indicating the reliability of the EO scale.

### 5.1.3 Factor analysis and reliability of receiving wasta activities

The third factor analysis performed was for *Receiving wasta Activities*. Prior to running the analysis, this scale had 13 items. It can be seen in Table 5.3 that the sample was adequate, with

a KMO value of 0.892 and a BTS that was highly significant at  $p < 0.001$ . In regard to the Eigenvalues, the first item explained 50.41% of the total variance (See Appendix Table 5.33).

By using Principal Component Analysis, after extracting three items (Receiving wasta to get information, being introduced to important people and developing customer relations) due to high cross loading or low values, the thirteen items became ten in just one component. The items “*Winning contracts*” and “*Accelerating procedures*” reached the highest loadings (0.752 and 0.743) respectively, whereas “*Circumventing rules-bureaucracy*” had the lowest loading of 0.623, as presented in Table 5.3. With regards to the reliability of receiving wasta activities scale, the Cronbach’s Alpha value of the ten remaining items value of was high  $\alpha = 0.888$ .

Table 4.3: The values of (RWA) components’ loadings and Cronbach’s alpha

<b>Component Matrix<sup>a</sup></b>		
	<b>Component</b>	<b><math>\alpha</math></b>
	1	
Receiving Wasta for Winning contracts	<b>.752</b>	<b>0.880</b>
Accelerating procedures	<b>.743</b>	
Taking customers from competitors	<b>.736</b>	
Finding business opportunities	<b>.727</b>	
Receiving special bank service	<b>.722</b>	
Receiving funds from supportive institutions	<b>.718</b>	
Receiving services without queuing	<b>.712</b>	
Buying cheaper services and products	<b>.708</b>	
Making rules or laws work	<b>.649</b>	
Circumventing rules-bureaucracy	<b>.623</b>	

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

(Chi-square 1024.186; df 45; sig.0.000) KMO=0.892

#### 5.1.4 Factor analysis and reliability of providing Wasta activities

The fourth factor analysis test was conducted for the scale *Providing Wasta activities*. The KMO measure of sample adequacy was 0.905, which is very good according to the criteria of Hutcheson and Sofroniou (1999). The Bartlett’s measure was also significant with  $p < 0.001$  (See Table 5.4), which means that the variable is ready for factor analysis testing.

52.75% of the total variance can be explained by the first item, “*Winning contracts*”, and 83.25% by the first five items as presented in (Appendix 5.34). Nine of the eleven items were

included and two were removed due to their low loadings, and all these nine items gathered in one factor component. The two items “*Helping others to buy cheaper services*” and “*Being introduced to useful people*” had the lowest accepted values (0.640 and 0.649) respectively. On the other hand, the three *wasta* activities items “*Helping others to win contracts*”, “*Receive funds*” and “*receive special bank service*” reached the highest levels with (0.775, 0.770 and 0.770), as shown in Table 5.4. It also showed a Cronbach’s alpha value of 0.887.

Table 4.4: The values of (PWA) components’ loadings and Cronbach’s alpha

Component Matrix <sup>a</sup>		Cronbach alpha
	Component 1	
Helping others to win contracts	.775	0.887
Helping others to Receive fund from supportive institutions	.770	
Helping them to Receive special bank service	.770	
Helping others to receive services without queuing	.764	
Helping others to find a job	.728	
Making rules or laws work	.726	
Circumventing rules-bureaucracy	.700	
Helping others to buy cheaper services and products	.649	
Being introduced to useful people	.640	

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

(Chi-square 922.302; df 36; sig.0.000) KMO=0.905

### 5.1.5 Factor analysis and reliability of Tax Morality (TM)

The KMO and BTS results for the fifth scale, *Tax Morality*, revealed that both were as the recommended level (0.844 for KMO, and a value of 0.001 significance in the Bartlett’s test, see Table 5.5). Related to this, the first item explained about 66.33% of the total variance, and all the other items explained more than 5% of variance (See Appendix 5.35). There was no change in or extraction of the items.

The factor analysis for the five statements resulted in one variable called *Tax Morality*, which was assessed in the questionnaire based on the tax morality measurement used by previous scholars (e.g. Williams and Franic, 2016). The largest loading value was for the item “*A firm is hired by another firm and does not report earnings*” with 0.872, while the lower one was “*A person hired by a household does not declare earnings when they should be declared*” with a loading of 0.745. The other items also acquired high values as we can see in Table 5.5. Related

to this, the Table showed that the reliability of the Tax Morality scale had a Cronbach alpha of 0.871.

Table 4.5: The values of (PWA) components' loadings and Cronbach's alpha

<b>Component Matrix<sup>a</sup></b>		
	<b>Component 1</b>	<b>Cronbach Alpha</b>
A firm is hired by another firm and does not report earnings	<b>.872</b>	
Someone evades paying Zakah for by not or only partially declaring income	<b>.838</b>	
A firm hires a private person and all or part of their salary is not declared	<b>.832</b>	<b>0.871</b>
Someone receives welfare payments without entitlements	<b>.779</b>	
A person hired by a household does not declare earnings when it should be declared	<b>.745</b>	

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

**(Chi-square 571.751; df 10; sig.0.000) KMO=0.844**

Furthermore, the researcher performed reliability tests for all other scales that will be used in the regression model. These remaining scales included in the questionnaire were also tested for their reliabilities as shown in Table 5.6, which shows that the reliability values of all these scales were high.

Table 4.6: The Cronbach's alpha values for the other scales

<b>Scales</b>	<b>No of Items</b>	<b>Cronbach alpha</b>
Wasta definition	21	0.832
Receiving Wasta Institutions	13	0.903
Receiving Wasta Rewards	11	0.866
Receiving Wasta People	7	0.854
Providing Wasta Institutions	13	0.946
Providing Wasta Rewards	10	0.892
Providing Wasta People	7	0.860
Reasons for being in the current level of formality	11	0.892

To conclude this section, three types of tests were performed for the main scales *liabilities of newness, entrepreneurial orientations, receiving and providing activities, and tax morality*. Firstly, KMO and PTS were used to examine the suitability of the dataset and adequacy of the

sample. Then, Exploratory Factor Analysis (EFA) was conducted to evaluate and prepare the main five scales for testing so as to ensure that the final factors were in line with what the researcher intended to test and reflected measurable scales. Also, the reliabilities were tested for all the scales of the questionnaire. All the measures were retained for statistically describing the results and testing the significance between these constructs amongst Saudi early stage entrepreneurs, which will be discussed in the next two sections.

## **5.2 Descriptive analysis of the questionnaire**

It is recommended that before undertaking more detailed analysis, there is a need to perform descriptive statistical analysis of the entrepreneurs in the sample (Sekaran & Bougie, 2010). A descriptive technique using frequency distribution was therefore calculated to review the data and link it to the research questions and interview findings, using frequency, percentage, mean and standard deviation. This descriptive statistical analysis will be used to understand the demographic/background characteristics of the individuals and organisations in this study to answer the research question: *“What are the characteristics of Saudi early stage entrepreneurs?”*. It will also be used to measure *wasta* and thus answer the research question: *“How can *wasta* be measured by early stage entrepreneurs?”*. It will inform analysis of receiving and providing *Wasta* practices, and enable the research questions: *“How can receiving *wasta* be practiced?”* and *“How can providing *wasta* be practiced?”* to be answered. Finally, this analysis will shed light on several other issues related to *wasta* and entrepreneurship in Saudi Arabia such as: liabilities of newness, entrepreneurial orientation, tax morality, level of formality, and a few other issues.

### **5.2.1 The individual characteristics of participants**

This part is divided into two levels of characteristics: individual and organisational. The first level was the entrepreneurs’ demographic characteristics – this individual level is shown in Table 5.7. Regarding the *age* of the entrepreneurs surveyed, of the 236 who responded to the questionnaire three out of five entrepreneurs, 61% were 18-36 years old. Around 15% of entrepreneurs were older, aged between 45 and 65 years old. This means that the majority of start-up owners surveyed were young.

With respect to *gender* distribution, the growing number of female entrepreneurs has been noticed within the interviews and this questionnaire. Almost a fifth of the respondents (19.5%) were women, which reflects the Saudi governments' encouragement of female participation in business life. The third individual-level characteristic was *education*. Recent efforts to promote education amongst Saudi citizens through scholarship programmes can be clearly seen in the results, since the Table shows that the vast majority (72%) of entrepreneurs surveyed had at least a bachelor's degree, and 30% had a postgraduate qualification. 60 entrepreneurs (25%) obtained a postgraduate diploma or less.

Table 4.7: Percentage distribution of entrepreneurs by demographic characteristics - individual level

<b>Socio-demographic characteristics <i>Individual-Level</i></b>		<b>Frequency</b>	<b>Percent %</b>
<b>Age</b>	18 to less than 27 years	59	25
	27 to less than 36	85	36
	36 to less than 45	55	23.3
	45 to less than 54	28	11.9
	54 to less than 65	8	3.4
	=< 65	1	0.4
Total		236	100
<b>Gender</b>	Female	46	19.5
	Male	190	80.5
	Total		236
<b>Education</b>	Secondary school or below	31	13.1
	Postgraduate diploma	29	12.3
	Bachelor	101	42.8
	Masters	54	22.9
	PhD	18	7.6
	Other	3	10.3
Total		236	100

### 5.2.2 The organisational characteristics of the start-ups

The firm-level characteristics contained responses related to five areas, as shown below in Table 5.8. The first characteristic was the *start-ups' region*. 101 out of 236 entrepreneurs established their start-up in the Western Region of Saudi Arabia. This might be due to the researcher living in this part of the country and most of his connections being located in this region. Of all the respondents, about 34% started their firms in the Central part of the country, while the rest (22%) were located in the Eastern region.



In terms of the *age of start-ups*, this research focused on early stage entrepreneurial firms, which are between 0 to 42 months according to the GEM classification (GEM, 2014). The results indicated that about 40% of the 236 responses were less than two years old, with the remainder (59.7%) being more than 2 years old.

Table 4.8: Percentage distribution of entrepreneurs by socio-demographic characteristics - Organisational-Level

<b>Socio-demographic characteristics</b>		<b><i>Firm-Level</i></b>	<b>Frequency</b>	<b>Percent %</b>
<b>Region</b>	Western		101	42.8
	Eastern		53	22.5
	Central		82	34.7
		Total	236	100
<b>Start date</b>	Less than a year		52	22
	A year to less than 2 years		43	18.2
	2 years to less than 3 years		52	22
	3 year to less than 3 years and 6 months		89	37.7
		Total	236	100
<b>Business type</b>	Professional, scientific and technical		52	22
	Wholesale or Retail trade		66	28
	Hotels, entertainment and food		37	15.7
	Construction		23	9.7
	Manufacturing		15	6.4
	Financial intermediation activities		2	0.8
	Transportation and Storage		16	6.8
	Real estate, renting		12	5.1
	Other		13	5.5
		Total	236	100
<b>Employees</b>	1-5 employees		117	49.6
	6-49 employees		95	40.3
	50-249 employees		15	6.4
	=> 250 employees		9	3.8
		Total	236	100
<b>Ownership</b>	I am the only owner		95	40.3
	I have a partner		75	31.8
	I have two partners		31	13.1
	I have three partners		15	6.4
	I have four or more partners		20	8.5
		Total	236	100

Additionally, Table 5.8 also presents eight *business type* categories. The highest proportion of start-ups in the sample were wholesale and retail trade firms (28%), while professional, hotel

and entertainment and construction constituted (22%, 15.7 and 9.7%) respectively. The lowest proportion was in the financial intermediation activities with 0.8%.

Regarding the *number of employees* working in the entrepreneurial firms surveyed, half of them (49.6%) employed only between 1 and 5 employees. The second largest group had from 6 to 49 employees, with 95 firms falling in this band (40.3%). Only 24 (10%) of the start-ups surveyed employed 50 people or more. The last characteristic related to the current *ownership form*. It can be seen that the majority of the firms examined were established by two or more entrepreneurs (59.7%), although 40.3% of the start-ups were owned by a sole founder.

In summary, this descriptive analysis indicates a dominance of male entrepreneurs in the sample who are mostly aged between 18 and 36 years old. The majority of also have at least a Bachelor's degree. Additionally, the start-ups were characterised by a high proportion working in the wholesale or retail trade, as well a significant number working in professional, scientific and technical fields. Most firms employed between 1 and 49 persons, with the majority of start-ups in the sample owned by two or more partners.

### **5.2.3 Descriptive statistics for Liabilities of newness (External and Internal)**

**Q9: What is the level of difficulty that you have faced when dealing with the following challenges during your start-up? (5-Likert scale)**

As discussed earlier in the literature review, start-ups encounter different types of challenges in their first years, which can be termed *liabilities of newness*? The respondents were asked about the level of difficulty they have faced when dealing with the different challenges during start-up. By reviewing the factor analysis, *the liabilities of newness* resulted in two components – external and internal.

Regarding the external *liabilities of newness*, the results in Table 5.9 show that the greatest challenge identified related to “*Competing and winning government contracts*” as a result of laws and regulations, with more than three fifths (60.2%) of respondents indicating that this was very or extremely difficult, with a mean response of 3.68. Other major challenges related to “*Licensing & regulatory barriers*” and “*General economic situation (e.g. oil prices – state*

plans)” (59.3%) and (54.2) respectively. The liabilities of “*Lack of stable relations*” and “*Industry trends*” were considered lower external liabilities by participants.

In terms of the *Internal Liabilities of Newness*, the results of the five statements revealed that the greatest internal difficulty encountered by participants was “*Lack of managerial experience*”, with half of entrepreneurs considering this very or extremely difficult. Other important liabilities were “*Cost of learning and developing programmes*” and “*Finding enough time to spend on personal capital (firm commitment)*”, which had the same percentage, 43.6%. The least challenges were “*Socio-cultural constraints*” with 29.2% and “*Fear of failure*” 35.6%.

Table 4.9: Percentage distribution of the External Liabilities of Newness faced/experienced by the entrepreneurs

<i>External Liabilities items</i>	ND	SD	MD	VD	ED	Total (VD+ED)	M	Std.
	%	%	%	%	%	%		
<b>Entering &amp; winning contracts</b>	7.6	12.3	19.9	25	35.2	<b>60.2</b>	3.68	1.28
<b>Licensing &amp; regulatory barriers</b>	6.8	12.7	21.2	27.5	31.8	<b>59.3</b>	3.65	1.24
<b>General economic situation (e.g. oil prices – state plans)</b>	6.8	14.4	24.2	30.1	24.6	<b>54.7</b>	3.51	1.2
<b>Barriers of entry due to competition</b>	8.1	15.3	30.1	24.6	22	<b>46.6</b>	3.37	1.21
<b>Industry trend (Business cycle stage)</b>	5.5	12.3	39.4	29.2	13.6	<b>42.8</b>	3.33	1.04
<b>Lack of stable relations</b>	7.2	19.1	34.7	25.8	13.1	<b>39</b>	3.19	1.11

ND: Not difficult at all, SD: Slightly Difficult, MD: Moderately Difficult, VD: Very Difficult, ED: Extremely Difficult, M: Mean, Std. Standard Deviation

Table 4.10: Percentage distribution of the Internal Liabilities of Newness faced/experienced by the entrepreneurs

<i>Internal Liabilities items</i>	ND	SD	MD	VD	ED	Total (VD+E D)	M	Std.
	%	%	%	%	%	%		
<b>Lack of managerial experience</b>	4.2	8.9	36.9	37.7	12.3	<b>50</b>	3.45	0.96
<b>Cost of learning and developing programs</b>	7.2	12.3	36.9	28.8	14.8	<b>43.6</b>	3.32	1.09
<b>Finding enough time to spend on personal capital (firm commitment)</b>	10.2	14	76	30.5	13.1	<b>43.6</b>	3.22	1.15
<b>Fear of failure</b>	8.5	21.6	34.3	24.2	11.4	<b>35.6</b>	3.08	1.12
<b>Socio-cultural constraints</b>	17.8	20.3	32.6	16.9	12.3	<b>29.2</b>	2.86	1.25

ND: Not difficult at all, SD: Slightly Difficult, MD: Moderately Difficult, VD: Very Difficult, ED: Extremely Difficult, M: Mean, Std. Standard Deviation

Three points can be made related to these liabilities, and drawing upon institutional theory. Firstly, the results reveal that entrepreneurs face a variety of challenges (liabilities of newness) during the early stage, and the highest levels of difficulty relate to formal institutions such as: licensing and regulations, entering and winning contracts and the economic situation. Secondly, the informal institutions in the form of socio-cultural constraints, including fear of failure and lack of stable relations created the least difficulty for those entrepreneurs. Thirdly, given that social constraints did not seem to be an issue for the entrepreneurs, it might be postulated that this would encourage them to make use of this relative strength in the form of using *wasta* connections to overcome the challenges posed by the formal institutions, thus bridging the gap between the two types of institutions.

#### 5.2.4 The measurement of *Wasta*

**Q10: What level of agreement do you think that these statements are representing in respect to your views towards using connections? (5-Likert scale)**

In order to measure *wasta*, four main dimensions were extracted from the literature: *feelings*, *favour*, *trust*, *power* and one more from the qualitative interview phase which was *institutional deficiency*, as shown in the Table in (Appendix Table 5.36). In the first dimension, the entrepreneurs surveyed mostly indicated their awareness of *feelings* (5 items) when dealing with others and especially their personal connections. Almost all the entrepreneurs (91.1%) agreed with the statement “*I would try my best to help out my connections when they are in need*”. A similarly high proportion of participants (88.1%) agreed with the statement “*Using connections is important & inevitable*”. Interestingly, more than two thirds of respondents admitted that “*they do not like wasta but they use it*”, giving an indication of the paradoxical nature of this phenomenon. Regarding the second-dimension *favour* (5 items), 54.8% of the respondents indicated that being “*unable to provide a requested favour to their connections will make the entrepreneurs embarrassed*”.

Regarding *wasta* in the sphere of business transactions, the vast majority of the participants (83.9%) agreed that “*calling in a favour is part of doing business*”, while 144 out of 236 “*entrepreneurs considered not to return the favour as bad business*”. Results with regard to the third-dimension *trust* (3 items) showed that half of those who responded agreed with the

trust statements “*My connections do not make false claims*” and “*My connections have been frank in dealing with me*” with percentages of 50%, and 45.8% respectively. Related to this, trust, when dealing with others was the lowest dimension in terms of participants’ agreement, which means that the process of receiving or providing *wasta* does not usually require that much of trust.

Furthermore, the evidence showed that the fourth-dimension *power* (3 items) played an important role in using *wasta*. Nearly three-quarters of the entrepreneurs who participated (70.8%) agreed that “*having the power of connections is an effective means to achieve few opportunities when the seekers are many*”. Additionally, of the 236 respondents, just over half (54.8%) agreed with the statement “*In some situations, the only way to achieve a goal legally or not is having someone in a position of power*”.

The fifth dimension suggested by the researcher *Institutional deficiency* (5 items) had four items, three of them had high values of means and degree of agreement with the items. The statement “*It is a result of the gap between formal institutions and norms and cultures in society*” and “*Officials who disrespect laws are responsible for using connections*” had similar agreements averages and about 72% of early stage entrepreneurs agreed with these statements. Related to this, about 70% of respondents declared that “*Wasta is used as a result of lack enforcement of laws*”. This last dimension (institutional deficiency) emphasised that the asymmetry between formal and informal institutions was a main reason to exchange *wasta*.

