Nepotism in the Arab World:
An Institutional Theory Perspective

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ABSTRACT: We examine the practice of nepotism in the Arab World and analyze how a rational-legal model of bureaucracy was never able to take hold. We draw upon ideas from institutional theory and related notions of legitimacy to provide an explanation of nepotism's extraordinary persistence. Then we use arguments to speculate how the appearance of institutional entrepreneurs who are advocates for a new hybrid form of nepotism might begin to colonize a social space created by larger political and economic changes that are sweeping the Arab World. Those entrepreneurs must persuade other members of an extended family that the current practice of nepotism is typically destructive of a firm's competitive performance. In addition, they will argue that nepotism as currently practiced violates teachings of Islam. This second argument is likely to be particularly effective with an audience that sees Islam as a source of universal notions of justice and fairness.

KEY WORDS: nepotism, institutional theory, legitimacy, Arab countries, Islam, moral free space

INTRODUCTION

THERE IS AMPLE EVIDENCE TO SUGGEST that nepotism brings many problems with it (Stewart, 2003). It is often perceived as a practice using a nonobjective measure of employment based on kin relations rather than an objective measure such as skills or professionalism (Yeung, 2000). It is often contrasted with meritocracy (Poza, Johnson, & Alfred, 1998; Sundaramurthy, 2008) while others have contrasted it with professionalism (Gilding, 2000). Nepotism is "to put incapable people in important positions" (Gallo, 1998), the antithesis of considering more qualified people to fill work positions (Chrisman, Chua, & Sharma, 1998). Nepotism works against the introduction of professional management, limiting the size and complexity of enterprises and the ability to manage them effectively. This paper tackles the prevalence of nepotism in the Arab region, and explains how familial ties have provided a substitute for properly functioning institutions. Nepotism sometimes offers certain advantages to the business firm linking it to networks of influence that wouldn't have been otherwise accessible. The problem for the Arab world, however, is that the practice of nepotism has become so widespread that a whole set of norms have been set in place to justify it. The practice is probably too

ingrained to eliminate altogether, but there are mechanisms that can help mitigate its negative effects at the conceptual and practical levels.

After an overview of the various perspectives and correlates of nepotism, we analyze how various cultural factors have come together to foster an environment conducive to its presence. We argue that businesses—especially family firms—might do much to thwart some of the impacts of destructive nepotism on corporate performance. We argue that the groundwork is being laid for the emergence of "institutional entrepreneurs" (Dacin, Goodstein, & Scott, 2002; DiMaggio, 1988) who will partially transform organizational practices in the Arab world. Using an institutional theory framework, we try to analyze nepotism, the way it is practiced nowadays, drawing upon ethical perspectives grounded in indigenous concepts such as kindness to the family with universal principles of justice and fairness. The result will be the suggestion of a hybrid structure that can be used to resist pressures to hire often unqualified relatives, reasons that the local culture will have to take seriously and not reject out of hand as some sort of Western intrusion. We will present a rationale that an institutional entrepreneur is likely to use: a set of pragmatic and ethical reasons for why the practice should be modified with kin-based hiring, if absolutely needed, only reserved for family members who are hardworking and qualified. Only drastic political and societal changes, some of which we are currently witnessing, will open space for reforms beyond this point.

PERSPECTIVES ON NEPOTISM

A study of nepotism in the Arab world is needed as a thorough analysis is largely missing from the business ethics literature. The implications of our study, however, could also be used to understand similar dynamics in other contexts. After all, things similar to nepotism exist in many parts of the world, for example, *Guanxi* in China (Chua, Morris, & Ingram, 2009; Lovett, Simmons, & Kali, 1999) and *blat* in Russia (Michailova & Worm, 2003; Puffer, McCarthy, & Boisot, 2010). Prior studies have addressed nepotism in places such as Italy (Scoppa, 2009), eastern Europe (Silverman & Case, 2001), China (Redfern & Crawford, 2010), Taiwan (Yeh, Lee, & Woidtke, 2001), Mexico (Boutilier, 2009) and the former Soviet bloc (Osipian, 2010). Bellow (2003) even discusses the historic prevalence of nepotism in the United States. In the Arab world, one study found a general dislike of the practice among HR managers in Jordan (Abdalla, Maghrabi, & Raggad, 1998). Another study covering two Arab countries, Jordan and Egypt, suggested that any advantages claimed for the practice are dwarfed by the disadvantages (Hayajenh, Maghrabi, & Al-Dabbagh, 1994). Neither study elaborated on the feasibility of eliminating nepotism or on approaches to cope with its prevalence.

