

Culture and industrial buyer behavior: The Arab experience

by

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Submitted for presentation at  
The 18<sup>th</sup> IMP Conference,

Dijon, France,

September 2002

\*The author would like to thank associate professor Hans Mathias Thjømmøe at the Norwegian School of Management BI, for his participation in the interviewing process and Mr. Carl Ottar Rafner, Norwegian Trade Council, Abu Dhabi, for his assistance in organizing and setting up the interviews, and for partially funding the research.

## Introduction

The purpose of this paper is to broaden and deepen the understanding of buyer behavior in Arab industrial markets. Most Western exporters to the Arab world have experienced different kinds of challenges in their encounter with an unfamiliar and exotic culture. One may certainly observe what is going on, but is it possible to understand the underlying factors that explain what most Western businessmen not only would qualify as peculiar, but outright irregular? Is it possible to cast light on the apparently "irrational" behavior of Arab organizations in their dealings with Western sellers? In the wake of September 11 answers to these questions seem to be even more acute, as Arab stereotypes are easily getting entrenched in the inexperienced Westerner's mind<sup>1</sup>. This paper endeavors to supplement traditional organizational buyer behavior literature with literature on Arab cultures and management practices and to study industrial buyer behavior in selected Arab countries. The emphasis will be on project deliveries where the differences between buyer behavior in the West and the Arab world are deemed to be most conspicuous.

There are many cultural similarities among Arab countries. However, the differences are also discernible. One dividing line may be drawn between the Maghreb states of Northern Africa (Morocco, Algeria and Tunisia) and the Machreq states of the Arab peninsula. In the latter, the pre-islamic Arab cultures seem to have preserved certain attributes that are distinct from the fundamental principles of Islam, whereas in Maghreb states the arabization process was brought about together with islamization. Therefore, the concepts of Arab and Islam are considered more intertwined in North Africa than on the Arab peninsula (Tank 1997). Furthermore, the political systems and international allegiances are widely different - ranging from military autocracies (Syria, Iraq) to what we may term moderate quasi-democracies (Egypt), from islamist rule (Libya, Saudi Arabia) to more western-like secular societies with tolerance for other religious groups (Egypt, Morocco), from populous states like Egypt (65 million inhabitants) to sparsely populated countries like Saudi Arabia (14 million) and United Arab Emirates (1,5

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<sup>1</sup> The research in this study was carried out before September 11 2001.

million), from politically stable countries (Emirates) to countries haunted by rebels and civil war (Algeria).

In this study, we will concentrate on two countries on the Arab peninsula, and more specifically, Qatar and the United Arab Emirates. The reason for this particular choice of countries lies primarily in the convenience through the assistance provided by the Norwegian Trade Council represented precisely in this region. Although the interviews are drawn from these two countries, we believe that some of the conclusions may be generalized to a broader spectrum of Machreq countries, and even Arab countries in general. The paper is divided into four parts. The next section gives a brief literature review of general industrial and project buyer behavior, and a somewhat more elaborate discussion on literature on Arab management culture. A brief presentation of the data collection procedure is followed by the presentation of results of the interviews with our informants. Finally some conclusions and recommendations are offered.

## Literature review

### General industrial buyer behavior

The industrial buying behavior models that have had most impact in industrial buying behavior are the so-called buy-grid model (Robinson, Faris and Wind 1967) and buying center model (Webster and Wind 1972). The former describes the different phases that firms undergo in their buying process - from problem recognition to purchase and performance review, and different kinds of buy-classes: new task, modified rebuy and straight rebuy. The buying center model shows how various parts of the organization participate in the buying decisions.

Generally speaking one may state that the buying center becomes more complex and will involve more levels and functions the greater the degree of innovation, complexity, uncertainty and amount of purchase that are involved (Johnston and Bonoma 1981). On the other hand, McCabe (1987) has found that greater uncertainty leads to greater concentration of the decision power at a higher level of the organization. One may infer

that even though the decision process itself in high uncertainty projects offers to involve a large number of people and functions in the preparatory stages (Johnston and Bonoma 1981), it nevertheless requires clear lines of responsibility favoring a more centralized decision style when the final decision is to be made (McCabe 1987). Anderson, Chu og Weitz (1987) confirmed in their research that the buyer's need for information varied considerably with the newness of the purchase.

The work of the IMP group of researchers (Håkanson et al 1982) describes different buying decisions in organizations as a result of interactions between different players in a network, where anything from the real business transactions to the more long-term relationship in a buyer-seller relation contributes to establishing commitment bonds between the partners. A key element is here to reduce the uncertainty that naturally exists between trading partners prior to the relationship: relations create continuity, predictability and certainty for both partners (Webster 1991). Biong, Lostad and Wathne (1996) found that customers place more emphasis on the interaction process per se than the more rational factors (like low price, quality, transfer of competence, cost savings etc.) underlying the buyer-seller relationship. Social relations are a natural part of this interaction process and seem therefore to play a prominent part in the establishment of trust between trading partners.

Projects can often be classified as "new task" purchases (Robinson, Faris and Wind 1967), involving higher risks and uncertainty and therefore also a more cumbersome process toward the final purchase decision. Cova (1980) has "dismantled" the buying cycle into fifteen steps. The key decision variable here is normally the price (and terms of payment), given the quality specifications are met. On the other hand, as stated by Boughton (1980), "for many bidding opportunities, the buyer is not constrained to accept the lowest price bid". The laborious route from need awareness to contract award suggests that nurturing relations with important members of the buying center is a key task in the positioning process for the project and in understanding the intrinsic needs of the buyer. Also, the lead-time between the need awareness and the contract award may extend between five and ten years or more (Ghauri 1983).

A key element in the buying process of large projects is the role of the different actors both internal and external - initiators, gate keepers, political actors, consultants, investors and bankers, users, influencers or the final decision maker (Bonoma 1982, Cova and Holstius 1993). The buying center of projects in developing countries will typically include more participants than in western countries, and more external actors will be involved. Bergström (1980) analyses five large Swedish projects in Sweden, Malaysia, India and former Soviet Union. In the three non-Swedish cases the buying center consisted of between 25 and 45 members, half of which were foreign specialists and advisors. Initiating and maintaining relations with all the members of the buying center requires a major marketing effort. It then becomes important to analyze their role in and impact on the buying process, in order to rationally deploy the marketing resources.