### **5.2.5 Entrepreneurial orientations**

**Q11: To what extent do you agree or disagree that these statements are relative to your business (Entrepreneurial Orientations)? (5-Likert scale)**

Four major dimensions were tested to measure the *entrepreneurial orientation* of the Saudi start-up owners surveyed. These four dimensions are *risk taking*, *innovativeness and proactiveness*, *competitive aggressiveness* and *autonomy* which are summarised in the Table in Appendix 5.38. The *innovativeness* and *proactiveness* dimension combined six items and had the highest mean average (4.03). Related to this, 81.1% of the participants indicated that “*they actively introduce improvement and innovation in their businesses*”. Additionally, it can be noted that (68.6%) of the 236 responses had agreement with the “*excellence of identifying opportunities*”. Furthermore, almost three quarters (73.3%) declared that “*they endeavour to initiate in every situation*”.

Regarding the second dimension, *risk taking* (3 items), the vast majority of participants agreed with *risk taking* items. For instance, three quarters of respondents (76.3%) agreed with “*The term ‘risk taker’ is considered a positive attribute for people in our business*”, and a similar percentage (75.5%) also supported the statement “*Our business emphasises both exploration and experimentation for opportunities*”.

Of the 236 participants surveyed about their *competitive aggressiveness* dimension (3 items), 185 entrepreneurs agreed that “*their businesses were intensely competitive*”. However, less than a half (43.7%) indicate that they “*take a bold or aggressive approach when competing*”. Lastly, the fourth-dimension *autonomy* (4 items) had the lowest means, ranging from 3.32 to 3.46. Just over half (55.1%) of those who responded agreed that “*their work teams were given freedom to communicate without interference*”. Additionally, three-quarters agreed with “*providing their employees access to all vital information*”.

## 5.2.6 The demand side: receiving Wasta practices

Entrepreneurs’ practices in receiving wasta are divided into four subscales: *institutions*, *activities*, *rewards* and the *people who provide the entrepreneurs with wasta*.

### 5.2.6.1 Institutions

**Q12: How often have you used and benefited from asking wasta to achieve goals when dealing with these institutions? (5-Likert scale)**

The entrepreneurs were asked about the frequency with which they benefit from wasta when engaging with different Saudi institutions. According to the Table 5.11, the entrepreneurs required wasta most often when dealing with the *municipality*. Approximately four-fifths of them (79.8%) admitted that they used wasta from time to time to achieve their goals when dealing with this institution. While 60.2% of entrepreneurs stated that they used wasta often or always to achieve their goals when dealing with the municipality. When dealing with *private sector institutions* to get things done, 21.2% of the entrepreneurs used wasta frequently. In respect to the *Ministry of Justice* a lower frequency of wasta use was indicated by entrepreneurs, indeed 28.8% stated that they never used or benefited from wasta when dealing with this ministry. Results for use of wasta in dealing with *Civil defence*, *General Organisation for Tax*, and *General organisation for social insurance* were also low (26.3, 22.5% and 22%, respectively).

Table 4.11: Extent of use and benefit from wasta when dealing with institutions

<i><b>Institutions</b></i>	<b>Never</b>	<b>Rarely</b>	<b>Some- times</b>	<b>Often</b>	<b>Always</b>	<b>Total</b>	<b>M</b>	<b>Std</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
<b>The Municipality</b>	12.3	8.9	18.6	24.6	35.6	60.2	3.62	1.37
<b>Private sector</b>	4.7	12.3	26.7	35.2	21.2	56.4	3.56	1.1
<b>The Ministry of Labour</b>	14.4	14.4	19.9	27.1	24.2	51.3	3.32	1.36
<b>Financial institutions</b>	10.6	12.3	33.1	29.2	14.8	44.1	3.25	1.17
<b>Chamber of Commerce</b>	16.1	16.5	21.6	24.2	21.6	45.8	3.19	1.37
<b>The Ministry of Commerce</b>	17.4	16.5	22	26.7	17.4	44.1	3.1	1.35
<b>General organisation for Zakat and Tax</b>	22.5	13.1	25	25	14.4	39.4	2.96	1.36
<b>General Organisation for Social Insurance</b>	22	16.5	25.8	19.1	16.5	35.6	2.92	1.38
<b>Educational institutions</b>	16.9	21.6	28.4	22	11	33.1	2.89	1.24
<b>Civil Defence</b>	26.3	14.4	22	19.9	17.4	37.3	2.88	1.44
<b>Medical institutions</b>	19.9	17.8	31.4	18.2	12.7	30.9	2.86	1.29
<b>Accelerators and incubators</b>	25	15.7	30.1	17.8	11.4	29.2	2.75	1.32
<b>The Ministry of Justice</b>	28.8	22.9	30.1	11.9	6.4	18.2	2.44	1.2

It can also be noticed that the entrepreneurs increasingly benefited from wasta to meet some regulations or institutional requirements. This provides an indication that some of these institutions might have complex regulations and bureaucracy, causing early stage entrepreneurs to resort to the informal institutions to facilitate and overcome these liabilities. In this section, the quantitative results added to the qualitative part by showing that wasta was widely practised by the entrepreneurs when dealing with private sector and financial institutions. This can be attributed to start-ups need to find business opportunities and thus to collaborate with larger and more powerful institutions. In addition to their use of wasta to receive support and funding from financial institutions.

### 5.2.6.2 Activities

**Q13: How often have you use and benefited from wasta when dealing with these activities? (5-Likert scale)**

This measurement was factor analysed and also used as a main variable in finding the relationship between wasta activities and entrepreneurial issues. The results in Table 5.12 show that about 60 percent of Saudi entrepreneurs frequently used wasta and benefited from its practices to “*Finding business opportunities*” and “*Accelerate procedures*”. Similar proportions were noticed for the activities of “*Buying cheaper services and products*” (58%) and “*Making rules or laws work*” (50.87%).

Wasta was less commonly practised in other activities, however. For instance, a third of entrepreneurs (33.1%) received wasta to “*Win commercial contracts*”, while (37.3%) of participants benefited from this phenomenon to “*Circumvent rules-bureaucracy*”. The lower score for these two activities compared to others might be due to the need for more powerful wasta connections which might not be available for early stage entrepreneurs. Although circumventing bureaucracy achieved a low score, however, this percentage is still high. This can provide an indication that rules and laws are broken without any sanctions being applied. Additionally, “*Receiving funds from supportive institutions*” and “*Receiving services without queuing*” were also practised less (39.4% and 43.2%, respectively). The results here show that the informal institutional practice (wasta) was regularly needed to solve and deal with the formal institutions (procedures, laws and rules).

Table 4.12: Extent of use and benefit from Wasta when dealing with business-related activities

<i>Activities</i>	Never %	Rarely %	Some - times %	Often %	Always %	Total %	Mean	Std
<b>Finding business opportunities</b>	6.4	7.2	26.3	36.9	23.3	60.2	3.64	1.11
<b>Accelerating procedures</b>	7.2	10.6	22.5	33.5	26.3	59.7	3.61	1.19
<b>Buying cheaper services and products</b>	8.1	9.7	24.2	38.1	19.9	58.1	3.52	1.15
<b>Making rules or laws work</b>	11	7.6	30.5	31.4	19.5	50.8	3.41	1.2
<b>Grasping customers from competitors</b>	14.4	14	24.6	26.7	20.3	47	3.25	1.32
<b>Receiving special bank service</b>	14	11.9	26.3	32.2	15.7	47.9	3.24	1.26
<b>Receiving services without queuing</b>	14.8	16.5	25.4	23.7	19.5	43.2	3.17	1.32



<b>Circumventing rules-bureaucracy</b>	23.3	12.7	26.7	19.9	17.4	37.3	2.95	1.4
<b>Receiving fund from supportive institutions</b>	25.4	16.9	18.2	20.8	18.6	39.4	2.9	1.46
<b>Winning contracts</b>	28.4	12.3	26.3	21.2	11.9	33.1	2.76	1.38

### 5.2.6.3 Rewards

**Q14: How often have you recompensed Wasta providers with these rewards?  
(5-Likert scale)**

In order to understand how Saudi entrepreneurs receiving wasta rewarded the providers, a list of possible forms of compensation was given to participants. As mentioned earlier in the qualitative analysis, Muslims and particularly Arabic people use supplication (pray) as a way of thanking help or wasta providers. The results showed that soft and emotional rewards such as “*Thanks*” and *supplication*, and thirdly “*Compliments and reputation*” were the most frequent rewards given by entrepreneurs to wasta providers: 83.1%, 80.9% and 76%, respectively. Rather fewer entrepreneurs (47%) reported that they often or usually “*Return the favour*” to wasta providers.

Tangible rewards were not noticeable amongst Saudi entrepreneurs as a form of compensation to wasta providers. For example, just a fifth of participants (19.9%) declared that they offered *money* for the people who had helped them with wasta, and 26.7% cited *gifts*. Furthermore, offering job and *meal invitation* rewards were also limited practices with (27.5% and 31.8%) respectively, as shown in Table 5.13. To conclude, one can express that monetisation between entrepreneurs and their connections was a noticeable issue even though the percentages was less than with some of the other answers. In other words, if a third of participants used money as a reward, this means that other people also engaged in this practice. Therefore, this percentage can provide an indication of a negative issue affecting the society.

Table 4.13: Entrepreneurs' opinions on the nature of compensation to Wasta providers

<i>Rewards</i>	Never %	Rarely %	Some- times %	Often %	Always %	Total %	M	Std
<b>Thanks</b>	4.2	1.7	11	22.5	60.6	83.1	4.33	1.03
<b>Appreciation (Supplication)</b>	4.2	3	11.9	20.3	60.6	80.9	4.3	1.07
<b>Compliment &amp; reputation in society</b>	5.1	1.7	16.9	29.2	47	76.3	4.11	1.08
<b>Providing Work or consulting for free</b>	13.1	14	26.7	19.1	27.1	46.2	3.33	1.36
<b>Returning the favour</b>	11	13.1	28.4	32.6	14.8	47.5	3.27	1.19
<b>Providing a marketing opportunity</b>	21.6	15.3	21.2	21.6	20.3	41.9	3.04	1.43
<b>Requiting people sent by wasta providers</b>	21.6	18.2	27.5	21.6	11	32.6	2.82	1.3
<b>Meal Invitation</b>	27.5	13.6	27.1	20.8	11	31.8	2.74	1.35
<b>Offering a job or promotion</b>	32.6	15.3	24.6	18.2	9.3	27.5	2.56	1.35
<b>Gifts</b>	35.2	13.6	24.6	13.6	13.1	26.7	2.56	1.42
<b>Money</b>	58.1	6.8	15.3	11.4	8.5	19.9	2.06	1.4

#### 5.2.6.4 The type of relationship between entrepreneurs and wasta providers

**Q15: How often have you asked for Wasta from these Categories? (5-Likert scale)**

The relationship between entrepreneurs surveyed and wasta providers was also studied in the questionnaire. According to Table 5.14, the participating entrepreneurs most commonly obtained wasta from their “*Friends*” and “*Family members*” (56.8% and 55.5%) respectively. “*Colleagues or classmates*” were the third most frequent source at 40.7%. Interestingly, the results showed that a quarter of entrepreneurs (24.2%) benefited from wasta by asking “*Public people*”, and the “*relations of entrepreneurs’ relations*” (28.4%) were also important. This suggests that exchanging wasta is a continuous practice especially within extended family networks, but is also something that occurs between non-family members across Saudi society.

Table 4.14: Entrepreneurs' opinions on the extent to which they received Wasta from different categories of people

<i>People</i>	Never	Rarely	Some- times	Often	Always	Total	M	Std
	%	%	%	%	%	%		
<b>Friends</b>	5.1	7.6	30.5	33.9	22.9	56.8	3.62	1.08
<b>Family</b>	10.2	13.6	20.8	24.2	31.4	55.5	3.53	1.33
<b>Colleagues or classmates</b>	9.7	16.5	33.1	26.7	14	40.7	3.19	1.16
<b>Relatives</b>	14.8	19.9	27.5	25.4	12.3	37.7	3.00	1.24
<b>Relations of your relations</b>	15.7	28.8	27.1	19.1	9.3	28.4	2.78	1.20
<b>Public people (you do not know)</b>	35.6	19.5	20.8	14.4	9.7	24.2	2.43	1.36
<b>Neighbours</b>	32.6	26.3	19.9	12.3	8.9	21.2	2.39	1.29

### 5.2.7 The supply side: providing Wasta practices

This part discusses the supply side of wasta and the extent to which entrepreneurs receive requests for wasta from those around them. Similar to the previous discussion of the demand side of wasta, there are four parts to the following analysis: institutions, activities, rewards and people participating in wasta. Differences can be observed between responses relating to supply and those relating to demand.

#### 5.2.7.1 Institutions

**Q16: How often have you provided others with Wasta to achieve their goals when dealing with these institutions? (5-Likert scale)**

When dealing with different institutions, the early stage entrepreneurs surveyed offered wasta to people around them. The highest mean was 3.35 for entrepreneurs who were frequently asked to provide favours to others to achieve their goals when dealing with *Private sector institutions* (50.8%). *The Chamber of Commerce, The municipality and Educational institutions* were also in high demand (39.1%, 38.6% and 37.3%) respectively. Wasta was less commonly provided by entrepreneurs to others in the case of dealing with some other institutions. For instance, in the case of *The Ministry of justice*, 38.6% of entrepreneurs reported that they never provided wasta to deal with this institution. Additionally, the institutions *General organisation for Zakat and Tax, Civil defence and Business accelerators* were also amongst the less frequent institutions (26.3%, 28.4% and 30.1%, respectively) as shown in Table 15. The results show that people around entrepreneurs look for wasta to deal with the complexity and bureaucracy of different institutions.

Table 4.15: Distribution of entrepreneurs' opinions on providing Wasta to achieve their goals when dealing with institutions

<b><i>Institutions</i></b>	<b>Never %</b>	<b>Rare %</b>	<b>Sometimes %</b>	<b>Often %</b>	<b>Always %</b>	<b>Total %</b>	<b>M</b>	<b>Std</b>
<b>Private sector</b>	11.9	11.4	25.8	31.4	19.5	50.8	3.35	1.25
<b>Chamber of Commerce</b>	21.6	11.4	28	27.5	11.4	39	2.96	1.31
<b>The Municipality</b>	25	12.7	23.7	22	16.5	38.6	2.92	1.42
<b>Educational institutions</b>	21.6	16.9	24.2	22	15.3	37.3	2.92	1.37
<b>The ministry of Commerce</b>	23.7	13.6	26.7	25.4	10.6	36	2.86	1.32
<b>The ministry of Labour</b>	26.3	13.6	24.6	23.7	11.9	35.6	2.81	1.37
<b>Financial institutions</b>	22.9	19.1	25.8	19.5	12.7	32.2	2.8	1.33
<b>Medical institutions</b>	28.8	16.5	22.9	20.8	11	31.8	2.69	1.37
<b>Accelerators and incubators</b>	26.7	17.4	25.8	21.6	8.5	30.1	2.68	1.3
<b>General Organisation for Social Insurance</b>	33.5	14	22	22.9	7.6	30.5	2.57	1.36
<b>Civil Defence</b>	33.9	14.4	23.3	19.1	9.3	28.4	2.56	1.37
<b>Zakat and Tax Org</b>	35.2	14.4	24.2	15.3	11	26.3	2.53	1.39
<b>The Ministry of Justice</b>	38.6	19.5	17.4	16.9	7.6	24.6	2.36	1.34

### 5.2.7.2 Activities

**Q17: How often have you provided others with Wasta when dealing with these activities? (5-Likert scale)**

This question as a main variable was also confirmed by factor analysis test. Most participants (60.2%) stated that they often or always provided wasta for others to help them to “*be introduced to useful people*”, while a percentage of 49.6% of entrepreneurs used their connection to “*buy cheaper services or products*”. In the same vein, entrepreneurs participating in this study provided their wasta to help others “*Find a job*” by a percentage of (43.6%) and “*Make rule or laws work*” (39.4%). More than two-fifths of participants (41.5%), however, used their connections to help others “*circumvent rules and bureaucracy*” for people around them. Helping others to “*Win contracts*”, “*Receive special bank services*” and “*Receive fund from financial institutions*” were other spheres where people benefited from the entrepreneurs’ connections (26.7%, 32.6% and 34.3%). These results can be read in Table 5.16.

Table 4.16: Distribution of entrepreneurs' opinions on the extent of providing Wasta when dealing with activities

<i>Activities</i>	Never %	Rarely %	Some- times %	Often %	Always %	Total %	M	Std
<b>Being introduced to useful people</b>	4.2	8.9	26.7	38.6	21.6	60.2	3.64	1.05
<b>Helping others to buy cheaper services and products</b>	6.8	8.5	35.2	30.5	19.1	49.6	3.47	1.1
<b>Helping others to find a job</b>	11.9	14.4	30.1	24.2	19.5	43.6	3.25	1.26
<b>Making rules or laws work</b>	20.8	10.6	29.2	25.4	14	39.4	3.01	1.33
<b>Helping others to receive services without queuing</b>	15.3	16.1	33.5	22.5	12.7	35.2	3.01	1.23
<b>Helping others to Receive fund from supportive institutions</b>	21.6	18.6	25.4	22	12.3	34.3	2.85	1.32
<b>Helping them to Receive special bank service</b>	20.3	19.9	27.1	22.5	10.2	32.6	2.82	1.27
<b>Helping others to win contracts</b>	32.2	19.9	21.2	19.1	7.6	26.7	2.5	1.32
<b>Circumventing rules-bureaucracy</b>	41.5	13.6	19.9	13.6	11.4	25	2.4	1.43

### 5.2.7.3 Rewards

**Q18: How often have those beneficiaries from your Wasta recompensed you with these rewards? (5-Likert scale)**

The Table 5.17 presents the frequencies of rewards provided to entrepreneurs by the people who received wasta. In the vast majority of situations, providing wasta was rewarded with “*Supplication*” (69.9%), “*Thanks* (67.8%) or offering to “*Promote entrepreneurs’ products*” (47.5%). Regarding monetisation, almost a third of responses (36.4%) stated that they were frequently paid with “*Cash*” as a reward for providing wasta favour. “*Gifts*” were also another way of rewarding entrepreneurs using their connections to benefit other people (21.2%). Furthermore, entrepreneurs were “*Invited to meals*” as compensation for the favour provided to different people (32.6%). It can be said that monetary exchange was still an issue in daily life transactions.

Table 4.17: Entrepreneurs' opinions on the extent of compensation received from those that benefitted from Wasta they had provided

<b>Rewards</b>	<b>Never</b>	<b>Rarely</b>	<b>Some-times</b>	<b>Often</b>	<b>Always</b>	<b>Total</b>	<b>M</b>	<b>Std</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
<b>Appreciation (supplication</b>	8.1	3.4	18.6	24.6	45.3	69.9	3.96	1.23
<b>Thanks</b>	8.9	4.7	18.6	33.1	34.7	67.8	3.8	1.22
<b>Offering to promote my products</b>	12.7	11	28.8	28.4	19.1	47.5	3.3	1.26
<b>Providing marketing opportunities</b>	14.8	13.6	26.7	26.7	18.2	44.9	3.2	1.3
<b>Return the favour</b>	13.1	17.8	29.7	25.4	14	39.4	3.09	1.23
<b>Compliment &amp; reputation</b>	20.8	11	27.1	25.8	15.3	41.1	3.04	1.35
<b>Working for me for free</b>	20.3	15.3	25.4	24.2	14.8	39	2.98	1.34
<b>Meal invitation</b>	28	14.4	25	20.3	12.3	32.6	2.75	1.38
<b>Gifts</b>	46.6	15.3	16.9	9.3	11.9	21.2	2.25	1.42
<b>Money</b>	63.6	9.3	11.4	8.5	7.2	15.7	1.86	1.31

#### 5.2.7.4 The relationship of Wasta recipients to entrepreneurs

**Q19: How often have these categories asked you for Wasta? (5-Likert scale)**

Somewhat in contrast to the demand side, 65.3% of respondents affirmed that “*Family members*” were the most frequent beneficiary from entrepreneurs’ wasta connections. This was followed by “*Friends*” (62.3%) and extended “*Relatives*” who were provided wasta by the entrepreneurs participating in the study, as shown in Table 5.18. On the other side, the entrepreneurs reported that even “*Neighbours*” were provided with wasta, albeit with a lower percentage reported (23.7%). Further categories of people were also served, including “*Public people*” (entrepreneurs do not know), and “*Relations of relations*” (30.5% and 30.9%) respectively. Again, the wide and extended relationships in Saudi society have an effect on people’s dealings by using wasta.

