The interface of networking and 'wasta' in an Arabic context

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THE INTERFACE OF NETWORKING AND WASTA IN AN ARABIC CONTEXT

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ABSTRACT

Purpose - The aim of this study is to uncover particular and significant methods of pursuing business connections, in the small manufacturing businesses of Tangier.

Prior Work - The significance of networking and its impact on the performance of SMEs was revealed in a number of studies. There have been significant studies on the structural, relational, and cognitive dimensions of social capital in value creation. It can be noted that there are potentially significant differences in the concept of networking particularly those that are influenced by Arabic culture.

Approach - A two-stage design, which incorporated both quantitative and qualitative approaches, was employed in this study. Approaches were employed in succession with the findings from the quantitative phase informing the qualitative phase. Initially, a paper and online survey questionnaire was administered to a population of 365 industrial SMEs to gain some insights on the perceptions of owner-managers of the impact of networking on business performance. Following the quantitative phase, fifteen in-depth face-to-face semi-structured interviews were conducted with selected owner-managers of SMEs, forming a judgmental selection, to explore their experiences, beliefs, and attitudes with respect to networking factor.

Results - Both quantitative and qualitative phases of the study found that networking was a significant factor in influencing the success of SMEs. The concept of *wasta*, the Arabic word for connections, emerged from the qualitative phase. Findings show that using *wasta*, through politico-business networks is important since it enables access to current information that is crucial for the success of SMEs. The concept of *wasta* was also mentioned in relation to financial resources and suppliers. Findings revealed that strong relationships with suppliers enable firms to get financial resources in the form of trade credits. Furthermore, the relationship between *wasta* and human resources was also revealed. Findings showed that owner-managers use their network relations through *wasta* in order to recruit their staff.

Implications - The findings of this study add to the understanding of networking in Arabic countries with the importance of *wasta* in an economy that functions on relationships. The findings of this study could therefore be useful to international managers to assist their intercultural effectiveness by adjusting to culture-specific networking in Tangier.

Value - This study supports previous findings of Hutchings & Weir (2006) and contributes additional evidence that suggests the significance of *wasta* and its impact on SME success.

Keywords: Networking, Wasta, Performance, SMEs, Arabic, Tangier

INTRODUCTION

The important contribution of a vibrant small and medium enterprises (SMEs) sector in the national economic and social development of a country has been widely recognized (e.g. Birch, 1989; Storey, 1994; The European Commission, 2011). In view of its increasing importance, performance of small and medium enterprises (SMEs) has been of interest to many researchers, international organizations, and policy makers, at least since the Bolton report (1971), and therefore has become the subject of a great deal of analysis. Attention to the SME sector has heightened because of the globalizing economy and the increasingly severe competition that is inherent in this development. Specifically, researchers have shown interest on the variables associated with firm performance. Among these variables, networking has been identified as a key factor that influences business performance. In a rapidly changing and hostile environment, owner-managers of SMEs are required to engage in the process of building strong relationships and to interact vigorously and efficiently with internal as well as external members in order to maximize business performance. In the light of this, the following study seeks to develop a clearer understanding of the influence of networking on business performance, as perceived by local owner-managers of small manufacturing businesses in Tangier.

BACKGROUND

SMEs in Morocco play a pivotal role in the development of the country. The importance of SMEs is evidenced by their high presence in the economic structure of the country. According to The United Nations Economic Commission for Africa (UNECA) (2008), 93% of all Moroccan industrial firms are SMEs and account for 38% of production, 38% of investment, 31% of exports, and 45% of all jobs. Within Morocco, the city of Tangier has a highly strategic geographical position, enjoys a special tax status, and contains zones that have the status of free economic zones. Located in the Tangier-Tétouan region in the extreme north-west of Morocco, the city of Tangier is Morocco's second industrial centre after Casablanca and the first industrial city in the Tangier-Tétouan region. After decades of neglect, Tangier did not regain attention from the government until 1999. The Moroccan government has engaged since then in developing the economy of the city by seeking to create an enabling business environment for large as well as small and medium companies. Manufacturing SMEs in Tangier account for over half of the total firms in the Tangier-Tétouan region and contribute to 83% of employment (Ministry of Industry, Commerce, and New Technologies: *MICNT*, 2007). However, despite their value in the regional economy, their contribution to the industrial value added remains limited with respect to the national economy. Recent available data from the MICNT showed that the contribution of the Tangier- Tétouan region to the industrial value added was only 7% in 2010 compared to 49% in the Greater Casablanca region (MICNT, 2011). This does not reflect the potential of the SME sector especially after the recent significant economic developments in the Tangier-Tétouan region.