Influence of Arab culture on management and buyer behavior

The models described above are rather general and should in principle apply to all buying situations, independent of national culture. If the models are the same, the content of the different elements of the models may be highly diverse. In order to give some structure to the discussion we will divide the study of Arab culture into three different levels: 1) cultural influencers, 2) cultural dimensions and 3) cultural manifestations (Solberg 1999).

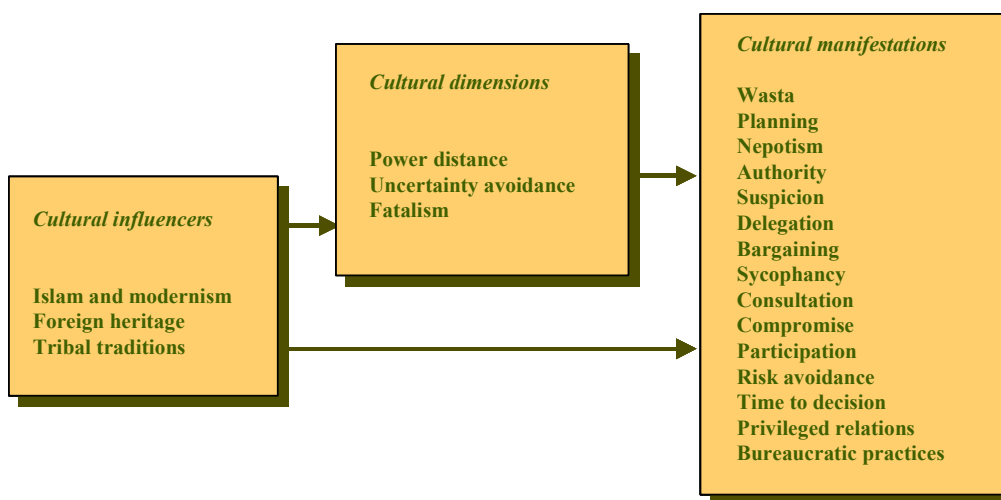


Figure 1: Cultural influencers, dimensions and manifestations

Figure 1 gives examples of factors in each of these levels relevant to Arab management. Many of these factors and levels are intertwined and are therefore difficult to treat individually. Nevertheless, we will in the following separately discuss some of the more relevant ones to the present study, bearing in mind the mutual interaction between them.

### Cultural influencers

In the following three cultural influencers will be discussed: Islam and modernism, history and foreign heritage, and tribal traditions.

#### *Islam and modernism*

Islam plays a pervading role in Arab countries. Islam is not only a religious system, but also a national symbol of Arab superiority, civilization and glorious history (Dadfar 1984). The rules and norms that are expounded in the Qu'ran are the result of the prophet Mohammed's revelations and are therefore regarded as sacred, recognized as laws and absolute demands. Leopold Weiss<sup>2</sup>, cited by Norman Waage (1989, p. 28), maintains that: "Islam is not so much a religion as a form of life, not so much a theological system as a pattern for personal and social conduct based on an active consciousness of God. No place in the Qu'ran is there a mention of 'salvation'. No original sin stood between the individual and its faith." The unity between body and soul - expressed during the Muslim prayer, where God is revered with both body (bowing and rising) and soul - is according to Weiss the source of the confidence that he observed among the Arabs.

In comparison, modern Western societies consider the *results* of the values that they have adopted, rather than the values themselves and may therefore - from a Western viewpoint - be labeled more "rational" (Brögger 1994). In this way Western countries appear more amenable to adopt modern trends than Arab (Muslim) countries. Al-Banna who was among the more moderate Muslim philosophers, maintained that even though Western societies had positive values (eg. respect of individual freedom and workers' rights), these

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<sup>2</sup> Leopold Weiss was an Austrian jew who converted to Islam in 1926 and took then the name of Muhammad Asad. In 1949 he was appointed Pakistan's ambassador to the UN.

values are not placed in a sound setting and will therefore sooner or later lead to decay (capitalistic exploitation and imperialism). According to al-Banna, Islam is the only possible corrective to such development (Vogt, 1993, pp. 224-225). It is, nevertheless, a fact that modernism is sneaking its way into the Arab world, both through communication channels, transfer of western technology, returning expatriate Arabs. This issue is widely discussed in the Arab socio-political debate, the solutions offered being anything from opening the borders to the new trends, to invoking Islamic moral philosophy as a means of erecting barriers in order to prevent the decaying of the Arab society (see for instance Hamdan 1997 and Al Maeena 1997).

### *History and foreign heritage*

The attitudes of the Arabs developed under foreign rule should also be considered. Both the Ottoman Empire and later, the French, Italian and British rule have led to a disruption of the strong cultural identity of the Arab world (Ali 1995): "The defeat of the Arab Caliph and the ascendance of the non-Arab Ottoman Empire (1412-1918) helped institutionalize autocracy and furthered the demise of trade associations and freely organized business activities in Arab lands" (p. 10). Hitti (1985) noted that Arab stamina and morale broke down. "Consequently, the capital formation, agricultural growth, industrial development and economic prosperity deteriorated dramatically" (Mansfield 1985, cited by Ali 1995, p. 11). During French and British rule, different parts of the former Arab Empire were isolated from each other, leading to clanish attitudes and inward mentality. Also, the Europeans constantly overruled Islamic norms, and insisted that the Arab were not sufficiently mature to adopt democracy. The US have in the post WW II era conducted a more indirect form of colonialism (Ali 1995). Jasim (1987, cited by Ali 1995) notes that Western countries deliberately have instilled a sentiment of inferiority in Arab thought. Therefore, it is alleged, Arabs are experiencing dualism and ambivalence in their relations with the West.

The Arab Empire lasted more than 750 years and covered an area from the Atlantic coast to India. The attitudes developed in the wake of such a cultural dominance are mirrored in what Western managers may experience as a sentiment of cultural superiority by the

Arabs: they define themselves at the top of the cultural hierarchy and regard other cultures with lenience and suspicion, depending of the culture in focus, Christianity ranging relatively high in this context. The Arabs' perception of cultural superiority contrasts strongly with the westerner's technological superiority on which they depend for their economic and political development. It is paradoxical that the cultural and scientific impulses that Europe received during Muslim rule - from early Medieval Age and onwards - have given the Europeans the basis for their secular and scientific progress and thereby also their technological superiority, which in turn the Arab view with suspicion (Brögger 1994). Furthermore, even though the Arab may trust Western technology, they express often doubts about their sincerity and motives (Ahmed 1993).