Table 4.18: The extent to which entrepreneurs received requests for Wasta from different categories of people

<b>People</b>	<b>Never %</b>	<b>Rarely %</b>	<b>S-times %</b>	<b>Often %</b>	<b>Always %</b>	<b>Total %</b>	<b>M</b>	<b>Std</b>
<b>Family</b>	6.4	8.5	19.9	25.8	39.4	65.3	3.83	1.22
<b>Friends</b>	5.5	7.2	25	38.6	23.7	62.3	3.68	1.08
<b>Relatives</b>	8.1	11	30.1	32.6	18.2	50.8	3.42	1.15
<b>Colleagues or classmates</b>	8.1	12.7	35.2	29.7	14.4	44.1	3.3	1.11
<b>Relations of your relations</b>	11.9	21.2	36	20.8	10.2	30.9	2.96	1.14
<b>Public people</b>	22.9	23.3	23.3	18.6	11.9	30.5	2.73	1.32
<b>Neighbours</b>	26.7	21.6	28	12.7	11	23.7	2.6	1.3

### 5.2.8 Islamic ethics and Wasta practices

**Q20. To what extent do current Wasta practices in entrepreneurial environment contradict/confirm Islamic teachings and business ethics? (5 multiple choices)**

The participating entrepreneurs were asked whether the current wasta practices contradict or confirm Islamic teachings and ethics. The Holy Quran and Sunnah organise people’s lives in society. This requires following principles in daily and business life transactions, and using personal connections must be a part of this. Individuals are still human, however, which means that they are not perfect or ideal, so they might conduct corrupt or negative practices.

Although the vast majority of respondents admitted that they have benefited from or provided wasta, 134 out of 236 entrepreneurs (56.8%) reported that the “*current practices of wasta contradict Islamic teachings of business ethics*”. Only 6.4% considered wasta practices to be consistent with their religion’s teachings, as shown in Figure 5. This suggests individuals break formal or informal laws or customs, especially when it comes to achieving their personal objectives.

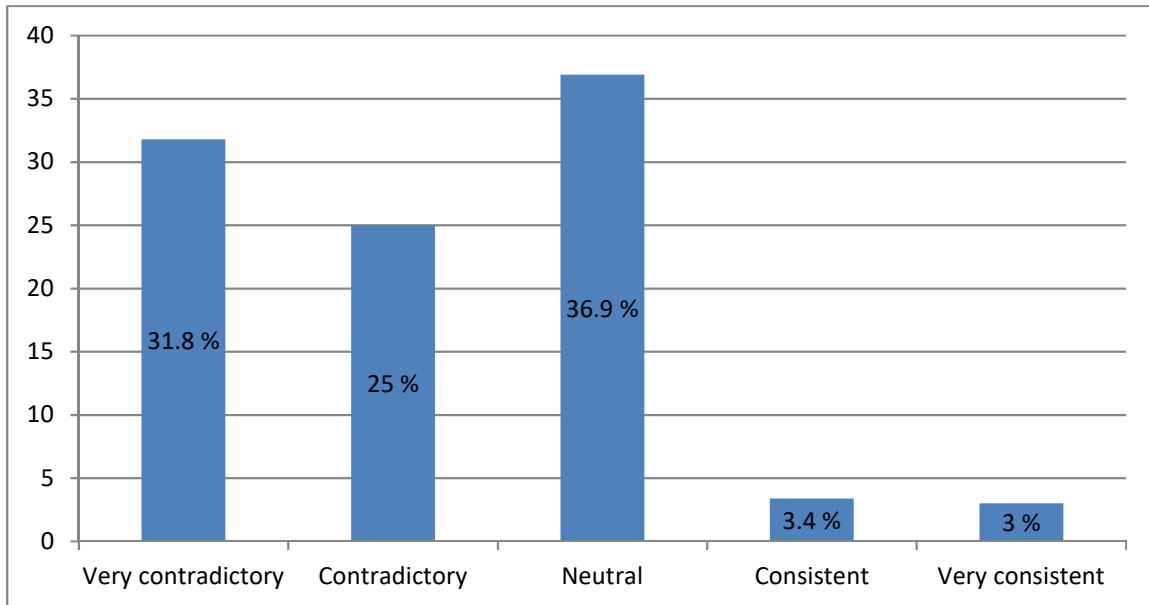


Figure 5: Extent to which the current Wasta practices in entrepreneurial environment contradict/confirm Islamic teachings of business ethics

### 5.2.9 Role played by Wasta in the success or failure of start-ups

**Q21: Generally, what role has Wasta played on the success or failure of your entrepreneurial project? (5 multiple choices)**

The results in Figure 6 show that more than half of participating entrepreneurs (58%) indicated a “*Positive role of wasta in their start-ups*”. This means they felt they benefited from practices of exchanging wasta, which allowed them to establish their entrepreneurial projects and overcome liabilities of newness. Only 8.1% of the respondents indicated a “*Negative effect of wasta practices on their businesses*”, however. This suggests that, from the perspective of entrepreneurs, the positive impact of wasta outweighs its negative impacts.

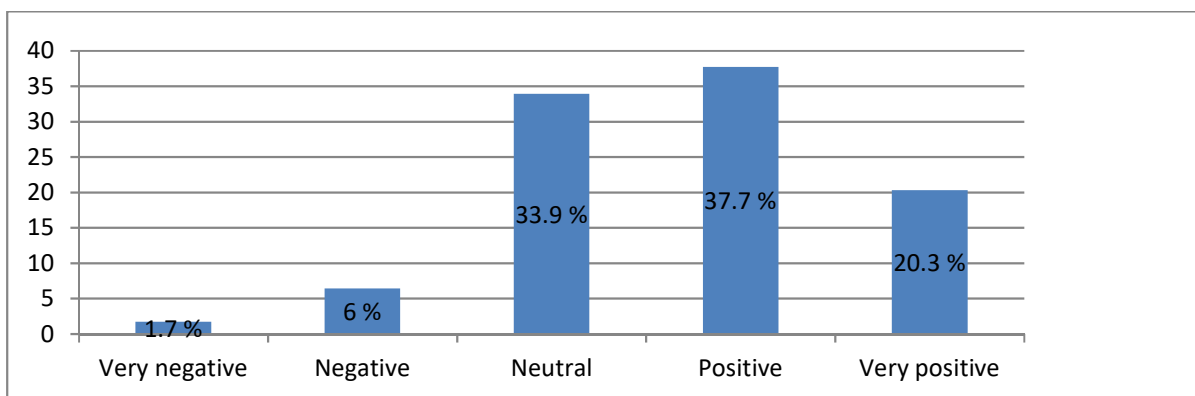


Figure 6: entrepreneurs’ opinions on the role played by Wasta in the success or failure of their venture



### 5.2.10 Is Wasta essential when starting a business?

**22. To what extent do you think Wasta is a must to establish a business in the following areas? (5-Likert scale)**

Entrepreneurs were also questioned about whether they thought the phenomenon of *wasta* was *crucial* only in Saudi Arabia and wider Arabic countries, or is similarly significant worldwide. Almost three quarters of responses (73.7%) indicated that *wasta* was highly necessary when starting an entrepreneurial firm in the Saudi environment. In Arabic countries; 151 out of 236 entrepreneurs (64%) anticipated that this phenomenon is essential to start a business. Only 22% believed this was the case in the rest of the world, see Figure 7. These results suggest that practising and benefiting from personal connections is particularly prevalent in Arabic countries and less in other countries globally. This attitude might lead to the distrust of governments and society everywhere, particularly if the majority resort to this practice to get things done (Brandstaetter et al., 2016).

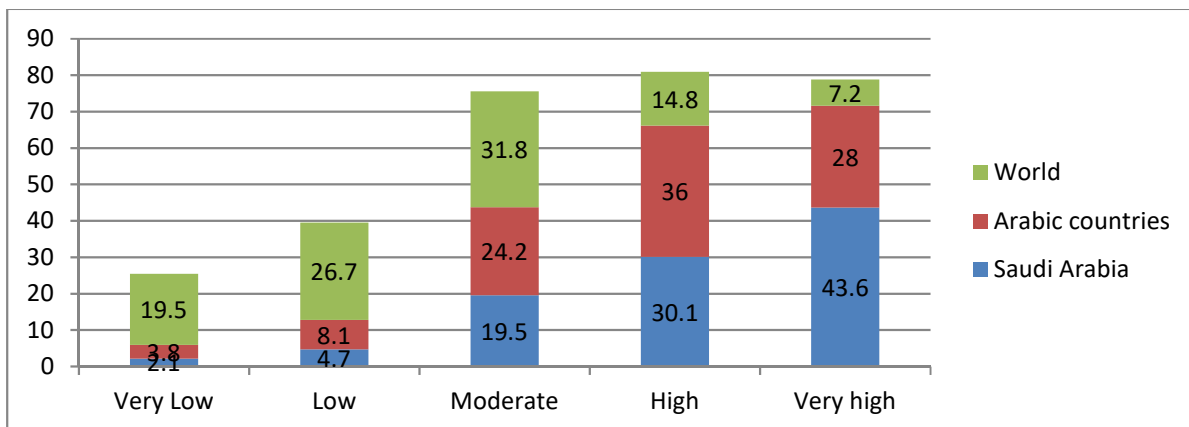


Figure 7: entrepreneurs' opinions on the extent to which Wasta was essential when establishing a venture in different regions

### 5.2.11 Tax morality

**Q23: Could you tell me please; to what extent you believe the following activities are acceptable or unacceptable (Tax morality)? (5-Likert scale)**

As mentioned earlier, this construct was measured by asking participants five statements related to their morality towards some practices conducted either on the individual or firm level. For instance, more than three quarters of entrepreneurs (76.3%) did not agree with the statement "*Someone receives welfare payments without entitlements*", while only 11.9%

agreed with that practice. What stands out in Table 5.19 is that only 44.5% of entrepreneurs surveyed disagreed with the statement “A person hired by a household does not declare earnings when it should be declared”. At the firm’ level, more than two thirds of those who responded (67.4%) disagreed with the statement “A firm is hired by another firm and does not report earnings”, and 55.9% of participants were also against the idea that “A firm hires a private person and all or part of their salary is not declared”. The issue here was that entrepreneurs had a high level of tax morality, in conjunction with benefiting from their connections to acquirer needs.

Table 4.19: Entrepreneurs’ opinions on tax morality

<b>Tax morality</b>	<b>CA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>CD</b>	<b>Total</b>	<b>M</b>	<b>Std</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Someone receives welfare payments without entitlements</b>	3.4	8.5	11.9	19.1	57.2	76.3	4.18	1.14
<b>Someone evades paying Zakah for by not or only partially declaring income</b>	3.4	8.5	20.3	17.8	50	67.8	4.03	1.16
<b>A firm is hired by another firm and does not report earnings</b>	4.7	11	16.9	20.8	46.6	67.4	3.94	1.22
<b>A firm hires a private person and all or part of their salary is not declared</b>	6.4	13.1	21.2	21.2	34.7	59.3	3.68	1.25
<b>A person hired by a household does not declare earnings when it should be declared</b>	11.9	16.9	26.7	22	22.5	44.5	3.26	1.3

CA: completely agree, A: Agree, N: Neutral, D: Disagree, CD: Completely Disagree, M: Mean, Std. Standard Deviation

### 5.2.12 The current entrepreneurs’ practices of Wasta

**Q24. What percentage of entrepreneurs do you think engage in Wasta to get things done? (5 multiple choices)**

What is striking in Figure 8 is the high percentage of respondents who think that entrepreneurs use wasta to achieve their goals (two-thirds think this wasta is used by more than half of entrepreneurs – 36% who stated that 50 – 75% do so and 30% who stated 75–100% do so. This means that wasta is considered a widespread phenomenon amongst the owners of start-ups. Therefore, the last two constructs vertical and horizontal trust shed some light on an important issue. In other words, entrepreneurs believed that people or organisations around them also practise wasta and use their connections to get things done. Based on that, individuals or organisations in society might not trust each other, and this may extend to a distrust of governmental institutions.

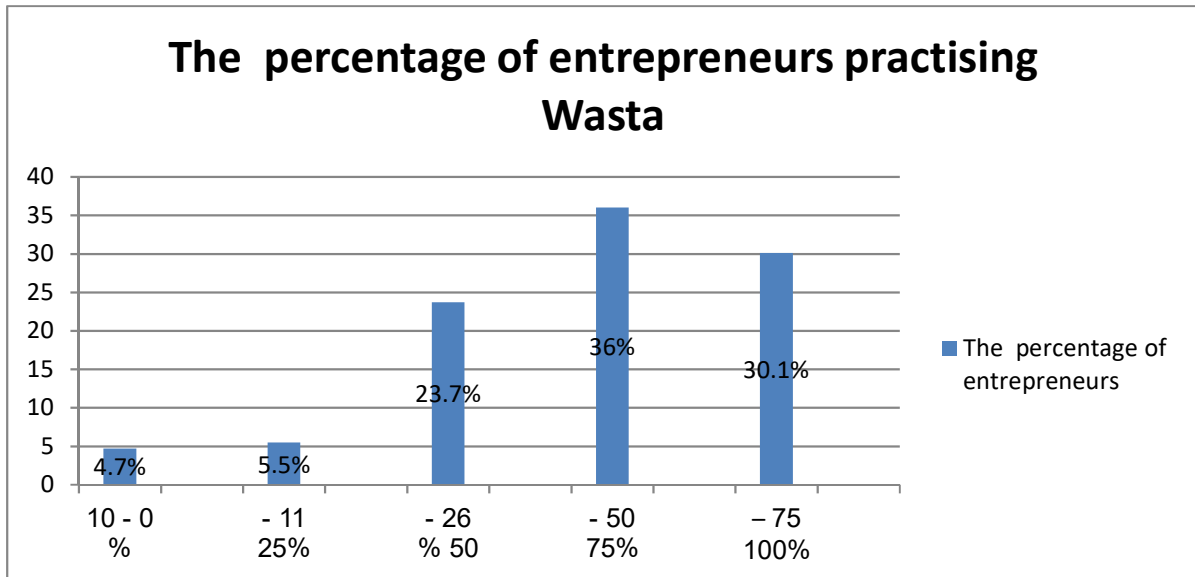


Figure 8: Entrepreneurs' views on those engaged in Wasta to get things done

### 5.2.13 Start-ups' registration and level of formality

**25. Up to now, which of these institutions is your organisation registered with (Level of Formality)? (6 multiple choices)**

The results here revealed the current situation of start-ups' level of formality for the early stage entrepreneurs surveyed. This part focused on registration with government institutions in the country, as shown in Figures 9, 10 and 11. It can be seen from Table 5.5 that 10.2% of start-ups surveyed are not registered with any of the five major institutions, which means that they were fully informal start-ups. The vast majority of entrepreneurial firms, however, were registered with the Ministry of Commerce and Chamber of Commerce (78.8% and 77.1%). This perhaps suggests that it is important and also easier to register with these two institutions compared to others, even though registering does not mean that start-ups will be fully formal. On the other hand, entrepreneurs registered the least with the Municipality (59.3%) and the Social insurance organisation (59.7%)

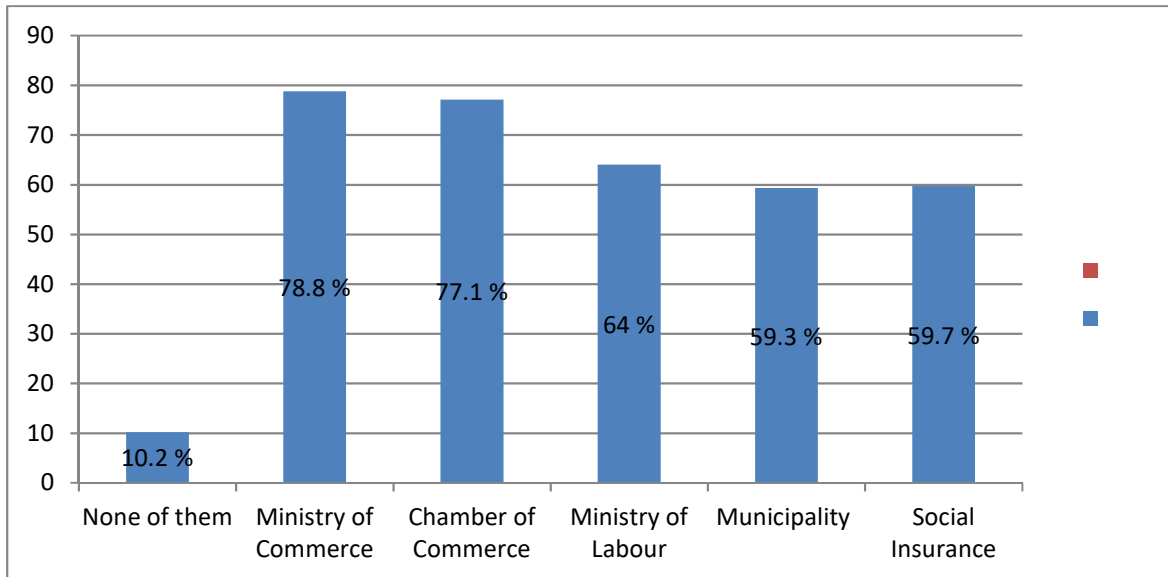


Figure 9: Distribution of entrepreneurs' registration with institutions

**Q26: Is your firm registered with The General organization for Zakat and Tax? And, have you been paying? ( 4 multiple choices )**

The respondents were also asked about their level of registration with the General organisation for Zakat and Tax, as displayed in Figure 10. The data indicates that 32 of 236 entrepreneurs (13.6%) admitted that they did not apply to this organisation and that it is not necessary to register unless they compete to win governmental contracts, while almost a quarter (23.3%) were planning to take this step. In contrast, 63.2% stated that they registered with the Tax institution but 10.2% but had not paid yet.