Recent economic developments in the Tangier-Tétouan region, and particularly in the city of Tangier, have been considerable. Among the recent biggest developments are: the Tanger-Med port which is one of the largest ports in Africa and on the Mediterranean, and a series of 'free zones'. By virtue of these developments, the strategic position of the city manifested in its proximity to Europe, its special tax status, and the economic free zones, several local and international investments have been attracted to the city in the last 10 years, which have transformed the region into a competitive hub for international trade. SMEs in Tangier have been vulnerable to these business environment challenges which could have an impact on their performance. As argued by Man & Lau (2005), SMEs are more likely than larger firms to be affected by changes in their internal and external environment which are often unplanned for. Thus, an important issue arises concerning the ability of small and medium firms to cope in a very challenging environment through the use of networking. In an attempt to address this issue, as mentioned above, the present study has been undertaken with the aim of developing a clearer understanding of the impact of networking on the performance of SMEs in Tangier. To achieve this aim, the following objectives were set:

- To identify opinions of local owner-managers about networking in relation to business success.
- To examine differences between owner-managers of 'successful' and 'less successful' SMEs in relation to networking

- To explore the experiences of SME owner-managers of the perceived networking factor for business 'success' in Tangier.

LITERATURE REVIEW

In the small business literature, the concept of success remains a topic of debate (Gorgieveski et al., 2011). This is despite the evidence that the 'success' of small firms has been subject to a great deal of research. However, there is no general agreement in the literature on what is meant by the success of a firm. Indeed, a myriad of perspectives, ranging from mere survival to the achievement of certain levels of performance, exist about such a concept in the entrepreneurship literature. Very often, the terms 'success', 'survival', 'growth' are very closely linked and sometimes used interchangeably. Besides the multi-dimensional aspect of success, variables that contribute to the success of SMEs are not unanimously agreed upon by researchers. While some analysts suggested that the dynamics of the success of businesses remain a black box (Dockel & Ligthelm, 2005; Ligthelm, 2010), others argued that the success of enterprises is a function of both external and internal factors (McCline et al., 2000; Guzman & Santos, 2001; Markman & Baron, 2003).

Among the success factors that have been of great interest to researchers, entrepreneurs, and policy makers alike is the networking factor. Various definitions about networking and the concept of network exist in the literature. For example, Iacobucci (1996, p. xiii) stated: 'Colloquially, networking is a verb used to describe the initiation and sustenance of interpersonal connections for the rather Machiavellian purpose of tapping those relationships later for commercial gain '. Very often, networks are also often defined as relationships between different actors (Aldrich & Zimmer, 1986; Gulati, 1998; Ireland et al., 2001).

Carson et al. (1995, p. 201) describe networking in small firms as: '... an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings'. Owner-managers of SMEs are highly dependent on their networks because from these they can obtain resources and get critical support for the development and growth of a business

(Dodd & Patra, 2002; Jenssen & Greve, 2002; Harris & Wheeler, 2005). Resources that can be obtained through networking include information about business opportunities, innovation, referrals, business linkages, shared costs, networks of business partners, professionals, technicians, specialists, generalised consultants, the supply chain, potential contractors, bankers, distributors, clients, customer linkages, suppliers, sector-based trade associations, professional memberships, chambers of commerce, institutional ties as well as networks of collaboration and coordination (Zhao & Aram, 1995; Ritter & Gemunden, 2004; Ramsden & Bennett, 2005; Li & Ferreira, 2006; Batjargal, 2006). This is consistent with the resource dependency theory (Barringer & Harrison, 2000), which suggested that entrepreneurs use their social relations to get the resources they need to support their business (Hansen, 2001; Jenssen, 2001). However, it should highlighted that the use of these networks can be difficult for SMEs due to the specific characteristics of these firms, which often inhibit the leverage of the resources needed for the organization to create new opportunities.

The literature about small firm networking tends to categorize networks into two types: formal networks in which owner-managers of firms beyond their individual scope with other organisations; and informal networks where cooperation is manifested in the use of personal connections such as: family, friends, and acquaintances (Low & MacMillan, 1988; Jack & Robson, 2002; Dodd & Patra, 2002; Markman & Baron, 2003; Hite, 2005; Sequiera & Rasheed, 2006). In the view of Ibarra (1993), these two types of networks are also classified as strong and weak ties. Whilst weak ties tend to be more superficial and lacking in emotional investment (Dubini & Aldrich, 1991), strong ties, on the other hand, are concerned with close, stable, and binding relationships.