### *Tribal traditions*

The following gives a brief review of Dadfar's (1984, s. 15-16) description of the structure in a Saudi tribe. The first level is the tribe itself (Quabileh) consisting of several sub-tribes. These in turn, consist of clans each with their different families. A Middle Eastern tribe may be likened to a kind of a "trade union" or a guild that one enters into in order to protect one's interests. All relations and loyalties in the tribal system are concentrated to the family. Next to the family comes the clan and thereafter comes the tribe. The tribal system gives unique advantages to their members: It is every member's duty to look after the interests of their fellow tribe, clan or family members. The positions of individual members are based on the genealogical tree and age determines the individual's influence and power. One odd consequence of the tribal system is quoted by Ali (1990): a conflict in an Iraqi state company was solved by creating two companies headed by each of the contestants, a typical tribal practice of treating equally and pleasing favored rivals (sons or relatives). At the family level the patriarch has absolute power, and power is passed on to his eldest son. The patriarch in his turn has a loyalty relation to a sheik, who owes his loyalty to the head of a larger unit etc. All tribal units are loyal to the "supersheik" of the tribe. A tribe may encompass several hundred sub-tribes. Furthermore, a tribe may establish a confederation of tribes that is governed by a strong sheik and who in these cases is tremendously powerful. The Saudi royal family is a branch (the Masalikh branch) of such a tribe (the Aneiza tribe). The power in this system

is extremely centralized and the organizations adopt an authoritarian structure, regardless of corporate strategy or technology (Ali 1990).

Understanding the role of the tribe and the different members of the tribe then becomes a key to analyzing Arab organizations and buyer behavior. The Arab trader does not have the same freedom to contract as the Western businessman. He lives in a familistic reality and his freedom of action is curtailed by his *sharaf*, his family honor (Brögger 1994, p. 210). Therefore, an Arab will never substitute long-term business relations that they have developed with (foreign) sellers and business partners with the commitment that is embedded in close family ties. "The exchange relations (between trading partners) are external to the familistic network and cash settlement does not leave the blurred state of affairs of a debt to which a family service [like for instance a helping hand in the family, this author's addition] may give rise" (Brögger 1994, p. 209<sup>3</sup>). In other words, business is done between persons (that belong to the same tribe) and not between companies (Dadfar 1984).

Also, tribal traditions may explain cultural manifestations such as nepotism. Awarding contracts to close family members is not necessarily seen as nepotism or corruption. It is, on the contrary, an expression of what Brögger (1994) calls familism and of what thereby naturally ensues: loyalty to the family. The patriarch's role is to see that "all members of the family" in their turn share a piece of the cake. This system is an extension of the security net that each tribe has constructed around its members (Dadfar 1984). We may call this phenomenon "tribal redistribution", that is the right of the head of the tribe to favor one part of the tribe for a special contract at the expense of another part of the tribe or of third parties not belonging to the tribe, but objectively offering better solutions.

### Cultural dimensions

It is difficult to demonstrate that the factors portrayed above have a direct or indirect impact on different cultural dimensions as for instance described by Hofstede (1980), Hall (1959) or Trompenaars (1987). However, we may speculate that such relationships

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<sup>3</sup> Translated from Norwegian by the author

exist. The following dimensions will be treated below: power distance, uncertainty avoidance, fatalism.

### *Power distance*

The high Arab score on power distance (80) on Hofstede's (1980) cultural scale is confirmed by Khadra (1990). He finds that Arabs (Jordanians) score fundamentally high on the four elements in what he terms the "prophetic-caliphal model": 1) personalism (embodying variables as "I consider the department in which I work as my private property..."); 2) individualism (including variables like "When I ... issue an order.. , I do not see the need to consult ...", or "I do not let anybody participate in the decisions I take") which is very different from Hofstede's (1980) construct of individualism and could be more likened to a blend of his power distance and masculinity dimensions; 3) lack of institutionalism (where the manager considers that he is his very right to deviate from company procedures); and finally 4) the predisposition toward the great man as the leader (capable leader to be the savior of the organization). Khadra (1984) suggests that personalism and individualism lead to lack of institutionalism which in turn requires the appearance of "the great man" to take the lead. The problem is that most often there is no great man on the scene to take the lead, and the organization ends up in the "caliphal management model" with features like fear, coercion, conflict, strife and fission.

### *Uncertainty avoidance*

Ahmed (1993) considers three factors that characterize Arab (business) culture: uncertainty, ambivalence, suspicion. This does not imply that Arabs are aware of them, but an element of culturally contingent uncertainty arises when Arabs trade with Western partners (Ahmed 1993). Hofstede (1984) defines uncertainty avoidance as "the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. This feeling leads them to beliefs promising certainty and to maintaining institutions protecting conformity... Uncertainty avoidance has consequences for the way people build their institutions and organizations" (p. 83-84). Ahmed (1993) contends that the Arabs – scoring 68 on Hofstede's UA-index - solve their uncertainty, ambivalence and suspicion by use of authority and power, tradition and religion, and personal relations.

Linking this to the cultural influencers discussed above, we may assert that the family institution plays a far larger role in Arab countries than in Western countries (Abasi and Hollman 1993). Brögger (1994) links the concept of familism to Arab culture, implying the role that the tribe, the clan or the family plays in the satisfaction of the individual's need. Furthermore, uncertainty seems to transcend to negotiating traditions in Arab countries. In fact, Khuri (1968, p. 704) observes that "Bargaining, an attribute of free market systems of economic exchange, serves an economic purpose, that is to regulate prices in societies where suspicion and uncertainty of the value of commodities dominate. In the Middle East, bargaining is not for fun, nor merely for the sake of bargaining. Through the manipulation of cultural norms and symbols, a bargainer, whether seller or buyer, aims to eliminate suspicion of commodity and price and establish instead an atmosphere of trust often leading to client-relationships and occasionally friendship".