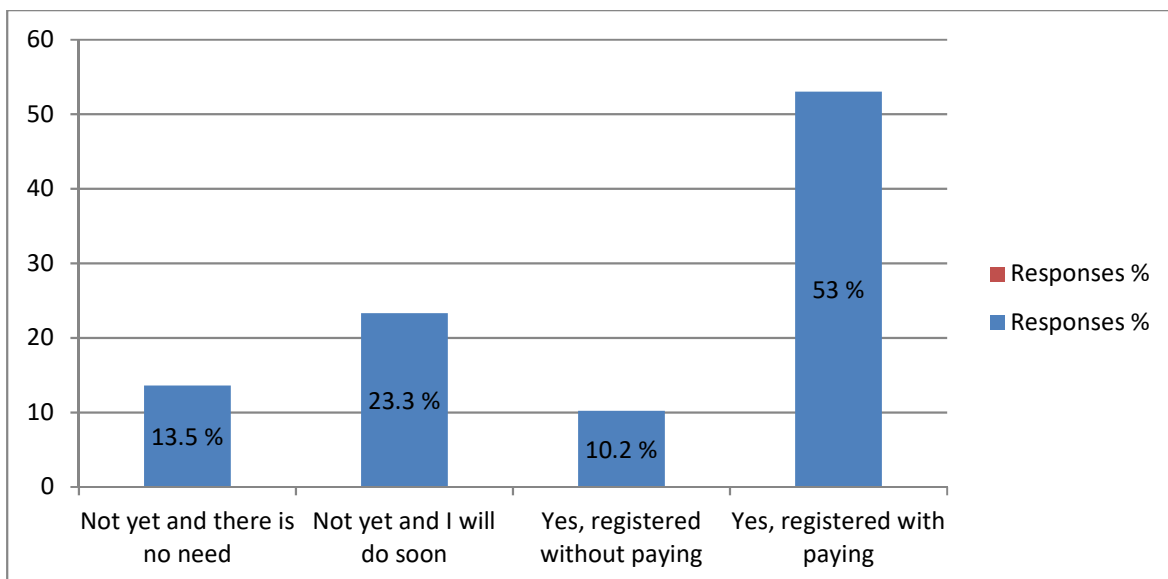


Figure 10: Entrepreneurs' responses on whether they registered their ventures with The Organisation for Zakat and Tax

**Q27: Does your firm have its own bank account or use your individual bank account? (4 multiple choice)**

The last point, in Figure 11, was whether the entrepreneurial firms have their own bank account or not. Four choices were provided to the respondents. Only (14%) of them went with the first choice “*Not yet*”, whereas almost a fifth (19.5%) used their individual bank accounts in their business transactions. Using “*Both accounts*” were chosen by just (6.4%) of the entrepreneurs, while the highest percentage were using the firms’ bank accounts (60%).

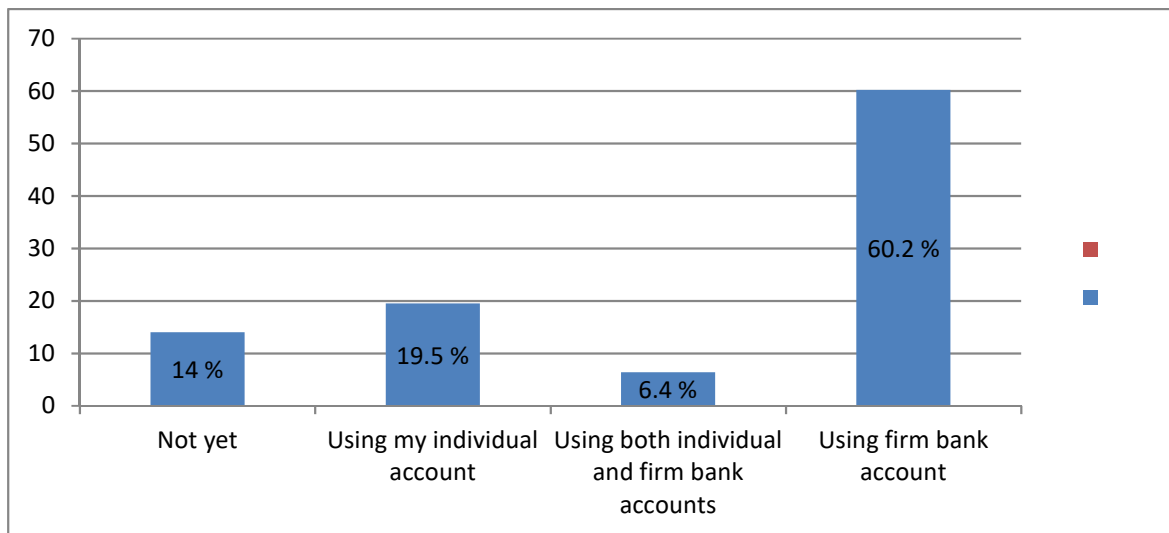


Figure 11: Entrepreneurs’ responses on whether their firms have a separate bank account or use owner’s (individual’s) bank account

#### 5.2.14 The reasons for being in a specific level of formality

**Q28: To what level of agreement are you with the statement that the Wasta practices have had effect on your current level of formality? (5-Likert scale)**

In order to shed light on the main reasons for the level of formality, the entrepreneurs were provided with several statements related to this issue. The highest mean (3.65) was given to the “*Bureaucracy and complexity of regulations*”. Three-fifths of the 236 respondents (59.3%) indicated that this factor highly affected their current level of formality. The second and third factors were “*Lack of advice about how to formalise*” and “*the cost of registration*” with 43.7% and 40.2% respectively. In addition to the previous formal institutions affecting the level of start-ups’ formality, some other informal institutions also played a role, such as “*wasta practices*”, “*pressure from customers*” and “*Lack awareness of laws and rights*”, as shown in

Table 5.20. These results advocated that formal institutions (laws and rules) and their complexity play an important role in the issue of informality. This provides evidence that formal institutional deficiency represented in the first three highly cited reasons obliged the surveyed entrepreneurs to be in lower level of formality. For instance, the complexity of the institutional regulations and bureaucracy facing the participants led them to be in lower levels of formal registration. Related to this is the lack of information on how entrepreneurs can obtain advice on how to formalise their start-ups.

Table 4.20: Entrepreneurs' opinions on whether Wasta practices have had effect on the current level of formality/informality of their firms

Reasons	No Effect %	Low %	Moderate %	High %	Very high %	Total %	M	Std
<b>Bureaucracy &amp; complexity of regulations</b>	6.4	10.6	23.7	30.5	28.8	59.3	3.65	1.18
<b>Lack of advice how to formalise</b>	13.1	14	29.2	28.4	15.3	43.6	3.19	1.24
<b>The cost of registration</b>	14.4	14.8	30.5	25.4	14.8	40.3	3.11	1.25
<b>Time limitation</b>	14	17.4	29.2	25	14.4	39.4	3.08	1.25
<b>Pressure from customers</b>	19.9	13.6	32.2	21.6	12.7	34.3	2.94	1.29
<b>The receiving Wasta Reasons practices (above)</b>	19.9	17.4	27.1	21.2	14.4	35.6	2.93	1.33
<b>Lack awareness of laws and rights</b>	16.1	25.4	28.4	21.2	8.9	30.1	2.81	1.2
<b>The providing Wasta practices (above)</b>	25	16.1	28.8	20.3	9.7	30.1	2.74	1.3
<b>Fear of failure</b>	26.7	20.8	24.2	17.8	10.6	28.4	2.65	1.33
<b>View the business as illegitimate</b>	32.2	19.9	22.5	15.3	10.2	25.4	2.51	1.35
<b>Having connections with officials who can facilitate winning contracts without fully registration</b>	36.4	19.1	17.8	16.1	10.6	26.7	2.45	1.39

In summary, the descriptive statistical results develop a general understanding of the issue of wasta and its role in Saudi early stage entrepreneurship. These descriptive results discussed the individual and organisational characteristics of the Saudi start-ups that participated in the study, in addition to their entrepreneurial orientations and the liabilities of newness faced in their entrepreneurial journeys. Furthermore, this part of analysis questioned the participants about their wasta-related practices on the demand and supply sides, and its relationship to the field of entrepreneurship. This part thereby also answered the research questions related to describing the individual and organisational characteristics of entrepreneurship, the measurement of defining wasta, practising wasta and the degree of start-up formality.

## 5.3 Correlation and Regression Analysis

This part of the analysis examines relationships between all independent and dependent variables, and answers the main research questions to which linear regression could be applied. As a reminder, these are the hypotheses to be tested:

**H1. Receiving wasta reduces liabilities of newness**

**H2. Providing wasta reduces liabilities of newness**

**H3. Receiving wasta increases entrepreneurial orientation**

**H4. Providing wasta increases entrepreneurial orientations**

**H5. Receiving wasta reduces tax morality**

**H6. Providing wasta reduces tax morality**

**H7. Receiving wasta reduces level of formality**

**H8. Providing wasta reduces level of formality**

Prior to regression analysis, correlation analysis was employed as an indicator to find the relationships between the variables individually (Field, 2013). Following that, multiple regression analysis is a common statistical tool to test the relationship between one dependent and two or more independent variables (Field, 2013 and Hair et al., 2010). This technique can be simply understood as the impact of independent variables (predictors) on dependent variables (outcome variable) (Chatterjee & Hadi, 2015). In other words, regression analysis explains the extent to which independent variables predict the dependent variable. This type of analysis has several techniques such as standard, hierarchical and multiple regressions (Pallant, 2013). Here a stepwise multiple regression test was conducted in order to search for the best predictors to interpret the outcome variables (e.g., Field, 2013, Pallant, 2013). Similar to the previous statistical tests, this will be run by the SPSS.

As can be seen in Figure (2), which shows the conceptual model based on a thorough review of the literature and research objectives. This model presents the guidelines and directions in running the multiple regression analysis. The independent variables or predictors were: receiving wasta practices (institutions, activities, rewards and people), providing wasta practices (institutions, activities, rewards and people) and also the demographic variables. While the dependent variables were: Liabilities of newness (internal and external), entrepreneurial orientations (innovativeness and proactiveness, autonomy, risk taking and competitive aggressiveness), tax morality and level of formality.

### 5.3.1 Pearson's Correlation Coefficient

The Table 5.21 reports the nature of the correlations between the dependent and independent variables, setting out THE statistical significance relationships between variables. For instance, there is a significant positive correlation between *Receiving wasta Activities* and *External Liabilities of Newness*  $r(236)= 0.228$ ,  $p=0.006$ . This means, the more entrepreneurs are likely to practise wasta the more challenges they face as a start-up. The other example is that there is a positive correlation between *Providing Wasta activities* and *autonomy*  $r(236)= 0.172$ ,  $p=0.008$ , which means that the more wasta activities are provided the more autonomy is adopted. In reality, this means that owners and entrepreneurs having autonomy within the start-ups could give them the independence, power and ability to help and support other people by providing favours.

The correlation analysis also found negative relationships between all predictors and *Tax Morality*. For example, the correlation between *Receiving Wasta Rewards* and *Tax morality* was negative  $r(236)= -0.317$ ,  $p<0.001$ . This means that the higher the score on receiving wasta rewards the lower the score on tax morality. To explain, the tax morality scale measured entrepreneurs' own level of tax morality, and revealed that the more they admitted that they themselves received wasta rewards the more it appeared that their tax morality outlook was weak. The *Level of formality* of start-ups was also tested by correlation analysis. The findings reported that there is a negative relationship between *Providing Wasta People* and *level of start-ups' formality*  $r(236)= -0.214$ ,  $p<0.001$ , which means that the more entrepreneurs provide Wasta to people around them, the less their firms are formally registered. By looking at every dependent variable and its correlation to the independent ones, the results showed that *External Liabilities* were found to have a positive correlation with only *Receiving Wasta Institutions and Receiving Wasta activities*. This can be interpreted as showing that the entrepreneurs' practice of wasta within the suggested institutions helped them to overcome the increasing external challenges. The *Internal Liabilities* showed significant positive correlation with all the independent variables apart from *Receiving and Providing Wasta People*. This illustrates in practice that the two sides of wasta practices are a means to overcome the internal liabilities of newness.

The third dependent variable was *Innovativeness and Proactiveness*, a dimension of *entrepreneurial orientations*, which was found to have positive correlation with only *Receiving Wasta Activities*. While the other entrepreneurial dimension, *Autonomy*, was positively



correlated to all the independent variables except for *Receiving Wasta People*. The *Risk Taking* variable had only one significant correlation, with *Receiving Wasta Activities*, while the last dimension of orientations *Competitive Aggressiveness* was significantly correlated with *Receiving Wasta Institutions, Activities, Rewards and Providing Wasta Activities*. The seventh dependent variable, *Tax Morality*, was found to have a significantly negative correlation with all the independent variables. This can be interpreted as showing that the more entrepreneurs receive and provide wasta the less tax morality they have.

Finally, the last dependent variable, *Level of Formality*, had a significant positive correlation with *Receiving Wasta Institutions*, and a negative one with *Receiving and Providing Wasta Rewards and People* also. This provides an indication that the more entrepreneurs deal with several institutions the higher the level of formality their start-ups have, while the more rewards are exchanged the less formality the start-ups are. Therefore, we can admit that the rewards play a significant role in determining whether start-ups are semi or fully informal.

Table 4.21: The correlations between dependent and independent variables

<b>Variables</b>		<b>IV: RWI</b>	<b>IV: RWA</b>	<b>IV: RWR</b>	<b>IV: RWP</b>	<b>IV: PWI</b>	<b>IV: PWA</b>	<b>IV: PWR</b>	<b>IV: PWP</b>
<b>1-DV: External Liabilities of Newness</b>	Pearson Correlation	.180**	.228**	.119	.028	-.013	.052	.013	.065
<b>2-DV: Internal Liabilities of Newness</b>	Pearson Correlation	.222**	.236**	.264**	.051	.215**	.201**	.129*	.105
<b>3-DV: Innovativeness &amp; Proactiveness (Entrepreneurial Orientations)</b>	Pearson Correlation	.109	.147*	.099	.065	.039	.081	.089	.098
<b>4-DV: Autonomy (Entrepreneurial Orientations)</b>	Pearson Correlation	.181**	.194**	.238**	.121	.156*	.172**	.209**	.190**
<b>5-DV: Risk Taking (Entrepreneurial Orientations)</b>	Pearson Correlation	.103	.151*	.089	.015	-.016	.028	.015	.064
<b>6- DV: Competitive Aggressiveness (Entrepreneurial Orientations)</b>	Pearson Correlation	.143*	.174**	.149*	.089	.121	.196**	.056	.109
<b>7-DV: Tax Morality</b>	Pearson Correlation	-.214**	-.250**	-.317**	-.259**	-.291**	-.342**	-.318**	-.209**
<b>8-DV: Level of Formality</b>	Pearson Correlation	.140*	-.029	-.143*	-.160*	-.092	-.060	-.190**	-.214**

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

ND: IV: RWI: Receiving Wasta Institutions, IV: RWA: Receiving Wasta Activities IV: RWR: Receiving Wasta Rewards, IV: RWP: Receiving Wasta People, IV: PWI: Providing Wasta Institutions, IV: PWA: Providing Wasta Activities, IV: PWR: Providing Wasta Rewards, IV: PWP: Providing Wasta People

### 5.3.2 Multiple Linear Regression Analysis

Multiple linear regressions (stepwise) were employed to predict each of the dependent variables: *External and Internal Liabilities, Innovativeness, Autonomy, Risk Taking and Competitive aggressiveness*, and lastly *Tax Morality and Level of Formality*. In a separate linear regression each of these variables was tested in relation to the following predictors:

- Receiving Wasta Practices (*Institutions – Activities – Rewards – People*)
- Providing Wasta Practices (*Institutions – Activities – Rewards – People*)
- Demographic variables (*Location – Education – Age – Gender – Date start – Ownership – Number of employees*)

#### 5.3.2.1 External liabilities of newness

As can be seen in the next Table 5.22, multiple linear regression (stepwise) resulted in three models, the final of which was found to explain 11.3% of the variances in the *External Liabilities of Newness* ( $R^2=0.113$ ), and to be a significant fit to the data  $F(3,229)=9.75$ ,  $p<0.001$ . By observing all the predictors, the final model of stepwise regression provided three significant predictors, namely Receiving Wasta activities ( $B=0.287$ ,  $p<0.001$ ), Age ( $B=0.094$ ,  $p=0.019$ ) and *Providing Wasta Institutions* ( $B= -0.163$ ,  $p=0.02$ ). This explains that higher scores on receiving wasta activities predict higher scores on external liabilities, and older age led to higher external liabilities. However, higher scores on Providing Wasta Institutions predict lower scores in external liabilities. This can be interpreted as showing that entrepreneurs resorted to wasta activities to overcome these external challenges facing the start-ups. The results revealed that the entrepreneurs help other people with wasta within institutions if the participants encounter lower external challenges.

Table 4.22: Multiple Linear Regression of External Liabilities of Newness

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
3 (Constant)	2.766	.185		14.930	.000		
IV: Receiving Wasta Activities Mean	.287	.059	.372	4.870	.000	.664	1.507
IV: Providing Wasta Institutions Mean	-.163	.051	-.243	-3.178	.002	.661	1.514
IV: Age of group	.094	.040	.148	2.369	.019	.994	1.006
R <sup>2</sup>	.113						
Adjusted R <sup>2</sup>	.102						

a. Dependent Variable: 1-DV: External Liabilities of Newness Mean

### 5.3.2.2 Internal liabilities of newness

According to Table 5.23, a second regression test was conducted to predict *Internal Liabilities of Newness*. The stepwise regression was found to have a significant impact on *Internal Liabilities* ( $R^2=0.097$ ), that explains 9.7% of the variances. Additionally, the model was found to be a significant fit to the data  $F(2,230)=12.38$ ,  $p<0.001$ . By observing all the predictors, the second model of stepwise regression provided two significant predictors: *Receiving Wasta Rewards* ( $B=0.248$ ,  $p<0.001$ ) and *Central Region of Saudi* ( $B=0.229$ ,  $p=0.015$ ). This explains that higher scores on Receiving Wasta Rewards predict higher scores on internal liabilities, and these liabilities are also predicted by being an entrepreneur in the Central Region.

Table 4.23: Multiple Linear Regression of Internal Liabilities of Newness

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
2	(Constant)	2.320	.183		12.693	.000		
	IV: Receiving Wasta Rewards	.248	.053	.296	4.665	.000	.975	1.025
	IV: Central Saudi	.229	.094	.155	2.445	.015	.975	1.025
	R <sup>2</sup>	.097						
	Adjusted R <sup>2</sup>	.089						

a. Dependent Variable: 2-DV: Internal Liabilities of Newness Mean

### 5.3.2.3 Innovativeness & Proactiveness (Entrepreneurial Orientations)

The third stepwise regression test was performed to predict *Innovativeness and Proactiveness*. As can be seen in Table 5.24, the second model explained 4.3% of the variances in the DV ( $R$ -square=0.043), and this model was found to be a significant fit to the data  $F(2,230)=5.17$ ,  $p<0.006$ . After observing all the independent variables, the final model of stepwise regression provided two significant predictors: a positive one, *Receiving Wasta activities* ( $B=0.127$ ,  $p=0.010$ ) and a negative one, the *West region* ( $B= -0.205$ ,  $p=0.023$ ). These results explain that higher scores on Receiving Wasta Activities predict higher scores on entrepreneurs' Innovativeness and Proactiveness. However, those entrepreneurs who started business in the West are more likely have low scores in Innovativeness.

Table 4.24: Multiple Linear Regression of Innovativeness & Proactiveness

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
2	(Constant)	3.641	.163		22.275	.000		
	IV: Receiving Wasta Activities	.127	.049	.169	2.589	.010	.977	1.024
	IV: West Saudi	-.205	.090	-.149	-2.281	.023	.977	1.024
	R <sup>2</sup>	.043						
	Adjusted R <sup>2</sup>	.035						

a. Dependent Variable: 3-DV: Innovativeness & Proactiveness (Entrepreneurial Orientations) Mean

### 5.3.2.4 Autonomy (Entrepreneurial Orientations)

The fourth regression test was run to predict the entrepreneurial orientation dimension “Autonomy”. The final model was found to explain 8% of the variances in entrepreneurial *Autonomy* (R-square=0.08), and the model was found to be a significant fit to the data  $F(2,230)=10.05, p<0.001$ . By observing all the predictors, the second final model of stepwise regression indicated that only two independent variables were statistically significant: *Receiving Wasta Rewards* ( $B=0.264, p<0.001$ ) and *Central Region of Saudi* ( $B=0.302, p=0.010$ ). This explains that higher scores on Receiving Wasta Rewards predict higher scores on entrepreneurial orientation (Autonomy), and that Saudi entrepreneurs living in the Central Region have higher scores on Autonomy (See Table 5.25).