Nepotism has a pervasive negative connotation; it is often perceived as employment using a nonobjective measure based on kin relations rather than an objective measure such as skills or professionalism (Yeung, 2000). Many scholars would agree with the notion that nepotism has a detrimental impact on business effectiveness (Vinton, 1998). Nepotism is linked to poor firm performance (Dyer, 2006; Gomez-Mejia, Nuñez-Nickel & Gutierrez, 2001; Schulze, Lubatkin, Dino, & Buchholtz,

2001) and some studies indicate that nepotism tends to harm the durability and economic viability of family businesses (Salvato & Melin, 2008). Nepotism has been found to have a significant negative influence on human resource management, job satisfaction, and intentions to quit (Arasli, Bavik, & Ekiz, 2006). Barnett (1960) argues that nepotism narrows the ability of the firm to grow beyond a certain size. It also creates negative incentive signals to non-family members causing the turnover of key talent. Nepotism is often cited as one of the main disadvantages of family firms as it—among other problems—makes it harder for managers to monitor organizational behavior (Dyer, 2010; Kets de Vries, 1993). Nepotism is also a mechanism for families to hoard power and resources (Steier, Chrisman, & Chua, 2004). Most obvious is that it violates, first, standards of merit, by hiring people who lack the energy and technical qualifications for involvement in day-to-day operations of the enterprise, and second, standards of equity, where some members of society are not given the same opportunities that are accorded to others. Nepotism is also correlated with a host of problems that include lack of accountability, weak institutional structures, family interference in management, negative employee attitudes, and skewing the distribution of wealth and status (Arasli & Tumer, 2008; Kuznar & Frederick, 2007; Perez-Gonzalez, 2006).

In many economies based on family linkages, nepotistic practices don't seem to necessarily preclude high rates of economic growth. China, Japan, Thailand, South Korea, and Indonesia have experienced spectacular growth rates in recent decades, often in double digits, despite the fact that nepotistic practices exist in those countries (Gill & Kharas, 2007). South Korea, for example, was able to bypass the ills of nepotism and come up with a productive and efficient economy, because of investments in human and physical capital, proper distribution of income, and the positive role of governmental institutions in promoting growth (Booth, 1999).

Still, some researchers (e.g., Bellow, 2003; Ford & McLaughlin, 1986; Hooker, 2009) cite certain advantages of nepotism: more inclusive of family talent, friendly work environments, improved communication, better acceptance by some stakeholders, and access to a pool of dedicated affordable workforce. Moreover, some have argued that there are cross-cultural differences where—arguably—it could actually work in a relationship culture such as China (Hooker, 2009), but not in Western cultures such as the United States. Western societies, which are rule-based cultures, tend to regard nepotism mostly negatively. Bellow, in a rare defense of nepotism, argues that "nepotism works, it feels good, and it is generally the right thing to do" (Bellow, 2003: 25). Yet such an eccentric view has been widely seen to be deficient in terms of highlighting the true costs that accompany such behaviors (Ciulla, 2005).

A good example of nepotism in other cultures is found in Donaldson's (1989, 1996) recommendation for ethical behavior in international contexts. He gives the example of Indian companies which give their good employees the opportunity to hire one of their relatives once the latter finishes a given educational level. Donaldson argues that, in such a country suffering from severe unemployment, this has to be viewed in terms of "moral free space" (Donaldson & Dunfee, 1994). This reflects a case of ethical relativism, where what is right in one context is not considered so in another. Such a practice in this case "is not necessarily wrong—at least for mem-

bers of that country" (Donaldson, 1996: p. 58). A similar sentiment was echoed by Berenbeim (1990) when discussing nepotism in Latin American family businesses where, what apparently might look like nepotism in the United States, is perceived as proper grooming for successors' roles in advancing their families and their family businesses. Lee, Lim, & Lim (2003) propose that appointment of offspring is not always due to favoritism but rather there could be an economic rationale due to the appropriation risk and the agency paradox that would justify such behavior. So as one observes nepotistic behaviors in other cultures, it becomes important to address the extent to which these can be judged as unethical at the outset, or whether they can be found to belong to this "moral free space." With this in mind, we discuss in the next section the dynamics and causes of nepotism in the Arab world.

NEPOTISM IN THE ARAB WORLD

Max Weber considered a "bureaucracy" to be a rational sign of a transition from a traditional administrative operation that is riddled with nepotism into one that is more consistent with value rationality and goal rationality (Styhre, 2008). Weberian bureaucracy is one characterized with formalized structures which employ people based on merit rather than favoritism (Dahlström, Lapuente, & Teorell, 2011). According to Weber, "Islam could not provide the social leverage whereby the Muslim Middle East could be lifted out of feudal stagnation" (Turner, 1978: 235). Weber indicated that Islam, even at its zenith, was not able to raise consciousness enough to positively influence economic attitudes and behaviors (Huff & Schluchter, 1999). While this thesis has been contested in several studies (e.g., Crone, 1999; Turner, 1998), we demonstrate how and why a rational-legal model of bureaucracy was never able to take hold in this region. We draw upon ideas from institutional theory and related notions of legitimacy to provide a satisfying explanation for nepotism's extraordinary persistence in the Arab World.