### *Fatalism*

Hall and Hall (1990) introduce the concept of polychronic og monochronic cultures. In polychronic cultures people perceive that many phenomena occur simultaneously, and there seems to be a general tendency that polychronism is typical of high-context cultures, such as the Arab culture. A relevant example of the Arabs' polychronic disposition is found in their alleged fatalistic attitude. In this context long term plans seem to play a far less prominent role in Arab countries than in the West, because it is the will of Allah that determines the future anyway (Ferraro, 1990). "Time lies in Allah's hands. To lay rigorous plans is likened to overruling Allah's will and power" (Dahl og Habert 1986, p. 75).

Not all writers on Arab culture seem to agree on the fatalistic disposition of the Arabs. Muna (1980) quotes Rodinson (1974) as saying: "if the peasants of Muslim countries are indeed fatalistic, this is not at all an irrational attitude on their part, but represents a just estimation of the enormous, and discouraging, weight of the chancy factors that condition the success of their efforts" (p. 113). Muna himself states that: "past and present Islamic achievements... demonstrate the use of long range planning and a desire to understand and control nature or the environment" (p. 95-96), and he finds that the Arab executive to

a large extent is future oriented and takes active preventive measures against undesirable events. Ending this discussion on fatalism, Muna plainly states that "the myth of fatalism, at least among businessmen, must now be laid to rest". We, for our part, will not side with either of the "schools" on Arab fatalism. Rather, we observe the disagreements and caution players in the market to make easy assumptions about the consequences of this phenomenon.

#### Cultural manifestations

Cultural manifestations have already been partly treated in the above. In this section some critical manifestations will be discussed in some detail: *wasta*, planning, trust and long term commitment, decision styles, organizational structure.

#### *Wasta, the hidden force*

*Wasta* encompasses anything from networking and lobbying to nepotism, bribing and corruption. It is difficult to investigate because it takes very subtle forms and is "widely practiced and simultaneously denied by its practitioners and beneficiaries" (Cunningham and Sarayrah, 1993, p. 4). More generally, *wasta* refers to both the act of compromising and finding solutions, *and* the person who performs this act. The *wasta* "seeks to achieve which is assumed otherwise unattainable by the supplicant" (op. cit., p. 1). In most of the interactive events outside the nuclear family, *wasta* is considered and invoked where possible. There are two forms of *wasta*: mediation and intercession. In a marketing context intercession (in order to achieve a benefit) may be the most relevant, whereas in the follow-up phase of a project - "when certain things may go wrong", with a potential conflict as a result - it is assumed that the mediation part may be more appropriate.

Also *wasta* thrives because it meets important needs. For instance, it is a means of shortcutting or circumventing bureaucratic, opportunistic behavior by power-seeking officeholders and thus smoothens the way to important decision makers. At the same time it is counterproductive in that it often benefits solutions to a problem that not always are seen as the optimal ones. The problem is not in the *wasta* as such, but in its overuse. Also, Cunningham and Sarayrah (1990) claim that "intercessory *wasta*, the hidden force

present in every decision, is [an] underlying problem for the Middle East. Excessive intercessory wasta creates dependency relationships between the individuals preventing the development of self esteem through challenge and failure, while rewarding sycophancy and risk avoidance" (p.191).

Furthermore, it should be noted that wasta does not always produce the desired results: "Each formal rule has a limit beyond which it cannot be bent, and each wasta is restricted - both in what he is willing to do for the supplicant and what he is able to do" (op. cit. 21). In addition, any wasta may be confronted by a stronger and more influential opposing wasta. Wasta "ensures that government continues to reflect the family and tribal relationships from the distant past. People who do not have a strong family, must make their way through the system by paying a wasta" (op. cit. 21).

Outright bribes are seen more and more seldom. In some contracts it has been noted that the ministry has insisted on subcontracts to be awarded to local companies, which more often than seems reasonable are controlled by the minister himself or close family members. One conspicuous example is given by Middle East Defence News (1993), citing the case of Minister of Defence of Saudi Arabia, Sultan bin Abdul Aziz, who pressurized Northrop Corp to award the maintenance contract to Al Saalam Aircraft Company, which was described as "poorly managed". Another example is the "al-Yamamah" defence contract with Britain, running over 10 years and amounting to 31 billion dollars. Under the al-Yamamah deal companies like British Aerospace, Thorn EMI, Harco and others have paid commissions benefiting a number of royal family members like several sons of the King and Minister of Defence (CACSA 1996). The deals involve many intermediaries and are often extremely complicated. The larger the contract, the more persons involved. They include normally close allies to the royal family operating as advisors or experts, and they include also "commercial middlemen" who levy an agent's commission. In large contracts this commission normally exceeds by far the official 5% (or zero in government contracts) in order to finance the claims forwarded by different members of the (royal) family.

### *Planning*

Planning – or the lack of such – is possibly one of the most conspicuous cultural manifestations of fatalism. Atiyah (1992), reviewing research on Arab management practices, asserts that planning - although being seen as an important element by managers - receives only scant resources and time. Rather, managers spend their time assigning work duties to their subordinates and supervising and monitoring their performance. Hammuda (1975) reports that 73% of a sample of Kuwaiti managers rely entirely on intuition and personal judgement in making their decisions. This does not necessarily imply that Kuwaitis have a poor basis for their decisions. It might as well involve other means of "information gathering" or "planning vehicles" than the ones used in the West. One may for instance hypothesize that the network of tribal and family relations will provide important decision clues to the decision maker, rendering "traditional", western-like analytical tools irrelevant.

### *Trust and long term commitment*

An interesting application of the concept of fatalism is shown in the model developed by Olson (1997). Olson introduces four categories of buyer behavior ensuing from a matrix with two dimensions: pan-theism/mono-theism and degree of predetermination (fatalism) in the religious beliefs. The Muslims are located in what he terms the Personal Servant quadrant (monotheist and fatalist) designating believers that are loyal and obedient to God. Olson then develops the following archtypal buying behavior of Personal Servants "They purchase from loyal, respectable firms that produce trusted products and services. There is high brand loyalty within this marketplace and wide assortment for the consumer is of little importance. The consumer is fairly obedient, replicating his relationship with god in which he does as he is told. He will respond to marketing strategies in a forthright and loyal manner provided the marketer has not deceived nor exploited the consumer. While the individual has a personal relationship with god, he acts as part of a collective since the whole society is adhering closely to the moral and behavioral norms provided by the culture through the religious tenets. Prices cannot be gouging so pricing games ... (are) not generally successful. Reliability, honesty, and value are of great importance to this consumer since he has been repeatedly told to abstain from deception and to live up

to any contractual obligation through cultural norms resulting from the 'platform religion'" (p. 9). The key words in this context seem to be trust, long term commitment and a need for a limited number of bidders. Although this typology was developed for consumer markets, we do not see any reason why it should not be valid in situations of organizational buyer behavior.