Table 4.25: Multiple Linear Regression of Autonomy

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
2 (Constant)	2.427	.226		10.744	.000		
IV: Receiving Wasta Rewards	.264	.066	.257	4.009	.000	.975	1.025
IV: Central Saudi	.302	.116	.167	2.611	.010	.975	1.025
R <sup>2</sup>	.080						
Adjusted R <sup>2</sup>	.072						

a. Dependent Variable: 4-DV: Autonomy (Entrepreneurial Orientations) Mean

### 5.3.2.5 Risk Taking (Entrepreneurial Orientations)

As can be seen in the Table 5.26, a fifth regression analysis was conducted to predict *Risk Taking*, which was found to explain 5.4% of the variances in the DV (R-square=0.054), and the model was found to be a significant fit of the data  $F(2,230)=6.56, p<0.002$ . It was found that the second model of stepwise regression provided two significant predictors, one was positive and the other negative: *Receiving Wasta activities* ( $B=0.132, p=0.007$ ) and the *West region* ( $B= -0.247, p=0.006$ ). This explains that higher scores on Receiving Wasta Activities predict higher scores on Risk Taking. However, those entrepreneurs starting a business in the Western Region are less likely to score higher in entrepreneurial Risk taking.

Table 4.26: Multiple Linear Regression of Risk Taking

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
2 (Constant)	3.629	.162		22.433	.000		
IV: West Saudi	-.247	.089	-.180	-2.775	.006	.977	1.024
IV: Receiving Wasta Activities	.132	.048	.177	2.723	.007	.977	1.024
R <sup>2</sup>	.054						
Adjusted R <sup>2</sup>	.46						

a. Dependent Variable: 5-DV: Risk Taking (Entrepreneurial Orientations) Mean

### 5.3.2.6 Competitive Aggressiveness (Entrepreneurial Orientations)

In order to predict entrepreneurs' *Competitive Aggressiveness*, the sixth regression test performed showed that the final model was found to explain 3.7% of the variances in the *Competitive Aggressiveness* (R-square=0.037), and the model was found to be a significant fit to the data  $F(1,231)=8.90$ ,  $p<0.003$ . By observing all the predictors, the final model of stepwise regression provided only one significant predictor, which was *Providing Wasta Activities* ( $B=0.169$ ,  $p=0.003$ ). This explains that higher scores on Providing Wasta Activities predict higher scores on Competitive Aggressiveness. See Table 5.27.

Table 4.27: Multiple Linear Regression of Competitive Aggressiveness

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.132	.177		17.674	.000		
	IV: Providing Wasta Activities	.169	.057	.193	2.984	.003	1.000	1.000
	R <sup>2</sup>	.037						
	Adjusted R <sup>2</sup>	.033						

a. Dependent Variable: 6- DV: Competitive Aggressiveness (Entrepreneurial Orientations) Mean

### 5.3.2.7 Tax Morality

As can be seen in the Table 5.28, to predict *Tax Morality*, the seventh multiple linear regression (stepwise) resulted in two models, the final of which found that two predictors explained 36.9% of the variances in Tax Morality (R-square=0.369), and the model was found to be a significant fit to the data  $F(2,230)=18.08$ ,  $p<0.001$ . By testing all the independents variables, the outputs of the stepwise regression model resulted in two steps, and the final model was the best, showing two significant negative predictors: *Providing Wasta activities* ( $B= -0.333$ ,  $p<0.001$ ) and the *West region* ( $B= -0.295$ ,  $p=0.019$ ). This explains that higher scores on Providing Wasta Activities predict lower scores on entrepreneurs' tax morality. Additionally, entrepreneurs who run their start-ups in the West Region are more likely to have low scores in tax morality.

Table 4.28: Multiple Linear Regression of Tax Morality

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
2	(Constant)	4.952	.207		23.875	.000		
	IV: Providing Wasta Activities	-.333	.068	-.308	-4.926	.000	.958	1.044
	IV: West Saudi	-.295	.125	-.148	-2.366	.019	.958	1.044
	R <sup>2</sup>	.136						
	Adjusted R <sup>2</sup>	.128						

### 5.3.2.8 Level of Formality

The eighth and last stepwise regression was performed to predict *Level of Start-ups Formality* and resulted in seven models. The final model was found to explain 58.2% of the variances in the start-ups' Level of Formality (R-square=0.582), and the model was found to be a significant fit of the data  $F(7,225)=16.43$ ,  $p<0.001$ . By analysing all the predictors, the final model of stepwise regression provided seven significant predictors, four of which were positive and the rest negative. The positive predictors were: *Date start* ( $B=0.684$ ,  $p<0.001$ ), *Receiving Wasta Institutions* ( $B=0.877$ ,  $p<0.001$ ), *Ownership* ( $B=0.295$ ,  $p=0.008$ ) and the fourth was the *Number of Employees* ( $B=0.381$ ,  $p=0.043$ ). This explains that the older the start-ups and the more institutions benefit from them the higher the level of formality. Furthermore, the higher the numbers of owners and employees in the start-ups are, the higher the level of formality will be.

This analysis also found three significant negative correlations with level of formality, however: *Providing Wasta People* ( $B= -0.629$ ,  $p=0.007$ ), *West region* ( $B= -0.718$ ,  $p=0.008$ ) and *Receiving Wasta People* ( $B= -0.565$ ,  $p=0.012$ ). These explain that higher scores on dealing with different types of people when receiving and providing wasta will lead to a lower level of start-up formality. Additionally, Saudi entrepreneurs who live in the West region are more likely to have a lower level of formality. See Table 5.29.

Table 4.29: Multiple Linear Regression of Level of Formality

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
7 (Constant)	2.849	.643		4.432	.000		
IV: Date Start	.684	.118	.333	5.815	.000	.896	1.116
IV: Providing Wasta People	-.629	.229	-.231	-2.746	.007	.417	2.399
IV: Receiving Wasta Institutions	.877	.184	.322	4.759	.000	.643	1.556
IV: Ownership	.295	.110	.153	2.689	.008	.908	1.102
IV: West Saudi	-.718	.270	-.148	-2.660	.008	.952	1.050
IV: Receiving Wasta People	-.565	.223	-.213	-2.536	.012	.419	2.389
IV: No Employees	.381	.187	.122	2.037	.043	.826	1.211
R <sup>2</sup>	.338						
Adjusted R <sup>2</sup>	.318						

a. Dependent Variable: Level of Formality \_Org

## 5.4 Conclusion

This chapter provides the results of the quantitative data analysis conducted to answer the research questions suggested in chapter 4. The tool used in this stage was a questionnaire sent to Saudi early stage entrepreneurs. Prior to distributing the questionnaire, it was reviewed by eight experts in the area and nine PhD researchers, and a pilot study was also conducted to check clarity and organisation. The online-web questionnaire was distributed to the target sample, and 236 full responses were returned after excluding the incomplete questionnaires. Data was also found to be normally distributed.

The quantitative data analysis was performed in three steps. Firstly, related to the validity, Exploratory Factor Analysis was run for the main dependent and independent variables (Section 5.1). The analysis enabled the researcher to remove some of the low and/or cross loading items from few scales. This analysis included testing the suitability dataset and adequacy of sample. The reliability for all the scales was also measured by using the Cronbach Alpha test. Secondly, descriptive analysis were done for all the questionnaire questions to obtain a general understanding of the role of *wasta* on early stage entrepreneurship in Saudi Arabia, which is the aim of this research. In section 5.2, this descriptive analysis was a means to answer the research questions:

- What are the characteristics of Saudi early stage entrepreneurship?

The results here revealed that more than a half of the respondents (61%) were aged between 18 and 35 and were mostly male (80.5%). The vast majority of respondents had at least a Bachelor's degree (74.6%). Additionally, the organisational level was also described; two fifths of the sample were in the Western region of the Kingdom where the researcher lives, and most of the start-ups investigated were employing between 1-49 employees, and 59.7% of the firms had two or more partners.

- How can *wasta* be measured by early stage entrepreneurs?

Five dimensions were included here to discover the participants' perceptions towards *Wasta*: *feelings*, *favour*, *trust*, *power* and *institutional deficiency*. Most of the entrepreneurs engaged in the study provided close attention to other people's feelings. *Favour* and returning it was also given consideration by respondents, with about four-fifths reported that favour is part of doing business in Saudi Arabia. Despite the prevalence of the practice of *wasta* among entrepreneurs, *trust* was less widely cited, with only half of respondents agreeing with the statements "My connections have been frank with me" and "they do not make false

connections". The fourth pillar, *power*, proved that the people who have more power in society can easily achieve their goals. Lastly, the fifth dimension suggested by the researcher was *institutional deficiency*. Almost three-quarters agreed that *wasta* was a result of corrupt officials, lack of enforcement of laws and the gap between formal and informal institutions.

- How can receiving *Wasta* be practised?

This question was answered by asking entrepreneurs on the demand side four questions about the *institutions, activities, rewards* and which kinds of people provided *wasta* to participants. *The municipality and private sector institutions* were the higher institutions which entrepreneurs need *wasta* to deal with. *Finding business opportunities* and *Accelerating procedures* were the most commonly cited activities participants asked from other people through *wasta*. Regarding the rewards given *wasta* providers by entrepreneurs, monetary rewards were not widely given but most entrepreneurs compensated *wasta* providers with their thanks, appreciation and supplication. Finally, respondents mostly asked for *wasta* from their friends and family *members*.

- How can providing *Wasta* be practised?

On the supply side, the entrepreneurs who participated in the study were asked the same previous questions. Those entrepreneurs mostly provided their *wasta* to others when dealing with Private sector, Chamber of Commerce and The Municipality, especially in the activities of Being introduced to useful people Helping others to buy cheaper services and products and Helping others to find a job. Again, Appreciation (supplication), Thanks and Offering to promote my products were the rewards given to entrepreneurs from *wasta* receivers who were mostly family members or friends.

Thirdly, correlation and multiple linear regressions were conducted to test the relationships between the variables. In the correlation analysis, relationships were examined individually between every independent and dependent variable. It was noticed that there were positive and negative correlations between several variables.

Regarding regression analysis, stepwise analysis was conducted iteratively to find the best models. In this analysis, the independent variables were *Receiving and Providing Wasta Practices (Institutions-Activities-Rewards-People)*, in addition to the demographic characteristics. The dependent variables were *Liabilities of Newness (External and Internal), Entrepreneurial Orientations (Innovativeness and Proactiveness- Autonomy-Risk Taking- Competitive Aggressiveness)*. This third stage of analysis tested the following hypotheses:



- **H1. Receiving wasta reduces the liabilities of newness**
- **H2. Providing wasta reduces the liabilities of newness**

According to the summary provided in Table 5.30, the main results answering this research question revealed that amongst all the independent variables only *Receiving Wasta Activities*, *Providing Wasta Institutions* and *Age of group* were found to have a significant relationship with *the External liabilities*, while the independent variables *Receiving Wasta Rewards* and *Central Saudi* had a significant relationship with *Internal liabilities*.

- **H3. Receiving wasta increases entrepreneurial orientations**
- **H4. Providing wasta increases entrepreneurial orientations**

In the role of *Wasta practices* on *Entrepreneurial orientations*, four regression tests were conducted with every dimension of orientations. The two dimensions *Innovativeness and Proactiveness* and *Risk Taking* were similarly significant with *Receiving Wasta Activities* and the *West Region*. In terms of the third dimension, *Autonomy*, both *Receiving Wasta Rewards* and *Central Saudi* had a significant relationship. The fourth dimension, *Competitive Aggressiveness*, was only found to be significant with *Providing Wasta Activities*.

- **H5. Receiving wasta reduces tax morality**
- **H6. Providing wasta reduces tax morality**

Tax Morality was negatively predicted by two independent variables *Providing Wasta Activities* and *West Saudi*, and there were no significant relationships with other variables, which is summarised below in Table 5.30.

- **H7. Receiving wasta reduces level of formality**
- **H8. Providing wasta reduces level of formality**

The last regression was performed to test the relationships of wasta practices and the level of start-ups' formality. As shown in Table 5.30, eight independent variables predicted the degree of formality for the entrepreneurial firms participating in this study. Some of the relationships were positive, and the rest were negative. All the above results and findings will be discussed and interpreted in the next chapter, the discussion and conclusion.

Table 4.30: Summary of significant variables

<b>DVs</b>	<b>Significant Independent Variables</b>
<b>External liabilities</b>	Receiving Wasta Activities – Providing Wasta Institutions – Age of group
<b>Internal liabilities</b>	Receiving Wasta Rewards - Central Saudi
<b>EO (Innovativeness &amp; Proactiveness)</b>	Receiving Wasta Activities - West Saudi
<b>EO (Autonomy)</b>	Receiving Wasta Rewards - Central Saudi
<b>EO (Risk Taking)</b>	West Saudi - Receiving Wasta Activities
<b>EO (Competitive Aggressiveness)</b>	Providing Wasta Activities
<b>Tax morality</b>	Providing Wasta Activities - West Saudi
<b>Level of Formality</b>	Date Start - Providing Wasta People - Receiving Wasta Institutions - Ownership - West Saudi - : Receiving Wasta People - No Employees

# Chapter 6: Discussion & conclusion

6.0 Introduction

6.1 Research aim, objectives and research questions

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6.3 Contributions

6-3-1 Contribution to knowledge

6-3-2 Contribution to theory

6.4 Policy and practical implications

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6.6 Areas for further research

6.7 Conclusion

## **6.0 Introduction**

The preceding two chapters presented the data collection, analysis and findings from the semi-structured interviews and online quantitative questionnaire. The interviews in the first phase provided a deeper understanding of wasta and its practice in Saudi Arabia. The findings from this phase and from the literature review provided the basis from which to design the second phase ‘questionnaire’ which was completed by 236 Saudi entrepreneurs in three main regions. The current chapter brings together the results of both the qualitative and quantitative phases in order to draw out the overall findings of the research. Section 6.1 refers to the research aim and research questions. The discussion and interpretation of the significant findings is presented in section 6.2, which explores the influence of wasta on liabilities of newness, entrepreneurial orientations, tax morality and level of formality of early stage entrepreneurs in Saudi Arabia. Section 6.3 presents the contributions of the thesis followed by research implications in section 6.4. Sections 6.5 and 6.6 provide the limitations of the study and areas for further research, respectively. Finally, section 6.7 concludes the chapter and the thesis.

### **6.1 Research aim and research questions**

The aim of this research was to evaluate the role wasta plays in early stage entrepreneurship in Saudi Arabia. The first four research questions (1 to 4) were discussed extensively in the qualitative and descriptive analysis. Therefore, and to avoid repetition, this chapter focusses particularly on the following hypotheses:

**H1. Receiving wasta reduces liabilities of newness**

**H2. Providing wasta reduces liabilities of newness**

**H3. Receiving wasta increases entrepreneurial orientation**

**H4. Providing wasta increases entrepreneurial orientations**

**H5. Receiving wasta reduces tax morality**

**H6. Providing wasta reduces tax morality**

**H7. Receiving wasta reduces level of formality**

**H8. Providing wasta reduces level of formality**

In the concluding discussions in this chapter we bring together insights from answering all of the four study's research questions and eight hypotheses. The next sections will discuss and interpret the overall results of this thesis by integrating the findings of both the qualitative interviews and quantitative questionnaire. The discussion of these findings will meet the aim of the research with reference to the theoretical foundations reviewed in the literature part, chapter 2.

## **6.2 Discussion of the role of Wasta on entrepreneurship**

By combining the thematic analysis and linear regression analysis conducted over the course of the last two chapters, the research here discusses the findings that explain what role wasta plays for Saudi early stage firms from four perspectives: liabilities of newness, entrepreneurial orientation, tax morality and the level of start-ups' formality. Those four areas were the dependent variables while receiving and practising wasta practices and demographics were the independent variables.

### **6.2.1 The influence of Wasta on liabilities of newness**

In order to discover the role wasta plays to mitigate the liabilities of newness (Stinchcombe, 1965; Almobaireek et al., 2016; 2017), a linear regression analysis was conducted on both internal and external liabilities. In terms of the external liabilities of newness, the results show that receiving wasta activities practices by the entrepreneurs reduces these external liabilities. This suggests that entrepreneurs resort to wasta activities such as asking others to accelerate procedures, make rules or laws work or circumvent bureaucracy when they encounter external liabilities such as entering and winning governmental contracts or/and licensing and regulatory barriers. Conversely, when entrepreneurs helped others through different institutions this was found to be significantly negatively associated with external liabilities. This could mean that entrepreneurs with wider connections with officials and people in society's institutions, are less affected by external liabilities. Entrepreneurs' use of wasta to accelerate registration with state institutions plays an important role in this. One of the entrepreneurs interviewed mentioned:

*One day, I visited the Ministry of Commerce to make some changes in my documents and business activity. I asked this from a division but they refused to do it. Then I pretended that I am speaking on a mobile to an official from*

*the ministry in the capital city and making a complaint, it worked well and they achieved what I want although it was illegal.* [Ent1]

Another interviewee advocated that truthfully by saying: “*Wasta is the solution to overcome bureaucracy and complex procedures*” [Ent18]

This can be related to the idea of institutional asymmetry between complex and harsh laws and informal institutions such as *wasta* (e.g. Williams and Vorley, 2014; Williams and Bezerdi, 2017; Williams and Horodnic, 2017). This also links to the argument of El-Said and Harrigan (2008) who state that complexity or lack of regulations among formal institutions can be replaced and solved by informal relations. Another possible explanation for this is that having networks with stakeholders will establish social legitimacy and market acceptance, and this will reduce firms’ external liabilities of newness, as argued by Williams, Martinez-Perez and Kedir (2017).

In terms of the internal liabilities, two significant relationships were found: receiving *wasta* rewards and the Central part of Saudi Arabia. Entrepreneurs whose firms are located in the Central regions of the country are more likely to face internal liabilities such as lack of managerial experience, cost of learning and firm commitment. The other significant relationship was between receiving *wasta* rewards and internal liabilities. More generally, these findings appear to be in line with Stinchcombe (1965) and Almobaireek et al. (2016; 2017) who assert that personal connections are an important factor in mitigating internal liabilities. Furthermore, Lechner and Dowling (2003) indicated that social, marketing and technological connections play an important role in overcoming liabilities. For instance, lack of resources, as an internal liability was also overcome by *wasta* when an entrepreneur interviewed mentioned:

*We need wasta when we do not have enough resources. We will benefit from wasta and our connections to achieve our rights easily.* [Ent9]

The desire to have personal connections could be lower in the case of the internal liabilities due their nature, which might require self-development and concentrating on improving internal skills and capabilities within the entrepreneurs and their start-ups. Some interviewees mentioned that they used their connections to provide training programmes to other entrepreneurs. The owner of a delivery application reported:

*I have strong relationship with a design programming trainer, and from time to time some entrepreneurs ask me to provide spaces or discounts to attend the course.* [Ent1]

Social consideration such as legitimacy and reputation were another liability solved by networking, and an interviewee said:

*I am devoting my effort to build my reputation within my networking and society. So, my start-up has to be fully formal especially when potential investors have the desire to invest their money in my project. [Ent9]*

Interestingly, the relationship between wasta and liabilities of newness can be mutual. One resorts to wasta to overcome and mitigate the challenges he/she is facing. Conversely, the more challenges one encounters, the more wasta he/she needs.