Weber never completed a self-contained work on Islam though the evidence points to his ambition to produce a monograph on the topic (Schluchter, 1999). His views on Islam are scattered primarily through his massive work titled *Economy and Society* (Weber, 1978). Weber saw Islam as constructing two barriers to the emergence of Western style industrial capitalism, one in the realm of ideas and the other institutional. As to the first, Weber contrasted Calvinist notions of predestination with those found in Islamic religious doctrine. It was only by constant daily application to the business of the world that the Calvinist or Puritan believer could provide himself with the assurance that he was in a state of grace and one of God's elect, destined to be saved in the next world. Good works by themselves could earn no credit with the Almighty; disciplined effort could be evidence that one was already saved. This meant living in a state of enormous psychological tension, needing constant reassurance by the evidence of successful effort that one was saved. According to Weber this psychological tension created the sort of human material that made the emergence of industrial capitalism possible. Weber saw Islam, however, as treating predestination as something that concerned this life, not the life that came after death. Islamic notions of salvation placed great emphasis on the performance of ritual that

could pave the way to paradise. The result was a lack of psychological tension that might motivate daily activity. The human material to serve as the critical mass in the development of industrial capitalism was consequently never present in the Islamic world. The second barrier to the emergence of rational Western style capitalism was purely institutional in Weber's eyes. Islamic civilization developed a patrimonial political order with the disintegration of the Caliphate into sub-empires ruled by slave generals and cities that lacked autonomy in the Western sense (Weber, 1978). Legal protections to life and property were minimal with *Qadis* or judges having limited ability to restrain rapacious officialdom. The institutional and legal space for the development of modern capitalism did not exist.

To explain why the East Asian paradigm did not repeat itself in the Arab world requires some additional explanatory factors. Nepotistic practices in the region are coupled with unproductive family structures or power distribution norms leading to negative performance results. For example, the dominance of family staffed businesses sometimes results in a feeling of job security and an absence of a motivation to perform which comes at the expense of other relevant stakeholders (Al-Khatib, Robertson, D'Auria Stanton, & Vitell, 2002). Nepotistic practices are also coupled with improper grooming of future managers and complacent succession planning (Palliam, Cader, & Chiemeke, 2011). In some parts of the Arab world, such as in the case of oil-producing Arab countries, abundance of resources lift pressures to operate efficiently from a sizable portion of the economy (AHDR, 2003). In this case, economies grow not because of inherent structural changes based on a more productive economic model, but rather because of factors that do not relate to technological innovation or process development (Alissa, 2007). At first, economic development can be a result of what economists refer to as extensive economic growth (Irmen, 2005). This involves moving inputs from less productive to more productive uses, with only minimal change in the technology of production. However, this strategy is subject to diminishing returns. It is at this point that intensive growth, based on technological innovation takes over. Some East Asian countries have shown themselves able to skillfully master both types of growth, even though they have been riddled with nepotistic practices for centuries.

The situation for Arab organizations has not been that encouraging. Nepotism is often used as a mechanism to control the organization, distribute wealth and riches among family members, or to sustain a family legacy. Nepotism is often coupled with corrupt family value systems, dysfunctional family-business connections, cultural norms that limit nepotism to a certain class of relatives and confer property to the male line of the family (El-Safty, 2004), or inheritance practices that have the unintended effect of curbing organizational development (Kuran, 2003). "Family culture" also has a primary impact on economic outcomes where a system of family values that introduces noneconomic measures (such as family harmony) into the founder's "utility maximization," will distort the performance of the family business (Bertrand & Schoar, 2006).

No extensive research has been conducted to uncover reasons for nepotism in the Arab world. Abdalla et al. (1998) addressed perceptions of HR managers toward nepotism in Arab countries briefly referring to socio-cultural, economic, educational,

and political aspects. What we present below is an examination of the role of family, religion, networks, and other socio-legal factors, and how these interacted together to produce nepotistic behaviors. While it is not claimed here that these causes are exclusive, or that they are unique to the region either, these forces are probably the ones that have most shaped nepotistic practices over the years.