### *Decision styles*

The system of power and relationship is extended to business life and has by Ali (1995) been termed "sheikocracy", whereby the rulers consider the wealth of the nation their personal property and use such wealth to maintain the people's submission. Al-Khubaisy (1985) suggests that sheikocracy is a product of the interaction between bureaucratic orientations and behavior inherited from foreign rulers and sheiko traditions, its characteristics being: hierarchical authority, rules and regulations contingent on the personality and power of the individuals that make them, an "open door" policy, subordination of efficiency to human relations and personal connections, indecisiveness in decision making, informality among lower level managers, and a generally patriarchal approach (Ali 1990).

However, Atiyah (1992) warns that "invocation of culture to explain both the authoritarian and consultative styles adopted by Arab managers is unconvincing. This plurality of styles suggests that factor(s), other than culture, may be in operation here." Muna (1980), for instance, shows that decision style (authoritarian, consultative, participative, delegation) varies both with country and type of decision. In a survey of 52 Arab top executives he found that a majority of decision makers from the UAE favor a consultative approach, whereas the Saudi exhibited a more varied pattern (both own decision, consultation, joint decision and delegation). It is interesting to note though that fundamental changes in strategy (for instance new investments, new products, new markets) are settled without much participation from middle management other than consultation. One thing is power and authority, another matter is the way in which these are exercised. Given the very interpersonal style in Arab countries, one would expect that consultation is predominant. Also the predisposition of the Arabs to arrive at

compromises rather than engaging in conflicts, may explain the widely used consultative management style.

Also, tribalism may be directly linked to the way in which decisions are being made, including the use of authority, consultation, compromise etc manifest in Arab countries (Atiyyah 1992, Muna 1980). At this point, mention should be made of the apparent contradiction between this system and the commandment of the Qu'ran. Islam condemns in fact both nepotism and absolute powers and affirms consultative form of government (Ali 1995). For instance, the Qu'ran states that "reward will be for those who conduct their affairs with consultation among themselves". However, the tribal interpretations of the Qu'ran seem to prevail in that other passages are emphasized, like the following: "God grants His authority to whom He wishes" (2:247) and "Obey God, and obey the apostle, and those charged with authority among you" (4:59).

#### *Organizational structure*

The sentiment of cultural superiority exhibited by Muslims may be explicitly featured in the manner in which organizations are formed. One is left with the impression that particularly (but not only) Saudis do not wish to demean themselves by working at the operative level. Different nationalities are represented at this level, both from the East (in particular India, Pakistan, the Philippines, Lebanon, and Palestine) and the West (Europe and North America). The organization can be presented in two parts, where the Arab decision-making section overshadows the foreign "expert and labor section", the latter operating by what we may term "traditional buyer criteria". Central positions in the foreign part of the organization are as a rule dominated by one nationality, for example Indians or British or French, with the result that during the search process for a supplier, there is often a tendency to refer back to their country of origin.

We may assume that the quality of the Arab part of the organization varies more than is the case in the West (Ali 1995). Both sheikocracy (Al-Kubaisy 1985) and caliphal management (Khadra 1990) exhibit management practices that appear counterproductive. Features like lack of institutionalism, conflict and coercion (Khadra 1990) and

indecisiveness in decision-making, opportunism and nepotism (Ali 1995) have been used to characterise the Arab management style. Given different standards of management, the balance between the Arab and the specialist, non-Arab, parts of the firm then becomes a critical feature of the organization that transcends to the buying center. Baker and Abou-Ismaïl (1993) maintain that non-Arab nationals are only appointed to positions where they have a particular expertise, and their authority varies according to:

- Their ability to use "non-task" aspects of their management assignment (eg. wasta)
- Their use of flatters or sycophancy in order to gain support from the Arab leaders.
- Their tendency to suggest ideas, rather than pushing their own views.
- The frequency with which foreign members of the buying group change jobs, thus creating a discontinuity in the expertise part of the buying group.

Baker and Abou-Ismaïl (1993, p. 51) state that it is paramount to "investigate and analyze the roles and influential power of each member of the buying group". Which role does the foreign expert play: initiator, influencer, gate-keepers? Using Hellgren and Stjernberg's (1995) terminology, the foreign members of the buying group may have the design power, the power to implement and influence as advisors, but not the formal power.

Having reviewed the general literature on buying behavior and on Arab management culture, the rest of the paper will report from findings of in-depth interviews with some 30 interviewees in the UAE and Qatar. The questions to which we sought answers were mainly:

1. How does Arab business culture influence the buying process – from need arousal to purchase and installation (Robinson, Faris and Wind 1967; Cova 1980)?
2. Given the nature of the buying center in Arab organizations, with "hidden hierarchies" of Arab decision makers, foreign experts and a web of relations with different parts of the tribe and practices (like wasta) that are difficult to understand for an outsider, how should a foreign vendor access this market?

## Methodology

Researching behavior in different cultures is normally the field of social anthropologists whose method is one of "cohabitant observation" living together for an extended period of time with the objects under study. In our case this would entail working for a long period of time within a number of companies in order to detect and provide evidence for the particular patterns of buyer behaviour in Arab organisations discussed in this paper. The very nature of the phenomena to be analysed – for instance *wasta* or tribal redistribution - does not lend itself to questionnaires or direct interviews. A significant barrier in this regard is the lack of openness and suspicion that we naturally are met with when sensitive information is inquired. This is particularly critical for the Arab part of the organisation, but asking direct questions about these phenomena to members of the (Western) expert organisation is also met with evasiveness and sometimes also fear.