### **6.2.2 The influence of Wasta on entrepreneurial orientations**

The findings of the relationship between wasta practices and entrepreneurial orientation are divided into four parts. The first indicates the significant relationship between wasta as an independent factor and the dependent factor of innovativeness and proactiveness, as a first dimension of entrepreneurial orientations. The regression findings revealed that receiving wasta activities can predict and increase the innovativeness and proactiveness of entrepreneurs. This finding reflects those of Aldrich and Zimmar (1986) who demonstrate that individual with wide networks have higher potential to be innovative. A possible explanation for this might be that these activities of wasta an entrepreneur can motivate him/her meet different people, encounter and solve a variety of problems, and then lead to innovative and proactive ideas and actions. It was surprising that the participants in the Western region of the country had significant negative correlation with innovativeness and proactiveness. It is difficult to explain this result, but it might be related to the fact that most of the ministries' accelerators and supporting institutions are located in the capital city, Riyadh, which is the Central Region of Saudi Arabia; this might act as a barrier for participants in the Western part to be more innovative.

The second part of findings refers to the relationship between wasta practices and the entrepreneurial orientation 'autonomy'. As mentioned in the quantitative analysis chapter, and contrary to expectations, this study did not find a significant relationship between wasta activities and autonomy, although a positive relationship was revealed between the construct of receiving wasta rewards to others and autonomy. This finding broadly supports the work of Canavesio and Martinez (2007) in this area linking networking with autonomy, but contradicts

Elo's (2005) work who suggested that networking could lead firms to be dependent. This result may be explained by the fact that when entrepreneurs receive wasta and compensate the providers for this favour, this might make the entrepreneurs feel that wasta providers will not wait for any reward or exchange. In other words, it was like a completed deal between two parties. The entrepreneurs in the Central Region also showed a positive and significant relationship with autonomy. As mentioned in the preceding paragraph, the location of ministries and most accelerators led entrepreneurs to be more autonomous and focusing in their start-ups.

Thirdly, the finding of the relationship between wasta practices and the third entrepreneurial orientation 'risk taking' revealed that receiving wasta activities predicts a higher level of risk taking. This finding is consistent with that of Motoyama and Knowlton (2017), who stress that having more networking will lead to increased risk taking. An interpretation of this can be that having spread networks will motivate entrepreneurs to take higher risks, and provide them with some courage to do so. In other words, when entrepreneurs own wide connections particularly in different organisations, this might lead them to think that if something serious were to happen, those connections would be there to support them. This can be shown in a story from one of the entrepreneurs:

*I did not take more risky actions in my business. The legal part of my start-up has never completed and I have also some other difficulties. Frankly, I did not use wasta to solve these issues and I might now close my business, I wish I had dealt with the issues differently and benefited from connections. [Ent8].*

The findings also indicate that entrepreneurs in the West region had a significant negative relationship with risk taking. This could indicate that participants in this region encounter some issues preventing them from initiating and taking higher risks, which is a main characteristic of entrepreneurship. This could be due to the complexity and ambiguity of roles and regulations which might make entrepreneurs afraid and hesitant to start a business.

Fourthly, and finally, an interesting finding here showed that when entrepreneurs provide wasta activities to others this positively predicts the fourth entrepreneurial orientation dimension of 'competitive aggressiveness'. This result may be explained by the interpretation that when entrepreneurs help others in activities like finding a job, buying cheaper services and products or making rules or laws work, this might provide entrepreneurs some implicit power to be aggressive, by expecting that those people who have received wasta will support them to enter



a new market (Walter et al., 2006), and that depends on the influence of the people they helped. This is in line with previous studies (Kingsley and Malecki 2004; Álvarez et al., 2009; Husain et al., 2016) who each confirm that networking can maximise the competitiveness of start-ups.

### 6.2.3 The influence of Wasta on tax morality

The findings report that the provision of wasta activities by Saudi entrepreneurs is related to tax morality. This is partially consistent with Franic and Williams (2017), who found that tax morality has a relationship with practising informality on both the demand and supply sides. It contradicts, however, the findings of Torgler and Schneider (2007) that having wide and strong networks increases tax morality. This can be interpreted as suggesting that when entrepreneurs support and help others to achieve their goals and tackle their problems they become more aware of surrounding people's suffering and problems, and this causes entrepreneurs to find an excuse if those people do not pay taxes or declare their profit, leading to lower levels of tax morality. From an institutional perspective, this can be related to the institutional asymmetry (Williams and Horodnic, 2016) between practising informal norms such as wasta and the motivation to obey laws and pay tax or the desire to do so. One of the practices was shown in an entrepreneur's case:

*In the fact my partners are not Saudi, so they will not declare their profit, and on the formal papers my father and I are the only owners, so we have hidden documents that prove my partners' shares, which is against obedience the laws [Ent3]*

In addition to this, the findings revealed that entrepreneurs in the Western region of Saudi Arabia have a lower level of tax morality than their counterparts in the central and eastern parts. This result is likely to be related to the fact that the west of the country is less developed than the central area, where the capital city is, and the east where most of the industrial and oil companies are located. To some extent, this also accords with Williams and Horodnic's (2017) study which showed that people in rural areas have a lower tendency to be tax obedient and have low levels of tax morality. Regarding the demographic characteristics, the thesis did not find any relationship between these characteristics and tax morality, even though Daude et al. (2013) found that women and older individuals have higher levels of tax morality. One of the Western interviewees admitted:

*“Wasta can be seen everywhere but the problem now is that if one does not have connections, he/she might need to pay money ‘bribery’ to have things done or avoid laws and regulations”.* [Ent1].

In the Saudi Arabia context, the results corroborate the ideas of Al-Hussain and Al-Marzooq (2016), who found that wasta is associated with lower tax morality in Saudi organisations.

#### **6.2.4 The role of Wasta on level of formality**

According to the interviews and questionnaire discussed in the last two chapters, the majority of start-ups were at different levels of formality. This suggests that entrepreneurs believe that starting a business with lower costs and registration and concentrating on the growth of their businesses is the right decision, as interviewees said:

*Legally, the right action is to start our business as a fully formal company and that we did, but I can admit that it is wrong to do so due to the effort and high cost* [Ent2].

The thesis provides insights into how wasta practices and demographics characteristics influence the level of formality in Saudi start-ups. Interestingly, the findings showed that some of the independent variables predicted reducing the level of formality as propositioned while other variables increased this level. On the one hand, the results of this thesis indicate that factors related to receiving wasta institutions, business start date, ownership and number of employees were positively and significantly related to the level of formality. The first variable receiving wasta institutions predicts an increase in the degree of start-up formality. This relationship may be partly explained by the suggestion that entrepreneurs need to deal with various different institutions if they are to become more formal and wasta providers will facilitate that for the entrepreneurs. Another possible explanation is that the more networks there are within institutions, the more likely it is that entrepreneurs will accelerate the procedures and gain formal licences especially from state institutions with complex regulations.

Secondly, another significant and positive relationship was found between business start date and the level of formality. This means that owners of start-ups initially concentrate on overcoming the liability of newness by creating, testing and growing the business rather than being formally registered, but later they endeavour to work on the issue of registration. This result is consistent with that of Williams, Martinez-Perez and Kedir (2017), who found that

there is a significantly positive relationship between businesses starting and spending some time unregistered and higher performance. An interviewee mentioned:

*We decided to start semi-formally by having a license from the Chamber of Commerce, and we will complete registration in the future [Ent1].*

The third positive relationship was found between ownership and level of formality. In this thesis, entrepreneurs were asked whether they started a business alone or with other partners. The results showed that the higher the number of partners the higher the level of formality in the start-up. This can be explained by the fact that an entrepreneur seeks for partners to work with to share ideas and complement each other and overcome challenges. Every one of partners might attempt to benefit from his/her connections which could facilitate formal procedures. Presumably, formality offers some degree of protection against partners if things go wrong. An informal arrangement with multiple partners is likely to be problematic in the event of the company running into difficulties. On the performance and productivity level, Barbera and Moores (2013), Williams, Martinez-Perez and Kedir (2017) found a significant relationship between the ownership structure and firms' performance but they did not explore the relationship between ownership and level of formality. This issue was noticed through the interviews with some entrepreneurs who offered other entrepreneurs or company shares and the opportunity to be partners due to their power or experience in overcoming legal challenges. As one entrepreneur said:

*I was sure that I would encounter serious challenges from the government institutions regarding registering my start-up, then I used my connections to find a partner who can afford this challenge. Fortunately, I found a company who agreed to do this burden. [Ent16]*

The fourth positive relationship was found between number of employees and degree of start-up formality. This means that start-ups with more employees lead to higher level of formality. It is logical that when a firm recruits more workers, this requires paying salaries, dealing with government institutions such as the Ministry of Labour and the General Organisation for Social Insurance, and this necessitates formal registration. Additionally, a possible explanation for this might be that when a start-up employs more workers, they might put some pressure on the start-up to increase its level of formality.

On the other hand, three factors were significantly negatively related with the level of start-up formality: providing *wasta* people, receiving *wasta* people and the West region. Interestingly,

the first two factors are related to people around entrepreneurs who participated in the study, which means that the more people entrepreneurs have relations with the lower the level of formality their start-ups have. It can be seen that the issue does not consider the strength of the relationship between people but the density of the relationships entrepreneurs have. It may be that these participants benefitted from their widespread connections to avoid formal registration, and conversely those people receive *wasta* from the entrepreneurs as well. One might conclude that those people surrounding a participant both providing and receiving *wasta* contributed to lower levels of start-up' formality. Related to this, an interviewee declared that:

*In recent years, I have had a stock portfolio and some people invested their money in this portfolio. When I started my business one of those people helped me to exempt my projects from some municipality requirements".*  
[Ent17]

Regarding the degree of formality of start-ups, a few owners attributed that to the readiness of current laws and regulations to keep pace with the speed of change and development in the world of business. This can be noticed in this quotation:

*The laws and regulations are not ready to open new markets and innovative projects in the country [Ent 9].*

Another issue was the distrust of participants in either state institutions or other entrepreneurs competing with them. In other words, when entrepreneurs believe that most people around them practice *wasta*, this will lead to distrust in the state and society. In the questionnaire, two-thirds of participants reported that more than half of entrepreneurs practise *wasta* to achieve their goals. Therefore, one can easily assume that if most people practise and benefit from *wasta* it would be foolish to make oneself an exception and thus potentially at a disadvantage.

Institutional asymmetry might be another interpretation for the different degrees of formality amongst early stage entrepreneurs in Saudi Arabia. It is therefore very important to develop the laws and regulations in parallel with norms, culture and social habits as informal institutions, and also link the two kinds of institutions together, as mentioned by an interviewee:

*Most of the laws and regulations in business life are created in a fragile environment which is separate from the cultural and moral reality of society. These laws do not take social norms into consideration although they are important and part of Islamic teachings. Norms are neglected particularly in the field of business [Ent9].*

Institutional asymmetry does not just influence formal and informal institutions, however, but might also be between the formal institutions within governmental organisations dealing with entrepreneurs. An entrepreneur interviewed, for example, reported:

*The Ministry of Commerce announces that entrepreneurs can obtain a commercial license in only 180 seconds, but the issue is that there is no benefit to having this license without having others from the municipality and Ministry of Labour which are difficult to obtain, and this difficulty can be overcome by wasta only. [Ent9]*

The issue of wasta and degree of formality has been discussed at greater length than the other sections for two reasons. Firstly, it was noticed in the first stage, the qualitative interviews, that most of the entrepreneurs interviewed were insistent on having more time to discuss their start-ups' formality issues. For instance, the participants freely discussed a variety of issues such as five papers, complexity of regulations, ease of doing business and governmental contracts. Secondly, several questions in the quantitative survey have direct and indirect relationships with formality. For example, the measurement of tax morality, start-ups registration and the reasons for being in a specific level of formality.

## **6.3 Contributions**

### **6.3.1 Contribution to knowledge**

This work contributes to existing knowledge of wasta by providing novel contributions to understanding wasta and its relationship with entrepreneurship. Firstly, this study is the first to evaluate and test the effect of the Arabic phenomenon 'Wasta' on early stage entrepreneurship. Secondly, the thesis is also the first to study wasta from the demand and supply sides including four main measurements: the private or public institutions within which wasta is practised, the activities that entail the practice of wasta, the rewards provided by wasta recipients and who the people that wasta is exchanged with are. In addition to these four independent variables, individual and organisational characteristics were also included in the test model. This study is not the first to illustrate the importance of connections to mitigate the liabilities of newness (Stinchcombe, 1965; Almobaireek et al., 2016; 2017) but it is the first that has tested the two sides of wasta and its role on the internal and external liabilities of newness.

This study also contributes to knowledge by studying the role of wasta on the dimensions of entrepreneurial orientations. The study is the first to show how wasta practices can increase or decrease the four dimensions of risk taking, innovativeness, autonomy and competitive

aggressiveness amongst early stage entrepreneurs. Furthermore, the entrepreneurs who participated in the study were questioned about their perceptions toward tax morality and how this is predicted by *wasta* practices. Lastly, the thesis is the first to examine the level of formality in Saudi entrepreneurial start-ups, and how the practice of *wasta* can affect this.

### **6.3.2 Conceptual and theoretical contributions**

The key conceptual contributions of this thesis include:

(1) It has contributed to the overall understanding and conceptualization of *wasta*, including by identifying similarities and differences between *wasta* and related concepts like *guanxi*, *blat* and *jeitinho*;

(2) It has offered a new definition of *wasta* combining insights from the field and understandings in the literature, including conceiving of *wasta* as an informal institution through a lens of new institutional theory;

(3) It has elaborated conceptually on the role of *wasta* in entrepreneurship, and relationships and dynamic interactions between *wasta* and concepts like liabilities of newness, entrepreneurial orientation, tax morality and level of formality. This thesis has also demonstrated the salience of these concepts in a Saudi context.

(4) Finally, it has engaged with debates and understandings in informal economy scholarship that are moving away from dichotomous notions of the formal and informal economies, seeing informality – in entrepreneurship and wider settings - as more of a continuum.

In summary, in addition to its strong empirical contributions, this research also contributes conceptually through its conceptualization of *wasta* in a specifically entrepreneurial context, and its elaboration of interactions between *wasta* and liabilities of newness, entrepreneurial orientation, tax morality and level of formality, which were then tested empirically. This thesis therefore contributes to entrepreneurship literatures, but also work studying *wasta* as a phenomenon. It may be further argued that this work contributes through its bringing together of theories of the informal economy, *wasta* and entrepreneurship, in ways that are novel and complementary and which add to understanding within and across these research fields.

According to Berger et al. (2015, p. 462), most of the work conducted on the phenomenon of “*Wasta* has not been directed by strong theory. Without a strong guiding theory, it is not probable that empirical research will accumulate into a coherent body of knowledge”. The

thesis adopted the insights of institutional theory to study the informal institution of 'Wasta' and evaluate its role on entrepreneurship in its early stages. Adopting institutional theory enabled the researcher to understand and test the relationships between wasta practices and other formal or informal institutions such as regulations, orientations and morality. In other words, the thesis highlighted the importance of taking a multifaceted approach to understanding the role of wasta, rather than from a narrow 'networks' perspective, including issues such as liability of newness and orientations, which is novel and innovative.

It is important to realise that institutional theory provides an adequate explanation for how wasta can fill the gaps in the formal institutional voids. This is evident in the practice of wasta by entrepreneurs to overcome difficulty or vagueness arising from laws and regulations, or even to circumvent formal procedures. Another theoretical contribution was institutional asymmetry, which can be seen when the state develops and improves laws and regulations as formal institutions while it underestimates or ignores developing informal institutions such as culture, norms and habits and vice versa. This divergence leads society members to follow some informal practices, such as wasta, in order to fill the gap.

#### **6.4 Policy and practical implications**

The results and discussion sections of this thesis reveal how the widespread phenomenon 'Wasta' is perceived and practised amongst Saudi early stage entrepreneurs. The thesis focused on the role of wasta on aspects of entrepreneurship including liabilities of newness, orientations, morality and degree of formality. This phenomenon is affected and surrounded by Islamic teachings and social, economic and cultural considerations, and it is crucial that it is given further empirical research and attention. Religious, economic, psychological and social scholars should therefore play an increasing role to clarify the positive and negative aspects of wasta, including its relationship to corruption and illegal practice, and its relationship to the positive facet of social networking and communication skills, so as ultimately to arrive at an understanding of how wasta can be practised ethically.

Since start-ups encounter a variety of challenges especially in respect to registration and formality, state policy makers have to continuously revise and improve the laws and regulations for start-ups. Firstly, the Small and Medium Enterprises General Authority (monsha'at) has to play a more active and supervisory role in developing and supporting the Saudi start-ups by easing and reducing requirements for doing business, facilitating the laws and regulations

issued by other government institutions, providing entrepreneurial firms with consultancy and advice services, and also ensuring that it continuously receives feedback from start-ups. Secondly, the Council of Ministers has to study the asymmetry between the laws and implantations in the private sector and make further efforts to improve both the laws and regulations as formal institutions, and enhance the norms and notions in the society. Thirdly, state governments have to adopt more transparent policies and illustrate how the tax system works and what the benefits of this are for entrepreneurs and society. Educational institutions should take direct responsibility towards educating society as to the advantages of formality and paying tax and obeying the laws. To conclude, a more integrated focus among government institutions to deal with the issues of entrepreneurial firms will increase mutual trust between the government, and entrepreneurs and members of society.

At the level of entrepreneurs, start-up owners should pay more attention to building and developing their networks and relationships with customers, suppliers and stakeholders, in addition to close connections. Related to this, entrepreneurs should give attention to social acceptance and legitimacy and the prosperity of society as a whole and avoid the practices that consider corruption or harm and infringe others' right. Entrepreneurs need to recognise and understand their employees' behaviour and attitudes and practices of *wasta* within start-up transactions, and what activities of *wasta* are consistent with business ethics and what are not. Entrepreneurs should endeavour to develop their managerial and leadership skills and make further effort to be independent and informed about the legal system.

## **6.5 Limitations of the thesis**

Before suggesting an agenda for future research, it is important to report some limitations of the thesis that might have influenced the results in the two phases of the study. Time, economic resources and location particularly, were the first limitations encountered by the researcher, and certainly this study would have been better placed to obtain richer and broader results and interpretations if it had been conducted in collaboration with other researchers. Keeping in mind the sensitivity of interviewing and surveying entrepreneurs who were conducting semi-formal or informal activities, the researcher inevitably had to use his connections to meet and distribute the questionnaire to the entrepreneurs participating in the study, rather than depending on formal lists from governmental institutions. This limitation played a critical role in allowing a better understanding of the phenomenon of *wasta* and entrepreneurship formality.



Not having a sample framework was another issue although this was largely resolved by adopting the snowball method.

Due to time limitations, the researcher performed the interviews in only one region of Saudi Arabia -the Western region- where he lives and works. This limitation might have decreased the opportunity to obtain richer qualitative data from entrepreneurs in the central and eastern regions. Furthermore, other regions in different parts of the country were not included in the thesis. The limitation can be summarised as:

As mentioned earlier, the field of entrepreneurship is still new in most developing and Arabic regions, so the researcher concentrated on studying the early stage entrepreneurs (0-42 months) in three main regions in Saudi Arabia. This limitation prevented the researcher from meeting and surveying entrepreneurs who started their entrepreneurial projects more than 42 months prior to the data collection.