Networks of SMEs are especially based on personal relationships, where the small companies' networks overlap with entrepreneurs' networks (Biggiereo, 2001).
Small firm networking research tends to embrace Granovetter's (1985) account of the role of concrete personal relations that include 'strong ties' to family and close friends as well as 'weak ties' to individuals' acquaintances (Shaw 1997). The strength of weak ties (Granovetter 1973, 1985) is that they enable the individual to reach actively and purposively outside of his or her immediate close social circle and

to draw upon information, advice and assistance from a large and diverse pool. Weak ties also play an important role in the overall cohesiveness of the society by creating bridges that connects closely knit groups of people.

The significant impact of networking on the performance of SMEs has been highlighted in a number of studies (Wincent et al., 2009; Watson, 2007; Zaheer & Bell, 2005; Florin et al., 2003; Zhao & Aram, 1995). The network theory suggests that there is a positive association between networking and various aspects of firm performance. Evidence suggests that the ability of owners to gain access to resources not under their control in a cost effective way through networking can influence the success of business ventures (Zhao & Aram, 1995; Watson, 2006), as networks provide value to its members by allowing them to gain access to the social resources that are embedded within the network (Seibert, Kraimer, Liden, 2001). Furthermore, using networks can potentially increase a firm's chances of 'survival', as argued by Julien (1993), that this form of cooperation can facilitate the achievement of economies of scale in small firms without producing the diseconomies caused by large size. A positive association with networking and firm growth has also been documented in the literature. Donckels & Lambrecht (1995) found that network development, particularly at the national and international level, was positively associated with firm growth. In a longitudinal study conducted by Watson (2007) on Australian firms, findings indicated a significant positive relationship between networking (particularly with formal networks such as external accountants) and business growth.

Linked to networking, the concept of social capital has been highlighted in several studies (Burt, 1992; Nahapiet and Ghoshal, 1998; Adler & Kwon, 2002). Located within the structure of relations between and amongst actors, social capital represents resources embedded in social relations that allow individuals and/or communities to achieve desired goals (Coleman, 1988). Applying the concept of social capital to a broader range of social phenomena, including relations inside and outside the family (Coleman, 1988), relations within and beyond the firm (Burt, 1992), the organization-market interface (Baker, 1990), and public life in contemporary societies (Putnam, 1993, 1995), social capital is considered as a productive resource that facilitates actions, ranging from an individual's occupational attainement (e.g. Marsden & Hurlbert, 1988; Lin & Dumin, 1986; Lin, Ensel, & Vaughn, 1981) to a firm's business operations (Baker, 1990; Coleman, 1990; Burt, 1992). A dominant perspective in social capital research emphasizes three dimensions: "structural" dimension of social capital, consisting of network connections (Garguilo & Benassi, 2000), relational dimension, referring to assets that are rooted in these relationships such as trust, reciprocity, obligations and expectations (Adler, 2001; Adler & Kwon, 2002); and a "cognitive" dimension, relationg to attitudes toward trust (Nahapiet and Ghoshal, 1998).

Small firms networking is increasingly becoming an important ingredient for success. However, even though a plethora of research has investigated the impact of networking on the performance of SMEs in Western literature, only few studies have considered the role of networking and its impact on the performance of SMEs in the Arab world. The focus of this study is on the Moroccan context, which is a Muslim and Arab country. Networking in Morocco works in a different way than it does in Western countries due to the different cultural influences. Similar to other Islamic and Arab countries, the family is the foundation and the backbone of the social structure in Morocco (Barakat, 1993; Hutchings & Weir, 2006). This creates a social network that provides assistance in times of need or hardship. Hutchings & Weir (2006) argued that Muslim societies are wholly networked and all business activities revolve around these networks. Business owner-managers place a greater importance on establishing friendships and developing close relationships with those with whom they conduct business (Gorrill, 2007). Hutchings & Weir (2006) expounded that the key to achieve business success in Arab countries is a knowledge and understanding of the interpersonal networks that pervade the business and social life of Arabs, especially *wasta*, which is developed prior to transacting business. *Wasta* entails a network of interpersonal connections rooted in the family and kinship. *Wasta* is the Arabic word for "connections or pull" and is a significant factor in decision making in Arabic society (Hutchings & Weir, 2006: 278). Historically, wasta was used to manage relations between families and tribes in the Arab world through the use of an intermediary, often called the shaykh, who would be summoned to be the intercession or the *wasta* between the conflicting parties (Cunningham & Sarayah, 1993). In business context, *wasta* has evolved as one of the key networking tools that can be used by Arab owner-managers of SMEs to secure markets contracts, grab opportunities, and increase their chance of success. Luo (2007) argued that this is in total contrast with the Western practice that emphasises the immediate transaction itself, and thus relies on enforcement of contracts (Luo, 2007) and not the relationship. The latter may only develop later as a separate function to the business transaction (Hutchings & Weir, 2006).