The present research is carried out by Norwegian marketing academicians admittedly with extensive international experience, but without the methodological insights of the social anthropologist or the budget or time frame allowing any such experience. Our methodology is one of extensive secondary data research both in factual and in more scientific journals followed by in depth interviews with a selected number of key informants. The Norwegian Trade Council was able through its network to provide some thirty influential and insightful persons in the UAE and in Qatar to guide us through the maze of Arab buyer behaviour. In addition we have interviewed a number of exporters to the area located in Norway. Table 1 summarizes the composition of interviewees.

Table 1: Composition of interviewees

Norwegian players located in UAE and Qatar	10
Norwegian exporters located in Norway	4
Nationals (Chamber of Commerce, agents, buyers, decisionmakers)	13
Other Arabs	4
Other foreign players in the area	4
Total number of interviewees	35

Cunningham and Sarayrah (1993) claim that obtaining accurate information about wasta and - by implication for the present study, complex correlations embedded in the tribal system and its extensions to the buying behaviour pattern of Arab organisations - is not possible through what they term "normal scientific procedures" (p. 26). First little is written about wasta, so it is difficult to develop propositions with independent and dependent variables that can be tested. Furthermore, the topic is in itself very sensitive and it is deemed doubtful whether valid data may be produced by for instance a survey. Rather, they suggest to use qualitative methods and more specifically "stories as evidence". In their research of the wasta phenomenon, they have compiled some 45 stories of different cases where wasta have been used.

There is reason to caution the reader about possible flaws in our description of the buyer behaviour of Arab organisations. We were only to a limited extent allowed to "look behind the screen of the operative organisation" and there is also a question of how much we were permitted to see. As Nydell (1996) puts it: "If Arabs feel that something threatens their personal dignity, they may be obliged to deny it, even in the face of facts to the contrary" (p. 41) and she adds (Nydell's italic), "Arabs consciously *reserve the right to look at the world in a subjective way*" (p. 40).

Three of the interviewees were high ranking, young Arab (national – UAE and Qatari<sup>4</sup>) managers in large state corporations who answered our questions in a straight forward manner, but who would not allow any trespassing into "unchartered waters". From other informants we received hints and allusions and some times also anecdotes of practices that we have described as "irregular", without really being able to find what we would call "hard evidence".

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<sup>4</sup> As opposed to non-national Arabs like for instance Palestinians, Syrians, Egyptians etc.

## Findings

Although the two questions set forth are intertwined, we present for the sake of clarity the results separately: first the findings on buying process are reported, then the findings on market and customer access are described.

### Buying process

For projects treated here (new purchases/larger projects), we have divided the buying process into seven phases: 1) Identification of need, 2) Detailed specification of need, 3) Pre-qualification, 4) Invitation to bid, 5) Analysis of bids and evaluation of bids, 6) Negotiations, 7) Final selection.

#### Identification of needs

In this phase the buyer has identified a need for investments in infrastructure (harbour, electricity plant, road), defence (war ships, air control systems) or in the development of the country's resources (petrochemical plants) etc. In many countries the National Economic Development Board, often under the wings of the Minister of Economy, make forecasts on population trends, economic development, need for infrastructure etc. They submit suggestions to the ministry without imposing any firm "directions". On the other hand such proposals may give project ideas to the rulers in charge. In this phase, suppliers or consultants knowledgeable of internal conditions in the country may be in a good position to influence the Economic Development Board officers to suggest possible solutions that they might come up with. In some instances a feasibility study or a pre-feasibility study is carried out to cast light on the basic foundations of a project. It is fair to assume, given the improved level of education and - with that - the increasingly more assertive self-image of the new generation of Arab bureaucrats, that an increasingly larger part of the project ideas emanate from the Arab organization. It is worthwhile noting though a rather blunt remark from a British businessman on this subject: "Previously, they knew that they didn't know; today they don't know that they don't know...".

### Specification of needs

At this stage, specified drawings and demands for services are established - often with reference to named suppliers ("or similar"), or at least embodying standard products of known suppliers. The dual role system (whereby the agent plays his own interests as also being part of the project – see below) will in many instances steer the specification. Sometimes (less today though than some years back according to both Norwegian and local businessmen), after having gone through many of the steps of the purchase ladder, the whole project may be redesigned because it does not meet the "requirements" of the main interest groups (agents with links to top Arab decision makers in the organization). In other words, when the technical evaluation process carried out by the expert organization favors a supplier not supported by the Arab decision makers, they may have to go over the whole process one more time in order to comply with the requirements of the pre-selected supplier. Our impression from the interviews is that the specification phase is the most critical one in the whole buying process.

### Search for alternative suppliers

In this phase there seems to be a lot of routine exercised by the (foreign) expert organization. They are quite knowledgeable about possible suppliers and will typically search in their own "home playground" first. This implies that they will first and foremost approach suppliers located in their home country - UK for British dominated expert organizations, France for French dominated, India for Indian dominated etc. trust, relations and convenience playing a major role in this process.

### Pre-qualification

During the pre-qualification the seller makes technical presentations in seminars, provides ISO-accreditation and references, and has to demonstrate his ability to provide reliable after sales service. The expert part and sometimes also the Arab part of the organization are involved in the pre-qualification phase. The expert organization is naturally involved ascertaining that the technological requirements are met, and influential Arab members of the board sometimes have a say to make sure that "their" candidates are given a real opportunity to bid. In some instances of favoritism it has been

seen that different formal demands concerning local representation, or references have been placed on different bidders as a means of "differentiating" between them.

#### Invitation to tender

Normally, the bidders are given sufficient time to submit their offers to the buyer. However, cases of short notice, leakages to preferred suppliers, few official publication spots and advance notice have been observed. In such cases outsiders stand few chances of winning the contract, the whole bidding process rather being a chimera than an open competition.

#### Analysis of bids

The normal procedure is that the bids are first rated according to their technological solutions, and only those firms passing the "technological eye of the needle" will undergo the commercial evaluation. One project was reported to be awarded to the petrochemical group Borealis because they very promptly and honestly answered questions that arose throughout the process, thereby exhibiting their competence and willingness to cooperate. Borealis was also closer in size (than their larger competitors) to their Abu Dhabi counterpart, which made the latter more comfortable dealing with them. These factors are generally relevant for any large project buyer, and one may therefore assert that the difference between Arab and Western evaluation criteria of such projects is marginal.