This study is limited to Saudi entrepreneurs owning start-ups in the private sector. The results of interviews and questionnaire were only collected by dealing with those entrepreneurs without any consideration to the employees in every start-up. Employees could play a significant role in the relationship between *wasta* and their firms. It is important to understand and explore the phenomenon within workers in the firms.

Response rate was another issue, due to the length of the questionnaire, more than 400 entrepreneurs started to answer the questionnaire but they did not complete it. The returned completed responses were 236 copies. The researcher attempted to resend messages to all respondents to encourage them to complete the questionnaire and provide them some time but there was not a big response.

The researcher attempted to overcome the research limitations, especially these which might negatively affect the validity and reliability of the study. Overall, however, despite the above limitations, this thesis represents a novel study of the role of *wasta* on entrepreneurship. These limitations represent a basis for the future research agenda that will be discussed in the next part.

## **6.6 Areas for further research**

As an informal institution, the influence *wasta* has on entrepreneurship is a key issue for research in business and public transactions. This thesis investigated the effect of *wasta* on

liabilities of newness, entrepreneurial orientations, tax morality and level of formality. A variety of ideas for future research are set out below.

Admitting the huge gap in empirical studies on the phenomenon of *wasta*, it would be interesting to extend the scope of this study beyond Saudi Arabia to include other countries in the Middle East and further afield. It would also be interesting to examine if there were any differentials according to gender, especially in parallel with recent Saudi state decisions to empower the role of women in society.

This thesis evaluated the role of *wasta* on early stage entrepreneurship from four areas (liabilities of newness, orientations, morality and level of formality). In the interviews and pilot study, however, early stage entrepreneurs suggested that it is currently difficult to discuss firm performance because they were just building their start-ups. It is proposed that scholars should study how *wasta* and its practices can influence firm performance in later entrepreneurship stages, and also the success or failure of entrepreneurial firms.

As reported in the regression analysis results, the weakness in significance values of relationships between independent and dependent variables suggests a need to study the other factors affecting *wasta* and entrepreneurship more deeply. For instance, studying the socio-cultural, political psychological, economic factors might reveal supportive and complementary roles that would help to develop a fuller understanding of the phenomenon of *wasta* and its effect on society.

The important issue of level of formality has been partly studied in this thesis by evaluating the role of *wasta* on the degree of formality. It would be useful to delve into the multifaceted dimensions of informal entrepreneurship, relating this issue to the well-known schools of thought in this field.

Theoretically, the researcher built on institutional theory and discussed the issue of *Wasta* as an informal institutional construct. In respect to the level of formality among start-ups' formality, other perspectives emerged such as institutional asymmetry and formal institutional voids. More scholarly effort should be focused on exploring their relationship with *wasta* and its practices in the entrepreneurial field.

## 6.7 Conclusion

This thesis has explored the relationships between wasta practices and Saudi early stage entrepreneurship. The thesis was based on two sequential phases in order to explore the phenomenon of wasta, develop the questionnaire and test the relationships between the variables. The first phase adopted semi-structured interviews with 20 entrepreneurs, and then the researcher used thematic analysis to extract information which was used to explore and understand wasta and help the researcher to build the quantitative questionnaire. The second phase, an online questionnaire, was designed and distributed to entrepreneurs in three main regions, with 236 completed responses. SPSS was used to analyse the data through explanatory factor analysis, Cronbach's alpha, descriptive analysis, correlation and multiple linear regressions to test the relationships.

The main findings showed that the entrepreneurs who participated in the study were characterised as mainly well-educated males, the vast majority of whom were aged between 18 and 36 years old. Their start-ups were also studied and recognised by newness of starting their businesses and having the tendency to work with partners and employ a small number of employees in this early stage. The findings of the interviews and questionnaire displayed the external and internal liabilities encountered by the participants within their entrepreneurial journey. The most difficult liabilities were externally entering and winning governmental contracts and licensing and regulatory barriers, while internal liabilities were lack of managerial experience and the cost of learning programmes. The lesser liabilities were a lack of stable relations and external socio-cultural constraints, and this provides impression that connections with others are strength.

The study also tested the relationships between wasta in the demand and supply sides and entrepreneurship, representing in in four factors: liabilities of newness, entrepreneurial orientations, tax morality and level of formality. Firstly, the findings illustrated that receiving wasta activities, providing wasta institutions and the age of group had significant relationships with external liabilities, whereas receiving wasta rewards and being in the central region had significance with internal liabilities. Secondly, receiving wasta activities and being in the Western region were found to be significantly related with innovativeness and risk-taking dimensions, while receiving wasta rewards and being in the Central region were significant with autonomy, and providing wasta activities were significant with competitive aggressiveness. Thirdly, regarding tax morality, this was only found to be significant with providing wasta activities and being in the Western region. Fourthly, and lastly, the relationship

between wasta and level of formality had much more significant predictions, which showed that date of starting the business, ownership, number of employees, being in the Western region, providing and receiving wasta people, receiving wasta Institutions had either a negative or positive effect on the degree of formality in the start-ups.

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## Appendix 1



### Information sheet Questionnaire

#### **The role of informal institutions in the entrepreneurship early stage process in Saudi Arabia: A case study on wasta**

**Naeem Albihany**

Dear Sir / Madam

I am a PhD student at Sheffield University Management School, and funded by the Saudi Arabian Cultural Bureau in London. I am conducting a study to evaluate the role of wasta as an informal institution in the early stage entrepreneurship process in Saudi Arabia (Makkah City). The word wasta is defined as favours that privilege individuals based on personal connections regardless of right, or qualification (Mohamed & Mahamad, 2011).

This study is an academic attempt to explore the relationship between entrepreneurial behaviour and the practices of wasta in entrepreneurs' daily and business lives, in addition to design a framework for the use of wasta in consistent with Islamic Teachings and Business Ethics. Furthermore, the study will contribute to the field of entrepreneurship in the context of Saudi Arabia as a developing country from the theoretical and practical aspects. The duration of conducting the survey project will take place within the course of my PhD programme period from now until Sep 2017.

The researcher believes that you - as an expert entrepreneur- are the best means to enrich the academic and practical knowledge. Therefore, I would be very grateful if you accept taking part in this survey which might last between 20-30 minutes, and answering the questions to discuss this important issue. The close-ended survey consists of some general questions related to the entrepreneur's background, and the rest questions are concentrated to evaluate the current situation of practicing this socio-cultural concept (wasta) amongst early stage entrepreneurs within their start-ups.

This survey is supported by a scientific methodology and revised by my supervisors and experts. Participation in this survey is entirely voluntary, and you can stop answering question and withdraw anytime without giving reasons. Additionally, no disadvantages or risks are expected to you during the project, and whilst there are no immediate benefits for you as a participant in the project, it is hoped that this work will contribute to the field of entrepreneurship.

All the information and data are collected for academic purposes and will be handled, kept and stored strictly in confidentiality and anonymity within the research team (me and my supervisors: Prof. Colin Williams and Dr Peter Rodgers) who are aware of the research ethics. You will not be identified in any reports or publications. Related to this, due to the nature of this research it is very likely that other researchers may find the data collected to be useful in answering future research questions. We will ask for your explicit consent for your data to be shared in this way and if you agree, we will ensure that the data collected about you is untraceable back to you before allowing others to use it.

Sheffield University ethics requirements will be fulfilled by this research ethics. If you have a query about this study, do not hesitate to contact my supervisor Prof. Colin Williams [C.C.Williams@sheffield.ac.uk](mailto:C.C.Williams@sheffield.ac.uk) or Dr. Peter Rodgers, [peter.rodgers@sheffield.ac.uk](mailto:peter.rodgers@sheffield.ac.uk). And if you have any complain please contact Sheffield University Management School's Dean: Professor David Oglethorpe [d.oglethorpe@sheffield.ac.uk](mailto:d.oglethorpe@sheffield.ac.uk).

Yours faithfully

Naeem Albihany

Dr. Peter Rodger

PhD Student



## Appendix 2



### Information sheet Interview

#### **The role of informal institutions in the entrepreneurship early stage process in Saudi Arabia: A case study on wasta**

**Naeem Albihany**

Dear Sir / Madam

I am a PhD student at Sheffield University Management School, and funded by the Saudi Arabian Cultural Bureau in London. I am conducting a study to evaluate the role of wasta as an informal institution in the early stage entrepreneurship process in Saudi Arabia (Makkah City). The word wasta is defined as favours that privilege individuals based on personal connections regardless of right, or qualification (Mohamed & Mahamad, 2011).

This study is an academic attempt to explore the relationship between entrepreneurial behaviour and the practices of wasta in entrepreneurs' daily and business lives, in addition to design a framework for the use of wasta in consistent with Islamic Teachings and Business Ethics. Furthermore, the study will contribute to the field of entrepreneurship in the context of Saudi Arabia as a developing country from the theoretical and practical aspects. The duration of conducting the interviews project will take place within the course of my PhD programme period from now until Sep 2017.

The researcher believes that you - as an expert entrepreneur- are the best means to enrich the academic and practical knowledge. Therefore, I would be very grateful if you accept taking part in this 45-60-minute interview and answering the questions to discuss this important issue. The survey consists of some general close-ended questions related to the entrepreneur's background, and the rest questions are open-ended concentrated to evaluate the current situation of practicing this socio-cultural concept (wasta) amongst early stage entrepreneurs within their start-ups.

This survey is supported by a scientific methodology and revised by my supervisors and experts. Participation in this survey is entirely voluntary, and you can stop answering question and withdraw anytime without giving reasons. Additionally, no disadvantages or risks are expected to you during the project, and whilst there are no immediate benefits for you as a participant in the project, it is hoped that this work will contribute to the field of entrepreneurship.

The audio and/or video recordings of the interview will be used only for analysis and for illustration in conference presentations and lectures. All the information and data collected will be handled, kept and stored strictly in confidentiality and anonymity within the research team (me and my supervisors; Prof. Colin Williams and Dr Peter Rodgers) who are aware of the research ethics. You will not be identified in any reports or publications. Related to this, due to the nature of this research it is very likely that other researchers may find the data collected to be useful in answering future research questions. We

will ask for your explicit consent for your data to be shared in this way and if you agree, we will ensure that the data collected about you is untraceable back to you before allowing others to use it.

Sheffield University ethics requirements will be fulfilled by this research ethics. If you have a query about this study, do not hesitate to contact my supervisor Prof. Colin Williams [C.C.Williams@sheffield.ac.uk](mailto:C.C.Williams@sheffield.ac.uk) and Dr. Peter Rodgers [peter.rodgers@sheffield.ac.uk](mailto:peter.rodgers@sheffield.ac.uk). And if you have any complain please contact Sheffield University Management School's Dean: Professor David Oglethorpe [d.oglethorpe@sheffield.ac.uk](mailto:d.oglethorpe@sheffield.ac.uk).

Yours faithfully

Naeem Albihany

PhD Student

Dr. Peter Rodgers



# Appendix 3

## Consent Form

**Title of Research Project:** The role of informal institutions in the entrepreneurship early stage process in Saudi Arabia: A case study on wasta

**Name of Researcher:** Naeem Ali Albihany

**Participant Identification Number for this project:**                      **Please initial box**

I confirm that I have read and understand the information sheet/letter (delete as applicable) dated 17/11/2015 explaining the above research project and I have had the opportunity to ask questions about the project.

I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline.

Supervisor: Prof. Colin Williams- [c.c.williams@sheffield.ac.uk](mailto:c.c.williams@sheffield.ac.uk) +44(0)114 2223476

I understand that my responses will be kept strictly confidential (only if true). I give permission for members of the research team to have access to my anonymised responses. I understand that my name will not be linked with the research materials, and I will not be identified or identifiable in the report or reports that result from the research.

4. I agree for the data collected from me to be used in future research

I agree to take part in the above research project.

---

Name of Participant    Date    Signature

*(or legal representative)*

---

Name of person taking consent    Date    Signature

*(if different from lead researcher)*

*To be signed and dated in presence of the participant*

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Lead Researcher    Date    Signature

*To be signed and dated in presence of the participant*

Copies:

*Once this has been signed by all parties the participant should receive a copy of the signed and dated participant consent form, the letter/pre-written script/information sheet and any other written information provided to the participants. A copy of the signed and dated consent form should be placed in the project's main record (e.g. a site file), which must be kept in a secure location.*

**Applicant: Naeem Ali Albihany**

**17 / 11 / 2015**

## Appendix 4

Table 00.1: The whole themes emerged from thematic analysis

Category	Themes	Sub-themes
<b>Liabilities of Newness (Challenges)</b>	Individual and social challenges	
	Regulatory challenges	
	Technological and operational challenges	
	Managerial challenge	
	Marketing challenges	
	Financial challenges	
<b>Definition and characteristics of wasta</b>	Positive perceptions	Personal connections
		Materialistic and beneficial purposes
		Competitive advantage and intelligent skill
		Positive feelings
	Negative perceptions	Corrupt practices and breaking laws at the societal level
		Oppression and harming others
		Negative feelings
		Paradox of practising Wasta
<b>Reasons for using wasta</b>	Bureaucracy and complexity of regulations	
	Societal habits	
	Accelerating procedures and increasing the awareness of laws	
	Managerial corruption and the lack of accountability	
<b>Wasta practices in the business field</b>	Winning contracts and qualifications	
	Circumventing complexity in regulations	
	Achieving goals by having power and clout	
<b>Rewarding wasta providers</b>	Returning the favour	
	Money	
	Gifts or invitation to meals	
	Compliments, reputation and thanks	
	Offering market opportunities	
<b>The advantages and disadvantages of wasta</b>	Advantages	Accelerating processes
		Achieving goals and reaching decision makers
		Personal networks to share interest and build a network
		Serving others to obtain rights
	Disadvantages	Infringing others' rights
		Inequality is leading to hostile feelings and/or depression
		Leading to failure
		Circumventing formal procedures
		Fertile soil for corruption and against morals
<b>Receiving wasta practices</b>	Activities	<ul style="list-style-type: none"> <li>• Accelerating procedures</li> <li>• Pursuing opportunities</li> <li>• Circumventing procedures</li> <li>• Appointment or place at health or educational institutions</li> <li>• Meeting potential customers</li> <li>• Winning contracts</li> <li>• Funding and entering a competition</li> </ul>

	Relations with providers	<ul style="list-style-type: none"> <li>• Friends</li> <li>• Family members and relatives</li> <li>• Relationship of relationship</li> <li>• Ex-colleagues or classmates</li> <li>• Public people</li> </ul>
	Rewards	<ul style="list-style-type: none"> <li>• Return the favour</li> <li>• Thanks and Supplication</li> <li>• Invitation to a meal</li> <li>• Compliments and reputation</li> <li>• Providing managerial tasks or consultation</li> <li>• Connecting providers with customers</li> <li>• Finding a job</li> </ul>
<b>Providing wasta</b>	Activities	<ul style="list-style-type: none"> <li>• Finding a place at hospital or educational institutions</li> <li>• Finding a job</li> <li>• Accelerating and circumventing formal procedures</li> <li>• Banking transactions</li> <li>• Meeting mentors, experts or potential customers</li> </ul>
	Relations with providers	<ul style="list-style-type: none"> <li>• Friends</li> <li>• Family members and Relatives</li> <li>• Public people</li> <li>• Relations of relations</li> </ul>
	Rewards	<ul style="list-style-type: none"> <li>• Thanks and supplication</li> <li>• Returning the favour</li> <li>• Pursuing opportunities or marketing products</li> <li>• Invitation to meals or gifts</li> <li>• Compliments and reputation</li> </ul>
<b>Start-ups and formality</b>	Registration and Level of formality	<ul style="list-style-type: none"> <li>• Fully formal</li> <li>• Semi-formal</li> <li>• Fully informal</li> <li>• Five papers</li> </ul>
<b>Wasta and Islamic teachings and business ethics</b>	Infringing others' rights	
	Providing benefits without harming others	
	Monetisation	
	Contradicting Islamic teachings	

## Appendix 5:

### General questions:

**What is the region you established your business in?** .1  
Western  Eastern  Central

**From which group of age are you:** .2  
18 to less than 27  27 to less than 36  36 to less than 45   
45 to less than 54  54 to less than 65  => 65

**Gender:** .3  
Male  Female

**Level of education:** .4  
Secondary school or below  Diploma  Bachelor   
Masters  PhD  Other.....

**When did you start your business** .5  
Less than a year  From 1 year to less than 2 Ys   
From 2 year to less than 3 Ys  From 3 Ys to less than 3 Ys and 6 months

**What type of business are you in?** .6  
Professional, scientific and technical activities   
Wholesale or Retail trade   
Hotels, entertainment and food services activities   
Construction   
Manufacturing   
Financial intermediation activities   
Transport, storage & communication   
Real estate, renting   
Other business activities .....

**Are you the only owner or you having partners?** .7  
I am the only owner  I have a partner  I have two partners   
I have three partners  I have four or more partners

**What is your employment size in addition to the owners?** .8  
1-5 people  6 - 49 people   
50 - 249 people  250 people

What is the level of difficulty that you have faced when dealing with the following **challenges** during your start-up? .9

Challenges (Internal and External)	Extremely Difficult	Very Difficult	Moderately Difficult	Slightly Difficult	Not Difficult at all
Socio-cultural constraints					
Lack of managerial experience					
Fear of failure					
Cost of learning and developing programs					
Finding information & new market opportunities					
Entering to winning contracts					
Finding enough time to spend on personal capital (firm commitment)					
Lack of resources (capital, raw material)					
Technological barriers					
Licensing & regulatory barriers					
General economic situation (e.g. oil prices – state plans)					
Industry trend (Business cycle stage)					
Lack of stable relations with agents - banks - suppliers - customers - other organizations.					
Lack of trust (no reputation or track of record)					
Creating and clarifying (new roles - responsibilities)					
Attracting qualified employees					
Barriers of entry due to competition					

To what level of agreement do you think that these statements are representing **your views towards using connections?** .10

Statements	Completely Agree	Agree	Neutral	Disagree	Completely Disagree
<b>Feelings:</b>					
When I make a decision, I would consider others' feelings					
I have a brotherhood feeling towards my connections					
I would try my best to help out my connections when they are in need					
Using connections is Important & inevitable					
I do not like wasta but we use it					



Statements	Completely Agree	Agree	Neutral	Disagree	Completely Disagree
<b>Favor:</b> I think that "calling in" favors is part of doing business					
The practice of "give and take" of favor is a key part of the relationship between my connections and me					
I would feel embarrassed if I was unable to provide a requested favor to my connections					
I know that it is a bad business not to return favors to others					
I am happy to do a favor for others, when they request					
<b>Trust:</b> My connections do not make false claims					
My connections have been frank in dealing with me					
My connections are only concerned about themselves					
My connections seem to be concerned with our needs					
<b>Power:</b> When the seekers for benefits are many and opportunities are few, succeeding or failing to achieve these opportunities depends on the power of connections					
In some situations, the only way to achieve a goal legally or not is having someone in a power position					
It is difficult to have a job, resource, contracts, promotion or life chances without using connections					
<b>Legality:</b> It is a result of the gap between formal institutions and norms and cultures in society					
I would rather to use connections than reading laws and regulations					
Wasta is a result of lack enforcement of laws and rules					
Officials who disrespect laws are responsible for using connections					

To what extent do you agree or disagree that these statements are relative to your .11 business (Entrepreneurial Orientations)?