Although the argument of Luo (2007) seems to be plausible, it can be argued that *wasta* principle may fit in other contexts and link to the 'leverage' concept that exists in the Western literature. Leverage can occur in many different ways for an SME. The conventional definition is a financial one which stipulates that leverage is any technique to multiply gains and losses. However, leverage can be manifested in other forms. In reality, there are myriad ways in which a business can capitalise on others' resources to accelerate and extend its growth. For instance, UK supermarket chain Tesco, leveraged the analytical expertise of Dunn Humby to capitalise on ICT facilities to offer the right product at the right time to the right customers in the right place at an attractive price through the introduction of loyalty cards – a simple idea that leveraged huge growth and market share benefit. Another example relates to both M&S and Oxfam that have leveraged market advantage through co-operating in clothes recycling – enhancing Oxfam's retail offer and M&S' ethical market positioning. On a smaller scale, SMEs leverage the financial capital and business experience of business angels to accelerate growth. They might also capitalise on someone else's brand to resell what they know their customers want, or they can capitalise on their suppliers' assets to reach markets that might otherwise not have been accessible. Therefore, if one accepts that 'leverage' is the capitalisation on others' assets to bring tangible benefit to both or several parties, then *wasta* fits well into this definition. In the Arabic sense, the assets include the network of people who will use their connections, influence and facilities to help you develop your own business. Because reciprocation is a fundamental part of the *wasta* principle, all parties to the network will, in one way or another, stand to gain. *Wasta* does not necessarily expect immediate payback but is a form of investment that may yield dividends at some future date.

Wasta may also link with the concept of *guanxi* in China. *Guanxi*, literally means 'relationship' but also refers to a wider set of interpersonal connections that facilitate favour between people on a dyadic basis (Yang, 2002). Just like its Arabic counterpart *wasta*, *guanxi* stresses the importance of a social network of personal relationships that involve family and kinship ties. *Guanxi*'s impact on business success has been recently debated. While some researchers still defend the increasing importance of *guanxi* in influencing business success (Yeung & Teng, 1996; Luo, 2007), others have argued that the guanxi's impact is decreasing due to other factors such as: globalisation, information accessibility, and regulations (Guthrie, 2002; Clegg et al., 2007).

It is important to note that the use of *wasta* could have positive as well as negative connotations. In a more traditional sense, good *wasta* refers to a form of intercession or mediation though it may also refer to seeking benefits from the government (Hutchings & Weir, 2006). A negative *wasta*, on the other hand, refers to the use of *wasta* for personal gains, i.e., through corruption. However, it should be clarified that this should not be confused with the exchange of gifts as is a common practice in the Arab region and is often a mark of respect, rather than an attempt to corrupt and influence the behavior. Hutchings & Weir (2006) argued that too much criticism may be considered a sign of naivety, whereas too much acceptance and understanding may be taken as an adverse sign (Hutchings & Weir, 2006).

RESEARCH METHODOLOGY

The study used a sequential two-stage design strategy whose logic became emergent during the course of the research – in other words, the two-stage design which encompassed both quantitative and qualitative approaches developed as the research went along. Having critically reviewed the literature systematically and built the theoretical framework, the study then followed the tradition used in entrepreneurship research by adopting a quantitative approach (Curran & Blackburn, 2001; Grant & Perren, 2002; Ahl, 2003; Lewis et al., 2007) in order to gain general understanding of the impact of networking on the success of SMEs in Tangier. Although results found from the adoption of the quantitative approach were important, they were however inconclusive since constructs used in the survey, derived from the literature, were imposed on respondents. This did not allow an enough understanding of participants' personal view of the influence of the network factor on business success. Due to the inconclusive nature of the quantitative survey, it was decided to conduct further research using a qualitative strategy. The qualitative approach was carried out at this second stage in order to illuminate the quantitative findings and potentially enhance our understanding of the networking factor.

QUANTITATIVE PHASE

Initially, a paper and online survey questionnaire was administered to a population of 365 manufacturing SMEs to gain some insights on the perceptions of owner-managers of the impact of networking on business performance. The population of interest was clearly defined based on the official definition of SMEs in Morocco which uses the factor of number of employees. The latter was chosen in accordance with the argument of Child (1973) who argued that employment is an adequate criterion for the measurement of the size of an organisation, because it is above all human beings who are 'organized'. Therefore, the study considered enterprises with a headcount between 10 and 200 employees as SMEs. Moreover, the population was drawn from the official website of the MICNT www.mcinet.gov.ma, the AZIT directory 2010 as well as its official website www.azit.ma, and the website of the Tangier free zone www.tfz.ma. The distribution of the questionnaire was done in two phases: The 'drop and collect' phase and the online phase. In total, 88 fully completed questionnaires were returned, providing a net response rate of 24.11%.