Nevertheless, it is difficult to understand the reasons for commonly endless delays in this process. Sometimes it may be due to lower level employees not doing their jobs properly - "sitting on" tender documentation until someone tells them to act. One reason for such delays may lie in marginally incomplete documentation (a permit or a stamp etc), and lacking initiative by the clerk to follow up on the case until the tenderer gives the missing information. In other instances delays are caused by substantial disagreements between different departments on technological solutions - which sometimes may boil down to vested interests to be protected (cfr. for example the dual role system) by different "camps" in the Arab part of the organization. Cases of retendering (new specifications and new tenders) were mentioned during our interviews although no reference was made

to any specific contract. It should be stressed though that such cases of irregular buyer behavior seem to be rarer today than only some years ago. Also, it seems as though these practices are more conspicuous in some countries (eg. Saudi Arabia) than in others ( eg. the Emirates).

In some instances internal conflicts between high-level ministers (often family members) makes the outcome of the struggle hard to foresee. The source of such conflicts is often to be found in pure commercial interests, like for instance a minister having sided with one supplier, his counterpart in the government having teamed up with a competitor. In other cases it has political overtones, such as pleasing certain foreign powers (like the US, France or Britain) where opposing ministers have different foreign constituencies. For instance, General Electric allegedly won over ABB only after vice president Al Gore picked up the phone. The ABB agent was through his status in the clan system very well positioned to win the contract, but failed in the end because of external political "relations" (pressure).

Norsk Hydro's engagement together with Qatar General Petroleum Company (QGPC), Qatar Petrochemical Company Limited (Qapco) and the French Elf Group in Qatar illustrates the role of long term relations. The investment of an estimated 500 million USD involves several petrochemical plants and Norsk Hydro will be responsible for the sales of VCM (the raw material to produce PVC plastics) from the facilities. At the outset, Occidental Oil was the preferred partner, much because of their link with the very influential Minister of Foreign Affairs. However, due to Norsk Hydros technological solutions and because of the trust installed in the Qatari by Norsk Hydro as a result of their fertilizer operations in the country during the last 25 years, Norsk Hydro, championed by the Minister of Energy, finally won the contract.

#### Negotiation

In this phase, almost all the cards have been laid. The buyer negotiates with perhaps the two finalists in parallel probing on their willingness to step up for the project and their flexibility to suggest solutions to yet unresolved issues - details on terms of payment,

number of people to be trained, use of local content clauses (involving family owned businesses?). In other cases the negotiation is only conducted with the contract winner, in order to establish the details. It is difficult to perceive of cases where the two contracting partners step out of the negotiations at this stage. One experience that several Norwegian companies have had with Arab business partners is that these latter tend to read the contract literally, and seek, according to the Norwegian counterpart, to "squeeze as much as possible" from it. To a Western businessman, this may appear overly zealous and quite negative, particularly as it can have major economic consequences if the contract is flawed with imprecise formulations. One may assume that such behavior is in direct contrast to the highly contextual and polychronic nature of the Arab culture. From an Arab's viewpoint, however, one would claim that he is only following the Qu'ran's commandments - whether dealing with unreasonable winnings, false aims or other rules of conduct in the Qu'ran. One must bear in mind that the Qu'ran is read literally because it is Allah's revelation. Therefore, the factual circumstances of a concrete transaction or what might be regarded as reasonable from a Western seller's point of view - and which is not taken account of in the contract – may play a lesser role.

#### Final selection

The final "YES" is in principle given by the head of the tribe, the clan or the family, after consultation in *majlis* (council) often taking place around Ramadan. The head is normally following the process at a distance, so that no surprise should arise at the end.

#### Accessing the market and the customer

This section describes different aspects of marketing of projects in Arab countries: selecting the agent, the role of the agent, the role of *wasta*, building trust takes time.

#### Selecting the agent

Having agents is obligatory in most Arab countries, not only because in most cases it is mandated by law, but also because of the role that the agents play in the purchasing process of organizations. Information about prospective agents and partners is not easily accessible in Arab countries. Some information may be obtained through conversations

with other suppliers, assistance from the embassy/trade officer or Arab contacts. A crucial point in this context is the fact that an agency agreement is considered a “catholic marriage”: it is impossible to break out of. Breaking out corresponds to losing status in the network and thereby one’s chances in the market. A Western businessman gave the following advice: "Have a long courtship before you get engaged; once engaged, you should have a long engagement period; then you could marry". During our interviews we were given counts of exporters to the area that have been lured into a flawed agency agreement (like for instance “dual role” agents – see below). Even though at a disadvantage, it is possible in such cases to circumvent the impasse by employing "consultants" or other partners along with the agent in order to carry out the needed market activities. Needless to say, more commissions or fees will be needed as more persons or firms will have a "finger in the pie".

#### The role of the agent

The role of the agent varies largely from one case to the other. Some operate as traders and distributors and carry out marketing operations in an "ordinary" way. Others only lend their names and their *wasta* power to the principal, whereas the principal must organize other partners to execute the necessary activities in the market. It is essential for the agents' work to develop and maintain relations with what may be referred to as a sponsor or partner, i.e. persons with close relations with the Arab part of the buying center. Even in case of a good agent it is possible for other persons (for example, the sponsor) to derive economic benefits from their role in the buying process. If this is done, one is advised to demand services in return as, for example as mentioned by a British businessman, customs exemptions for parts of the delivery or less red tape at border crossings. These persons are often highly placed and they are generally capable of influencing these processes. Again, we see the effects of *wasta*. It is appropriate at this point, to reaffirm that both the giving and taking of bribes is regarded as a crime by the Qu'ran. On the other hand, if one receives something in return for the "special commissions" paid, then it is considered a business transaction.

It is difficult, if not impossible to predict beforehand which agent will be awarded the contract. Some suppliers to the Arab world experience this as a game where the results are decided by the Arab part of the organization before negotiations begin, because "now it's Ahmed's turn to get the contract". However, the alleged predetermination of contract awards seems unlikely to take place in a general manner. Both the GE power plant and the Norsk Hydro VCM plant discussed above illustrate in their particular way that relations - either through political power (GE) or through long-term cooperation (Norsk Hydro) - play a decisive role in supplier selection.