Orientations ( <u>5 dimensions</u> )	Completely Agree	Agree	Neutral	Disagree	Completely Disagree
<b><u>Risk Taking :</u></b> The term 'risk taker' is considered a positive attribute for people in our business					
People in our business are encouraged to take calculated risks with new ideas					
Our business emphasizes both exploration and experimentation for opportunities					
<b><u>Innovativeness:</u></b> We actively introduce improvements and innovations in our business					
Our business is creative in its methods of operation					
Our business seeks out new ways to do things					
<b><u>Proactiveness:</u></b> We always try to take the initiative in every situation (e.g., against competitors, in projects and (when working with others					
We excel at identifying opportunities					
We initiate actions to which other organizations respond					
<b><u>Competitive aggressiveness:</u></b> Our business is intensely competitive					
In general, our business takes a bold or aggressive approach when competing					
We try to undo and out-manuever the competition as best as we can					
<b><u>Autonomy</u></b> Employees are permitted to act and think without interference					
Employees are given freedom and independence to decide on their own how to go about doing their work					
Employees are given freedom to communicate without interference					
Employees have access to all vital information					

## **Entrepreneurs Receiving Wasta and its practices:**

How often have you used and benefited from asking wasta to achieve goals when .12  
dealing with these institutions?

Institutions	Always	Often	Sometimes	Rarely	Never
Educational institutions					
Medical institutions					
Financial institutions					
Private sector institutions					
Business accelerator and incubators					
The ministry of Justice					
The ministry of Labour					
The ministry of Commerce					
The Chamber of Commerce					
General Organization for Social Insurance					
The Municipality					
General organization for Zakat and Tax					
Civil Defence					

How often have you use and benefited from wasta when dealing with these .13  
activities?

Activities	Always	Often	Sometimes	Rarely	Never
Buying cheaper services and products					
Receiving special bank service					
Receiving fund from supportive institutions					
Accelerating procedures					
Circumventing rules-bureaucracy					
Making rules or laws work					
Winning contracts					
Getting information					
Being introduced to important people					
Receiving services without queuing					
Finding business opportunities					
Grasping customers from competitors					
Developing customer relations					

How often have you recompensed wasta providers with these rewards? .14

Rewards	Always	Often	Sometimes	Rarely	Never
Meal Invitation					
Returning the favour					
Offering a job or promotion					
Compliment & reputation in society					
Thanks					
Providing a marketing opportunity					
Providing Work or consulting for free					
Requiting people sent by wasta providers					
Gifts					
Money					
Appreciation (Supplication)					

How often have you asked for wasta from these Categories? .15

Rewards	Always	Often	Sometimes	Rarely	Never
Family					
Relatives					
Friends					
Colleagues or classmates					
Nieghbours					
Relations of your relations					
Public people (you do not know)					

**Entrepreneurs providing Wasta and its practices:**

How often have you provided others with wasta to achieve their goals when dealing with these institutions? .16

Institutions	Always	Often	Sometime	Rarely	Never
Educational institutions					
Medical institutions					
Financial institutions					
Private sector institutions					
Business accelerators and incubators					
The ministry of Justice					
The ministry of Labour					
The ministry of Commerce					
The Chamber of Commerce					

<b>General Organization for Social Insurance</b>					
<b>The Municipality</b>					
<b>General organization for Zakat and Tax</b>					
<b>Civil Defence</b>					

How often have you provided others with Wasta when dealing with these .17 activities?

<b>Activities</b>	<b>Always</b>	<b>Often</b>	<b>Sometimes</b>	<b>Rarely</b>	<b>Never</b>
Helping others to buy cheaper services and products					
Helping them to Receive special bank service					
Helping others to Receive fund from supportive institutions					
Helping others to accelerate procedures					
Being introduced to useful people					
Helping others to get information					
Helping others to receive services without queuing					
Helping others to win contracts					
Helping others to find a job					
Circumventing rules-bureaucracy					
Making rules or laws work					

How often have those beneficiaries from your wasta recompensed you with these .18 rewards?

<b>Rewards</b>	<b>Always</b>	<b>Often</b>	<b>Sometimes</b>	<b>Rarely</b>	<b>Never</b>
Meal Invitation					
Returning the favour					
Compliment & reputation in society					
Thanks					
Providing marketing opportunities					
Offering to promote my products					
Working for me for free					
Gifts					
Money					
Appreciation (Supplication)					

How often have these categories asked you for wasta?

Rewards	Always	Often	Sometimes	Rarely	Never
Family					
Relatives					
Friends					
Colleagues or classmates					
Nieghbours					
Relations of your relations					
Public people (you do not know)					

To what extent do current wasta practices in entrepreneurial environment .20 contradict/confirm Islamic teachings and business ethics?

Very contradictory	Contradictory	Neutral	Consistent	Very consistent

Generally, what role has wasta played on the success or failure of your .21 entrepreneurial project?

Very positive	Positive	Neutral	Negative	Very negative

To what extent do you think wasta is a must to establish a business in the following .22 areas?

Areas	Very high	High	Moderate	Low	Very low (No need)
Saudi Arabia					
Arabic countries					
The rest of the world					

Could you tell me please; to what extent you believe the following activities are .23 acceptable or unacceptable?

Statements	Completely Acceptable	Acceptable	Neutral	Unacceptable	Completely Unacceptable
Someone receives welfare payments without entitlements					
A firm is hired by another firm and does not report earnings					
A firm hires a private person and all or part of their salary is not declared					
Someone evades paying Zakah for by not or only partially declaring income					
A person hired by a household does not declare earnings when it should be declared					

What percentage of entrepreneurs do you think engage in wasta to get things done? .24

- 0 - 10 %       11 - 25%       26 - 50 %   
 50 - 75%       75 – 100%

Up to now, which of these institutions is your organisation registered with? .25

- None of them*   
 The ministry of Commerce   
 The Chamber of Commerce   
 The ministry of Labour   
 The Municipality   
 The General Organisation of Social Insurance

Is your firm registered with The General organization for Zakat and Tax? And, have you been paying? .26

- Not yet and there is no need       Not yet and I will do soon   
 Yes, registered without paying       Yes, registered & paid

Does your firm have its own bank account or use your individual bank account? .27

- Not yet       Using my individual account   
 Using both indiv and bank accounts       Using firm bank account

To what level of agreement are you with the statement that the wasta practices have had effect on your current level of formality? .28

Effects	Very high	High	Moderate	Low	Very low No effect
The <u>receiving</u> wasta practices (above)					
The <u>providing</u> wasta practices (above)					
The cost of registration					
Bureaucracy & complexity of regulations					
Lack awareness of laws and rights					
Lack of advice how to formulize					
Time limitation					
Fear of failure					
Pressure from customers					
View the business as illegitimate					
Having connections with officials who can facilitate winning contracts without fully registration					

Table A2: Total Variance Explained the Liabilities of newness

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.411	24.364	24.364	3.411	24.364	24.364	2.856
2	1.430	10.217	34.581	1.430	10.217	34.581	2.732
3	1.195	8.537	43.118				
4	1.043	7.447	50.565				
5	.969	6.923	57.488				
6	.911	6.510	63.999				
7	.883	6.305	70.303				
8	.748	5.345	75.648				
9	.716	5.116	80.765				
10	.683	4.877	85.642				
11	.578	4.130	89.771				
12	.531	3.795	93.567				
13	.459	3.276	96.843				
14	.442	3.157	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							



Table A3: Total Variance Explained the Entrepreneurial Orientations (EOs)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	5.453	34.080	34.080	5.453	34.080	34.080	4.663
2	2.013	12.582	46.662	2.013	12.582	46.662	3.262
3	1.462	9.138	55.801	1.462	9.138	55.801	3.336
4	1.119	6.991	62.791	1.119	6.991	62.791	2.600
5	.930	5.814	68.605				
6	.740	4.624	73.229				
7	.695	4.341	77.571				
8	.638	3.986	81.556				
9	.512	3.203	84.759				
10	.453	2.834	87.593				
11	.415	2.595	90.188				
12	.375	2.341	92.529				
13	.366	2.286	94.815				
14	.299	1.871	96.685				
15	.285	1.778	98.463				
16	.246	1.537	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Table A4: Total Variance Explained Receiving Waste Activities (RWA)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.041	50.411	50.411	5.041	50.411	50.411
2	.931	9.312	59.723			
3	.801	8.006	67.729			
4	.692	6.921	74.650			
5	.613	6.134	80.784			
6	.501	5.014	85.798			
7	.458	4.579	90.377			
8	.349	3.492	93.868			
9	.345	3.448	97.317			
10	.268	2.683	100.000			

Extraction Method: Principal Component Analysis.

Table A5: Total Variance Explained Providing Wasta Activities (RWA)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.748	52.750	52.750	4.748	52.750	52.750
2	.956	10.625	63.375			
3	.680	7.559	70.935			
4	.590	6.552	77.486			
5	.519	5.766	83.252			
6	.438	4.872	88.124			
7	.392	4.355	92.479			
8	.363	4.036	96.515			
9	.314	3.485	100.000			

Extraction Method: Principal Component Analysis.

Table A6: Total Variance Explained Tax Morality (TM)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.317	66.339	66.339	3.317	66.339	66.339
2	.635	12.691	79.030			
3	.440	8.802	87.832			
4	.319	6.388	94.219			
5	.289	5.781	100.000			

Extraction Method: Principal Component Analysis.

Table A7: Entrepreneurs' perceptions to Wasta

	CD		D		N		A		CA		Mean	Std. Devi	Sum
	No	%	No	%	No	%	No	%	No	%			
When I make a decision, I would consider others' feelings	6	2.5	20	8.5	56	23.7	92	39.0	62	26.3	3.78	1.01	892
I have a brotherhood feeling towards my connections	4	1.7	14	5.9	51	21.6	102	43.2	65	27.5	3.89	0.93	918
I would try my best to help out my connections when they are in need	1	0.4	3	1.3	17	7.2	103	43.6	112	47.5	4.36	0.71	1030
Using connections is Important & inevitable	1	0.4	11	4.7	20	8.5	71	30.1	133	56.4	4.37	0.86	1032
I do not like Wasta but we use it	10	4.2	20	8.5	51	21.6	66	28	89	37.7	3.86	1.14	912
I think that "calling in" favours is part of doing business	5	2.1	5	2.1	28	11.9	93	39.4	105	44.5	4.22	0.89	996
The practice of "give and take" of favour is a key part of the relationship between my connections and me	7	3	10	4.2	32	13.6	91	38.6	96	40.7	4.10	0.99	967
I would feel embarrassed if I was unable to provide a requested favour to my connections	2	0.8	32	13.6	49	20.8	86	36.4	67	28.4	3.78	1.03	892
I know that it is a bad business not to return favours to others	6	2.5	43	18.2	43	18.2	82	34.7	62	26.3	3.64	1.13	859

I am happy to do a favour for others, when they request	2	0.8	4	1.7	20	8.5	71	30.1	139	58.9	4.44	0.79	1049
My connections have been frank in dealing with me	5	2.1	29	12.3	88	37.3	85	36.0	29	12.3	3.44	0.93	812
My connections do not make false claims	5	2.1	20	8.5	81	34.3	101	42.8	29	12.3	3.55	0.89	837
My connections are only concerned about themselves	27	11.4	74	31.4	91	38.6	34	14.4	10	4.2	2.69	1.00	634
My connections seem to be concerned with our needs	6	2.5	51	21.6	104	44.1	62	26.3	13	5.5	3.11	0.89	733
When the seekers for benefits are many and opportunities are few, succeeding or failing to achieve these opportunities depends on the power of connections	4	1.7	17	7.2	48	20.3	91	38.6	76	32.2	3.92	0.98	926
In some situations, the only way to achieve a goal legally or not is having someone in a power position	9	3.8	24	10.2	54	22.9	68	28.8	81	34.3	3.80	1.13	896
It is difficult to have a job, resource, contracts, promotion or life chances without using connections	10	4.2	32	13.6	41	17.4	88	37.3	65	27.5	3.70	1.14	874
It is a result of the gap between formal institutions and norms and cultures in society	5	2.1	17	7.2	44	18.6	80	33.9	90	38.1	3.98	1.02	941

I would rather to use connections than reading laws and regulations	15	6.4	54	22.9	57	24.2	72	30.5	38	16.1	3.27	1.16	772
Wasta is a result of lack enforcement of laws and rules	8	3.4	23	9.7	39	16.5	88	37.3	78	33.1	3.86	1.08	913
Officials who disrespect laws are responsible for using connections	10	4.2	16	6.8	41	17.4	79	33.5	90	38.1	3.94	1.09	931

Table A8: Entrepreneurs' level of agreement or disagreement on the application of the five constructs of entrepreneurial orientations by their firms

	Completely disagree		Disagree		Neutral		Agree		Completely Agree		Mean	Std. Devi	Sum
	No	%	No	%	No	%	No	%	No	%			
<b>The term 'risk taker' is considered a positive attribute for people in our business</b>	4	1.7	10	4.2	42	17.8	113	47.9	67	28.4	3.97	0.89	937
<b>People in our business are encouraged to take calculated risks with new ideas</b>	1	0.4	8	3.4	50	21.2	124	52.5	53	22.5	3.93	0.78	928
<b>Our business emphasizes both exploration &amp; experimentation for opportunities</b>	2	0.8	9	3.8	47	19.9	116	49.2	62	26.3	3.96	0.83	935
<b>We actively introduce improvements and innovations in our business</b>	3	1.3	8	3.4	34	14.4	116	49.2	75	31.8	4.07	0.84	960
<b>Our business is creative in its methods of operation</b>	6	2.5	10	4.2	35	14.8	111	47	74	31.4	4.00	0.93	945
<b>Our business seeks out new ways to do things</b>	5	2.1	9	3.8	33	14	113	47.9	76	32.2	4.04	0.90	954
<b>We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)</b>	3	1.3	15	6.4	45	19.1	109	46.2	64	27.1	3.92	0.91	924
<b>We excel at identifying opportunities</b>	2	0.8	13	5.5	59	25	107	45.3	55	23.3	3.85	0.87	908
<b>We initiate actions to which other organizations respond</b>	2	0.8	16	6.8	43	18.2	114	48.3	61	25.8	3.92	0.89	924
<b>Our business is intensely competitive</b>	1	0.4	12	5.1	38	16.1	87	36.9	98	41.5	4.14	0.90	977

<b>In general, our business takes a bold or aggressive approach when competing</b>	15	6.4	51	21.6	67	28.4	66	28	37	15.7	3.25	1.15	767
<b>We try to undo and out-manoeuvre the competition as best as we can</b>	7	3	34	14.4	68	28.8	81	34.3	46	19.5	3.53	1.05	833
<b>Employees are permitted to act and think without interference</b>	13	5.5	46	19.5	51	21.6	91	38.6	35	14.8	3.38	1.12	797
<b>Employees are given freedom and independence to decide on their own how to go about doing their work</b>	12	5.1	37	15.7	66	28	93	39.4	28	11.9	3.37	1.05	796
<b>Employees are given freedom to communicate without interference</b>	9	3.8	38	16.1	59	25	96	40.7	34	14.4	3.46	1.04	816
<b>Employees have access to all vital information</b>	17	7.2	45	19.1	53	22.5	88	37.3	33	14	3.32	1.15	783

## **Appendix 6**

### **Interview Schedule**

#### **Prior to the interviews:**

##### **Prior to the interviews:**

- Once I had access to early stage entrepreneurs, I sent them a message to introduce myself.
- A few days later, I called them to build a rapport and to ask if they wished to take part in the interview. Then, the participants who agreed were asked to arrange the time and location of the interview.
- Three to four days before the interview, entrepreneurs were phoned to confirm their readiness, event time and place, and to remind them to read the interview questions and complete the consent form.
- A day before the interview, the researcher checked and tested the recorder.
- An hour before the interview, the recorder was tested again, and the interviewee was called to confirm that they would be present at the arranged location and time.

#### **During the interview:**

- The researcher applied his best efforts to make sure the participants felt comfortable and to offer an ideal environment and minimise distractions.
- The interviewer attempted to be natural, with active interaction and listening, taking notes and considering the interviewees' feelings.
- The researcher conducted the conversations in an Arabic dialect that was familiar to the participants.
- The interviewer asked some relaxing questions before the main interview.
- Interviewees were informed about the purpose of the research, anonymity and confidentiality, their right to stop the recording or withdraw from the meeting without providing any reason.
- The researcher started interviewing participants by asking warm-up and general questions:

#### **1. Could you tell me about your business?**

**1a: From which group of age are you?**

**1b: When did you start your business?**

**1c: What type of business you are in?**

**1d: What is your employment size?**

Then, the researcher asked the entrepreneurs the main questions as shown in the Table. The table also include information about the evidence based informing the questions.



Table A9: Interview questions, and their sources

Areas	Interview questions	References
Challenges	2. Have you faced any challenges since starting your business? If so, how did you tackle these?	Stinchcombe 1965; Nagy et al., 2012; Morse et al., 2007 and pilot interviews
Wasta perceptions and feelings	3. What do you understand by wasta? In your opinion, what does wasta mean? 4. What do you think is the difference, if any, between wasta and shafaa which is mentioned in the Holy Qur'an? 5. In your opinion, how do people view wasta? 6. How do people feel if something is done by wasta?	Yen et al. 2011; Berger et al., 2014 Cunningham and Sarayrah, 1993
Reasons for using Wasta	7. What are the main reasons for practicing wasta?	Cunningham and Sarayrah, 1993; Loewe et al., 2007 and 2008; pilot interviews
Wasta practices in the business field	8. What is your opinion about others who using wasta in their businesses? 9. How do other people compensate or reward a wasta provider?	Loewe et al., 2007 and 2008; Pilot interviews
Benefits and drawbacks of Wasta	10. Are there any benefits for using wasta? If yes how, if no why? 11. Are there any drawbacks for using wasta? If yes what are they, if no why? 12. Has wasta affected your entrepreneurial behaviour at the early stage of starting your business? If so, how and why?	Harrison, (2004); Erkal and Kali (2012); Makhoul and Sidani and Thornberry, 2013 Marktanner, M., & Wilson, M. (2016)
Receiving Wasta practices	13. Have you ever used wasta to achieve something? If yes, go to Q.13a, if no go to Q.14 13a: What activities have you used wasta for? 13b: Who is the person(s)?	Onoshchenko and Williams, 2013; Franic and Williams, 2017; Williams and Franic, 2017

	<p><b>13c: How did you reward him/her?</b></p> <p><b>13d: What was the effect on your entrepreneurial start-up?</b></p>	
<p><b>Providing Wasta practices</b></p>	<p><b>14. Have you ever provided wasta for anyone? If yes, go to Q.14a, if no go to Q.15</b></p> <p><b>14a: What activities you provided wasta with?</b></p> <p><b>14b: Who is the person(s)?</b></p> <p><b>14c: How were you rewarded?</b></p> <p><b>14d: What was the effect on your entrepreneurial start-up?</b></p>	<p>Onoshchenko and Williams, 2013; Franic and Williams, 2017; Williams and Franic, 2017</p>
<p><b>Registration and level of formality</b></p>	<p><b>15. Did wasta play any role regarding your venture's formality? How?</b></p>	<p>Williams, Shahid and Martinez, 2016; Williams and Shahid, 2016; pilot interviews</p>
<p><b>Business attitudes and ethics</b></p>	<p><b>16. Generally, is wasta affecting the success or failure of your business? If yes how?</b></p> <p><b>17. Does wasta (practices) contradict the Islamic Teachings and business ethics?</b></p> <p><b>18. Can wasta be used in a way consistent with Islamic principles and business ethics? If yes how?</b></p>	<p>Cunningham and Sarayrah, (1993); Kayed and Hassan (2010, 2011); Brandstaetter et al., 2016); Loewe et al., 2008</p>

**After the interview:**

- The interviewer thanked the participants, who were also asked if they had any concern, comments, or any information they wanted to know or add.
- The researcher reminded interviewees about the ethical issues of dealing with the data collected through the course of the interviews.