QUALITATIVE PHASE

The 88 owner-managers who completed the questionnaire in the quantitative phase of the study were the 'population' for the qualitative phase. From those who indicated that they would be willing to participate in future research, judgment was used for the selection of particular SME owners from this population. The selection criteria were: sector, location, and gender. These three factors were used to avoid structural bias in the construction of what was a small selection. As for the sample size, Kvale (1996) suggested that new interviews might be conducted until a point of saturation, where further interviews yield little new knowledge. In this phase, the saturation was achieved when fifteen interviews were completed. These interviews were conducted in order to achieve the third objective of the study by exploring the experiences, beliefs, and attitudes of owner-managers of SMEs, with respect to networking factor.

RESULTS & DISCUSSION

QUANTITATIVE RESULTS

DESCRIPTIVE STATISTICS

Descriptive statistics, in the form of frequency distributions, were used to describe the basic features of the data and to achieve the first objective of the study. **Table 1** presents the frequency distributions to describe the respondents' profile:

Table 1: Demographic characteristics of the respondents

Characteristics of respondents	Frequency	%	Cum %
Gender			
Male	86	98	98
Female	2	2	100
Age			
25-45	60	68	68
> 45	28	32	100
Education			
Upper secondary level	7	8	8
Diploma	21	24	32
Bachelor degree	39	44	76
Master degree	15	17	93
Doctorate	6	7	100
Did any of your parents own a business?			
Yes	58	66	66
No	30	34	100
Years of experience			
< 2 years	12	14	14
2-5 years	2	2	16
6-10 years	50	57	73
11-20 years	7	8	81
> 20 years	17	19	100
Experience relevant to the business			
Yes	67	76	76
No	21	24	100
Total	**88**	**100**	**100**

Source: Data analysis

The following observations are derived from **table 1**:

- Out of the 88 respondents, male entrepreneurs outnumbered the female ones at 98%, whereas female entrepreneurs were under-represented at 2%.
- Out of 88 respondents, more than half (68%) of the respondents were between the age of 25 and 45, while 32% were more than 45 years old. Moreover, no respondents aged between the age range of 18-24 were found.
- More than half of respondents (68%) had a higher qualification (Bachelor, Master and Doctorate degree); while a substantial number (24%) had a diploma. Of the respondents, 8% had an upper secondary level.

- The majority of respondents (66%) came from parents who did own a business.
- All respondents claimed to have previous work experience, of which more than half (67%) had between 2 and 20 years of experience. A substantial number (19%) had more than 20 years' experience and only 14% had less than 2 years' experience. Of the respondents, three quarters (76%) of respondents had experience relevant to the business, whereas, a small number (14%) claimed that their experience was not relevant to their business.

Table 2 presents the frequency distributions to describe the demographic characteristics of the businesses in the sample:

Table 2: Demographic characteristics of the businesses

Business characteristics	Frequency	%	Cum %
Legal status of the business			
Private Limited Company	74	84	84
Public Limited Company	8	9	93
Sole Trader	6	7	100
Activity of the business			
Textile & leather industry	53	60	60
Chemical industry	20	23	83
Electrical & electronic industry	8	9	92
Food processing industry	5	6	98
Metal & engineering industry	2	2	100
Location of the business			
Industrial Zone	40	46	46
New Medina	31	35	81
Suburb	9	10	91
Old Medina	8	9	100
Age of the business			
3-5 years	8	9	9
> 5 years	80	91	100
Number of employees			
11-50	49	56	56
51-100	21	24	80
101-200	18	20	100
Annual turnover			
0-500.000	11	13	13
500.001-1.000.000	20	23	36
1.000.001-75.000.000	48	54	90
> 75.000.000	9	10	100
Total	**88**	**100**	**100**

Source: Data analysis

The following observations are derived from **table 2**:

- The majority of the businesses (84%) were constituted as private limited companies, while only a small number were constituted as public limited companies and sole traders with percentages of 9% and 7% respectively.
- More than half of the businesses (60%) were in the textile and leather industries. A substantial number (23%) was in the chemical industry and only

small numbers (9%, 6%, and 2%) were in the electrical & electronic, food processing and metal & engineering industries respectively.