Another phenomenon often encountered is that of "dual roles" of the agent. This is best illustrated by following scenario described by one of the interviewees: "A power plant is being planned by the Electricity Board of X-city. During the design phase the chief engineer specifies equipment for which he in his free-time seeks the agencies. "Surprise, surprise" it was exactly those suppliers that won the contract... This situation was corroborated by others: civil servants work for the public agency in the morning and run their own business in the evening. This practice of "dual role" gives them ample opportunity to open markets for principals of their choice". Probing on this issue gave us different reactions. Some alleged that this is not a big problem, either because it does not really represent a conflict of roles (different businesses) or maybe because they represent an other kind of ethics. Others were very suspicious of the practice of dual roles. As one government official bluntly puts it: "Of course there is conflict of interest, but people don't pay attention to conflict of interest, do they?" An Arab businessman made the following comment: "The dual role system is very common, and the lower you go in the hierarchy, the more it is likely to occur. Civil servants take advantage as far as information is concerned and some of them are shameless! Most often it is too late to bid at the tender publication." In some cases projects are split in smaller pieces, enabling different people to take advantage of the dual role system.

#### The role of wasta

During our interviews the wasta phenomenon was largely confirmed. Our main conclusion is that wasta exists indeed, but in *many cases* it seems to exist at a level which

could be likened with the "old boys' network" which one will typically find in any Western country or the Chinese "guangchi", where connections are nurtured and used in order to achieve mutual benefits. The general experience seems to be that *wasta* is used to hasten the process of document handling through an organization, it is used to achieve access to important decision makers or influencers, and it is used to get priority in a line of bidders. Also, exercise of *wasta* was by one interviewee characterized as an exercise of power, that is power to penetrate into a decision process. Furthermore, a *wasta* has to be confident that his principal has a very good case. Otherwise, if for instance the products and delivery of his principal do not stand up to par, he risks losing face, and thereby at the next occasion, depreciates his *wasta* power. Therefore, power, *wasta* or relations will ordinarily not supplant the importance of high quality core product and a competitive price.

Probing on this issue gave different kinds of reactions by respondents, some saying that this practice did exist in the past, but not any more, others maintaining that this way of influencing decision makers to a large extent still exists. Cases of retendering or leakages of confidential information were mentioned as if not common practice so at least occurring, although it is difficult to find hard evidence. One government official said that: "The contract winner is normally supported by the 'big guys'. Everyone gets a chunk of the cake!" Another person, an Arab businessman, stated that "There is know-who rather than know-how". A British businessman with long experience in the area remarked that: "*Wasta* clears the way, but when you get to the core, you still have to fight".

#### Building trust takes time

Many exporters experience slow decision processes in their dealings with Arab buyers and attribute this phenomenon to red tape and indecisiveness. During our research we observed several cases of delayed decisions. One of the interviewees stated that: "In order to land this contract (a large contract in Kuwait) I had to drink tea with my counterpart in the Arab organization several times a week during nine months! We did not necessarily talk about the terms of the contract, rather it was what I would call a courtesy visit in order to forge the relationship and to enhance the trust of the partner". In this way the

firm installed trust in the relationship, the basic foundation for any large contract award. The same businessman was at the time of the interview undergoing exactly the same experience in the UAE, with good hopes of eventually landing the order. Alluding to the importance of relationships, he quoted a Saudi counterpart as saying: "Can you hear the chains? You know from now on you are linked to us with chains!!" One may as a conclusion assert that what with Western eyes seem to be indecisiveness or impeded decision processes, rather is an expression of uncertainty/ambiguity/mistrust, the strategic response to which is the need to nurture long lasting relationships with ones counterpart in Arab markets.

### Conclusions

Exporting to the Arab world is truly a cultural experience. However, this experience may differ from one country to the other. We have seen that the Arab world is not homogeneous, rather the different countries vary on many dimensions - political, religious, economic (petroleum) or influence of modernism, to mention but the most obvious ones. Our general impression is nevertheless that the Arab industrial buyer in principle follows the same model as any Western buyer. Essentially the same steps are followed in the purchasing process; the preferences for product quality, price and terms of payment are similarly paramount. The differences seem to originate from the cultural heritage of the tribal system. For example, building trust with partners willing to endorse one's products takes more time than is customary in the West. Network - using partners endowed with *wasta* power - seem to play a far greater role for Arab buyers and alleviate the uncertainty, ambivalence and suspicion in their encounter with western vendors. The position of the agent and his network with prominent families may be critical for success. "Falling in love" with the wrong agent may therefore spoil the exporter's chances for a long period of time in the market. This is especially true as it is not only onerous and difficult to change the agent, it may also be impossible. Also, the purchasing process may deviate from "the normal" when interest for key project components are being captured by high ranking officials / members of prominent families, eventually leading to retendering.

Wasta may be likened to the "old boys network" relations, but our impression is that wasta is more powerful and more often used. Furthermore, the role of the family is pervasive. Although less distinguishable today than only some ten-fifteen years ago, "tribal redistribution" may still appear in very subtle forms during the buying process. The "dual role" system is another irregularity. Although despised by many of our interlocutors, this system was widely recognized as "part of the game" in many contracts.

We were not able to discern any noticeable direct influence of Islam as such in the general buying behavior patterns studied during our interviews in UAE and Qatar. On the contrary, many of the practices that are sometimes observed (for instance bribes or nepotism) are clearly forbidden by the Qu'ran. The "only" time we were registered the practices of religion was when confronted with dress codes, ordering drinks, or when observing censorship of "daring" pictures in advertisements. On the other hand, elements of Islam may be intertwined with other cultural phenomena so as to blur the eyes of the inexperienced observer. Also, the pervasiveness of Islam may be more conspicuous in other countries than the ones visited in this study, such as Saudi Arabia or Libya.

In spite of the cultural factor complicating research in Arab countries, favouring more qualitative approaches, many research projects - both academic and commercial - have been carried out through surveys using questionnaires (see for instance Al-Hegelan and Palmer 1985, At-Twajjri 1989, Khadra 1990, Al-Saihaiti and Krishnamoorthy, Yavas and Babakus 1995, Papadopoulos 1987). Some of these have even studied items like apathy, favouritism, job satisfaction (Al-Hegelan and Palmer 1985) and paternalism (Al-Twajjri 1989). In order to capture the more factual pieces of information on Arab buying centers and processes, a survey using standardised questionnaires should therefore be considered.

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