- Almost half of businesses (46%) were located in the industrial zone, over a third (35%) in the new medina, 10% in the suburb and 9% in the old medina.
- Approximately all businesses (91%) have been in operation for more than 5 years, while only 8 businesses (9%) have been in operation between 3 and 5 years.
- Over half of the businesses (56%) employ between 11 and 50 employees. The remaining percentage was shared on nearly an equal basis with 24% of businesses employing between 51 and 100 employees, and 20% of those employing between 101 and 200 employees.
- Three quarters of the businesses (77%) reported that their annual turnover was between 500.001 DH and 75.000.000 DH. Of the respondents, only 10% reported that their annual turnover is more than 75.000.000 DH and 13% had an annual turnover under 500.000 DH.

As for the networking factor, which is the theme of this study, it should be noted here that the questionnaire used in the quantitative phase is part of a larger survey questionnaire that sought opinions of owner-managers about several factors influencing business performance. For the purposes of this study, only results of responses to questions about networking are presented. Using a five-point likert scale, four questions were used to obtain data for the networking variable. **Table 3** presents the mean scores with standard deviations results obtained from the 88 owner-managers of SMEs:

Table 3: Descriptive statistics for the networking factor

Questions	N	M	SD
Network relations are important for the success of my business	88	4.07	0.26
I have many helpful colleagues / friends who support the business.	88	4.04	0.69
I have professional affiliation / business association that support the business.	88	4.07	0.72
I have reliable business network to run the business	88	3.98	0.65
Networking factor	**88**	**4.04**	**0.59**

Source: Data analysis

From the descriptive statistics shown in **table 3**, findings showed that networking was widely considered by participants to have a pivotal impact on the success of SMEs in Tangier. Owner-managers of SMEs viewed networking a very important factor that influences the success of their enterprises with a mean score of 4.04.

RESULTS FOR SUCCESSFUL AND LESS SUCCESSFUL GROUPS

The second objective of this research study was to examine differences between owner-managers of successful and less successful SMEs in relation to the networking factor. Financial and non-financial measures were used to categorise whether SMEs fell into the successful or less successful group. The financial measure included the turnover while the personal satisfaction variable was used as a non-financial success indicator. To achieve the second objective of the study, mean scores were calculated for both successful and less successful SMEs. Moreover, Mann Whitney U test was used.

Table 4 shows the results for both successful and less successful firms:

Questions	Less successful			Successful		
	N	M	SD	N	M	SD
Network relations are important for the success of my business	33	4.09	0.29	55	4.07	0.26
I have many helpful family connections/ friends who support the business.	33	3.58	0.94	55	4.04	0.69
I have professional affiliation / business association that support the business.	33	2.73	0.98	55	4.07	0.72
I have reliable business network to run the business	33	3.48	0.94	55	3.98	0.65
Networking factor	**33**	**3.26**	**0.81**	**55**	**4.03**	**0.67**

Source: Data analysis

From the table, it can be observed that both successful and less successful respondents consider networking important for the success of their businesses. The mean scores were nearly the same for both groups with a mean score of 4.07 for successful businesses and 4.09 for less successful ones. While successful respondents agreed that they have access to friends/ family that can support their businesses (Mean score: 4.04) and also agreed that they have a professional affiliation (Mean score: 4.07), the less successful businesses indicated their disagreement about the professional affiliation (Mean score: 2.73) and showed a neutral opinion about the help of friend and family (Mean score: 3.58).

Table 5 shows the results of Mann Whitney U test in relation to the networking factor.

Table 5: Results of the Mann-Withney U test

Variable	Mann Whitney U Statistic	Mean Rank (Less successful)	Mean Rank (Successful)	Z value	Significance
Access to network	390	28.82	53.91	-4.986	.000

Source: Data analysis

The statistical comparison between the successful and less successful groups of SMEs provided support for the effect of networking on business success. Results of the Mann-Whitney U test found significant differences between the two groups in relation to the networking factor with a p value of .000 which is less than the statistical significant level of 5%. While owner-managers of successful businesses (Mean rank = 54) tended to have a wide access to networking, those from less successful businesses (Mean rank = 29) were characterized as having limited access to networking.

QUALITATIVE RESULTS

Table 5 shows the profile of the respondents who participated in the interviews:

Table 5: Profile of respondents

Participants	Respondents' characteristics			Business characteristics				
	G	A	E	LS	TA	L	NE	LO
Participant 1 (Enint 03)	M	37	University	PLC	Textile	> 5 years	106	IZ Al-Majd
Participant 2 (Enint 05)	M	33	University	PLC	Textile	> 5 years	97	IZ Mghogha
Participant 3 (Enint 04)	M	41	University	PLC	Textile	> 5 years	16	IZ Mghogha
Participant 4 (Enint 01)	M	39	SE	PLC	Agri-food	> 5 years	13	Medina
Participant 5 (Enint 09)	M	40	University	PLC	Agri-food	> 5 years	130	IZ Mghogha
Participant 6 (Enint 07)	M	38	University	PLC	Agri-food	> 5 years	64	IZ Mghogha
Participant 7 (Enint 10)	M	48	University	PLC	Chemical	> 5 years	93	IZ Mghogha
Participant 8 (Enint 06)	M	32	University	PLC	Chemical	> 5 years	78	IZ Mghogha
Participant 9 (Enint 08)	F	35	University	PLC	Chemical	> 5 years	18	TFZ
Participant 10 (Enint 15)	M	39	University	PLC	Electrical	> 5 years	35	IZ Mghogha
Participant 11 (Enint 11)	M	34	University	PLC	Electrical	> 5 years	21	IZ Al-Majd
Participant 12 (Enint 12)	M	40	University	PLC	Electrical	> 5 years	197	TFZ
Participant 13 (Enint 13)	M	43	SE	PLC	Metal & Engineering	> 5 years	80	Peripheral
Participant 14 (Enint 14)	M	37	University	PLC	Metal & Engineering	> 5 years	52	IZ Mghogha
Participant 15 (Enint 02)	M	37	University	PLC	Metal & Engineering	> 5 years	131	IZ Mghogha

G = Gender**; A =** Age**; E =** Education level**; LS =** Legal status**; TA =** Type of activity**; L =** Longevity of the firm**; NE =** Number of employees**; LO:** Location**; SE =** Secondary education**; PLC =** Private limited company**; IZ =** Industrial zone; **TFZ** = Tangier free zone

Source: Data analysis

The importance to networking was further reinforced by participants in the qualitative phase of the study. More interestingly, the concept of *wasta*, the Arabic word for connections, emerged from this phase. Findings showed that using *wasta*, through politico-business networks is important since it enables access to current information that is crucial for the success of SMEs. According to an owner-manager in the textile sector, his business membership in the Moroccan Association of Textile and Clothing (AMITH) enables him to get the latest information in the textile sector.

> *'We have the Moroccan Association of Textile and Clothing (AMITH). It is an association that defends and represents the general interests of the enterprises in the textile sector. It is a very important network to us. When we meet, using our wasta and personal relationships, we get the latest information in our sector and share between us many things that are important. Furthermore, we address crucial issues that we face in our business and try to find solutions.'* (Enint05)

Access to current information, through the use of connections, could be very helpful in scanning new opportunities in the market, and therefore, assist in improving business performance. This accords with Hutchings and Weir (2006) who argued that *wasta* is intrinsic to the operation of many valuable social processes, central to the transmission of knowledge, and the creation of opportunity.

The concept of *wasta* was also mentioned in relation to financial resources and suppliers. Findings revealed that strong relationships with suppliers enable firms to get financial resources in the form of trade credits. An owner-manager explained this point by indicating that most of his purchases of raw materials from suppliers are done on credit.

> *'Because of our strong relationship with our suppliers, we are able to get a trade credit. Thus, we buy raw materials without immediate payment. This enables us to sell our finished products and then pay at a later time. This is very useful for us because it helps to ease our cash flow management by having more cash inflows at a particular time than cash outflows.'* (Enint07)

Furthermore, the relationship between *wasta* and human resources was also revealed. Findings showed that owner-managers use their network relations through *wasta* in order to recruit their staff. This was expressed in the view of a business owner-manager who indicated that one of the great sources of access to labour was word of mouth:

> *'With respect to networking, generally, it is the word of mouth that works in Tangier or in Morocco in general. For instance, to recruit personnel in Tangier, Most SMEs use the word of mouth. The human resources manager uses his network relations to recruit staff.'* (Enint02)

These findings suggest that networking relations using the concept of *wasta* could provide a strong impetus for successful firms in Tangier to be really adept at partnership working. However, whilst it can be argued that the use of *wasta* is legitimate as it can serve a good purpose or that it is part of Moroccan culture, this study substantiates the fact that the use of *wasta*, on the other hand, could have negative connotations and thus gives rise to concerns about business ethicality. Hutchings & Weir (2006) argued that it is possible to refer to good *wasta* and negative *wasta*. An example of the negative influence of *wasta* was illustrated in the quotation of a business owner-manager, in which money and connections were used to get away with the consequences of non-compliance with health & safety legislation.

> *'In the past, health and safety regulations were not 100% respected. So, when inspectors visited our company, we gave them some money in order to write good reports about the working conditions within the company. Also, because of our connections, we got away with it'* (Enint15)

CONCLUSION

The significance of networking and its impact on the performance of SMEs has been highlighted in a number of studies (Wincent et al., 2009; Watson, 2007; Zaheer & Bell, 2005; Florin et al., 2003; Zhao & Aram, 1995). There have been significant studies on the structural, relational, and cognitive dimensions of social capital in value creation (Tsai & Ghoshal, 1998). Even though the findings of these studies are interesting, they have not been fully applicable to the current research context, where it was clear that there are potentially significant differences in the concept of networking within Arabic culture. This study adds to our understanding about the impact of networking on the performance of SMEs by highlighting the concept of *wasta* as detrimental to the success of SMEs. Perspectives of SMEs owner-managers of networking were mainly associated with the concept of *wasta,* which emerged from the qualitative phase of the study. The influence of *wasta* on the success of SMEs was perceived to be very strong as the experiences of owner-managers drew a different picture from the one that exists in traditional Western models. The concept of *wasta* is particularly important in Arab countries and it is seen as a force in every significant decision in Arab life (Cunningham & Sarayrah, 1993). Arab societies are densely networked and business activities revolve around these networks. In this respect, this study confirms previous findings of Hutchings & Weir (2006) and contributes additional evidence that suggests the significance of *wasta* and its impact on SME success in an economy that functions on relationships.

It should be noted that some form of networking exists in any culture. A growing body of the literature has investigated the mechanism of networking in various cultures such as *guanxi* in China, *blat* in Russia, *compa dsrazgo* in Chili, *sociolismo* in Cuba. Whilst these concepts could be linked to the concept of *wasta* and may reveal some common as well as unique characteristics derived from the context where they are applied, this study has found that *wasta*, in its turn, has its unique characteristics that are rooted in the nature of the Arabic society.

It can also be said that even though *wasta* is present to a small extent in the networking literature, it has not achieved the prominence or recognized significance accorded to gaunxi in China. Given that the concept of *wasta* is a broad Arabic one, then it may be a significant contributor to business success in a considerable number of countries and societies.

Recognizing the significance of these concepts has benefit in other contexts and other circumstances. So 'leverage' has a currency as a term in political, financial and commercial discourse in developed economies in the west – but it is not explicitly developed as a clear business success factor in the literature. The finding *here* tentatively suggests that the explicit inclusion of a success factor to reflect this knowledge [of *wasta*] might be beneficial in understanding firms' success more generally.

Of course, there is a suspicion, evident in recent anti-corrupt practices legislation in the UK and USA, that the inappropriate usage of *wasta* is or could be corrupt. The UK Bribery Act of 2010 makes it "illegal to offer, promise, give, request, agree, receive or accept bribes". Whilst this seems clear, bribery is defined as "giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so". This leaves possible contention around 'other advantage', 'encourage', ‘improperly’ or ‘reward’. Tests of reasonableness and proportionality are placed on the actions of firms and individuals, which gives scope to further contention.

So perhaps it is safer to conclude that while some aspects of *wasta* could be seen from outside the context as corrupt, then it might seem different to those inside. This is because *wasta* is an embedded social concept with broad range in Arabic societies – which might alter the degree of proportionality or reasonableness perceived by those within, or belonging to, those societies. Determining the range over which *wasta* is seen as legitimate (by those within the societies concerned) is perhaps the most appropriate basis for considering the relationship of *wasta* to corrupt practices.

In relation to the specific issue of access to the free zones in Tangier, then a number of elements were of significance. Firstly, as companies wishing to locate there had to have an association with an overseas investor, then networks linked to countries outside Morocco become significant. *Wasta* may be significant in facilitating the initial introductions, as the strength of involvement of the overseas partner in the business shows considerable variation, based on the comments of respondents. As with any extended bureaucratic process, the possibility for the exercise of *wasta* occurs at each step – so moving on to the acquisition of cheaper plots/land within the free zone, and so on. *Wasta* may also have an impact on the speed with which applications are processed. It might therefore be appropriate to signal the need to consider explicitly the use of networks and leverage to secure particular economic or financial advantage within the specific governance frameworks that control particular locations.

It seems appropriate, based on this study, to recommend that for further research relating to small business success in the Mahgreb and other culturally Arabic areas, explicit recognition of the importance of *wasta* is advisable. More broadly, this research demonstrates the limitations inherent in the uncritical application of frameworks developed in the western business environment to other cultural contexts.

This study could have an implication on several international companies established in Tangier. It is clear that expatriate managers need to be conscious of the culture specific networks. Thus, the study could prove to be very useful to those expatriates' managers wishing to enhance their intercultural effectiveness and run successful businesses by adjusting to culture-specific networking in Tangier.

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