The family, which includes extended members sharing distant relations, plays a dominant role in Arab societies (Khalaf & Khalaf, 2008). In the family, gender relations and roles are set, and expected behaviors are transferred from one generation to the other (Kafaji, 2011). Early on, people learn to depend on their families and discover their duties to them (Joseph, 2008). This feeling of obligation shapes the behavior of future leaders who are expected to pay back to their families what they owe (Rees & Althakhri, 2008). They learn that nepotism is not bad after all; it is just being kind and loyal to one's family or tribe (Sidani & Thornberry, 2010). An individual's honor cannot be separated from one's family honor and nepotism becomes a tool to raise the status of one's family (Solberg, 2002). Niblock, in an analysis of Saudi Arabian society, indicates that "man's first loyalty is to his family, then his tribe, then his country. Nepotism is a virtue and it would shame a man to refuse to help or give a job to a close relative" (Niblock, 1982: 181). Success in family firms is gauged not through earnings or achievements but more through what ones does for the family (Kalliny, Cruthirds, & Minor, 2006), and many managers cannot separate their roles as managers from their roles as representatives of their families (Davis, Pitts, & Cormier, 2000). The moral legitimacy of the practice is therefore immensely strong. The sense of obligation is overpowering, and escaping from it can only happen at the expense of shame and social exclusion. The collective nature of Arab society (Hofstede, 2001; Jabra & Jreisat, 2009), often in the absence of a properly functioning government, lets people lean more on their in-groups, families in this case, for survival and support. People face tensions between different commitments all of which contribute to the configuration of their identities. While it could be argued that people in the US, for example, also have multiple identities (e.g., white Catholic Irish American), such multiple allegiances have worked in a peculiar way in the Arab world to make commitment to the family dominant even at the expense of self-interest (Kabasakal & Bodur, 2002).

One reason why people attach so much importance to familial bonds goes back to *asabiya*, a term used by the early Arab scholar Ibn Khaldun (1332–1406), (Ghanemi, 2006). The Arabic word has several meanings which include "group feeling," "group loyalty," and "esprit de corps" (Rabi, 1967). Leaders are able to mobilize followers through their skill of connecting masses together around *asabiya*. This is not the case in the Western world where tribal configurations have generally died down and different leadership mechanisms have been implemented. Leaders use nepotism, not only as a means to pay back to their families and tribes, but they also use it to establish and sustain their powers within their respective communities. People from their own family and tribe are more trusted, and chances are that those individuals will be more appreciative and loyal. Family and tribal members are the core group (Rees & Althakhri, 2008), the foundation on which one can build a legacy

in an organization. Nepotism is used to reinforce *asabiya* and this in turn reinforces nepotism. *Asabiya* becomes a keystone in the moral legitimacy of Arab nepotism.

Arab societies are generally low trust societies (Kafaji, 2011). There is often hesitancy to rely on non-family members in responsible positions because of unwillingness to trust strangers supplemented by the social safety net function of the extended family. Family members are selected to insure family control of the business, not so much its effective running. This explains why many Arab CEOs tend to hire closely related directors thus reducing effectiveness of control mechanisms (Chahine & Tohme, 2009). The business is seen as a source of family, not individual, wealth and the emphasis shifts from maximizing wealth to controlling it. Managers become "more interested in supporting their families, protecting their families' image, and being generous to their communities and employees than in managing sophisticated, performance-driven companies," (Davis et al., 2000: 229). As the family grows in size, the issue becomes one of protecting the business from increasing familial claims. Something like a zero sum game begins to emerge, where creating wealth starts to take a back seat to its distribution. A preference for family members evolves from a control mechanism to a distributional mechanism.

Often merit has nothing to do with the decision to hire, or presumably the evaluation of performance (Chaker & Jabnoun, 2010), and quality of management and technical qualifications remain secondary considerations. Family members often bring with them a sense of entitlement that makes them less reliable when it comes to stewardship over firm assets. The family may be a safety net for a variety of reasons but that does not mean it is free of strife and envy (Barakat, 1993). Indeed, some writers, Arabs themselves, have been bitingly critical of the internal functioning of the Arab family (Sharabi, 1988). Family problems frequently spill over to the business further hampering its proper running. One beneficial consequence of removing the underlying causes for widespread nepotistic practices is that families could just be families, networks of affection not troubled by business issues.

The importance given to family connections is related to a unique concept in Arab settings called *wasta*. Some authors tend to use the term nepotism and *wasta* interchangeably (Al-Ali, 2008), but *wasta* is more far-reaching (Izraeli, 1997). *Wasta* means "an intermediary" (Al-Ramahi, 2008), and it means "using one's connections to reach a certain desired end." It is used in a host of social encounters. One needs a *wasta* in a pre-arranged marriage to help him get the approval of the potential bride or her parents. People attempt to use it to get admitted into a certain preferred college. It is also used in business encounters, like getting hired, receiving a raise, securing a contract, or selling goods. From a business perspective, it is close to the notion of using one's business and social network to get things done (Hutchings & Weir, 2006; Tlaiss & Kauser, 2011). But while business connections are an accepted fact of commercial life, *wasta* often means the use of such networks to complete transactions that would not have otherwise been done, either because they did not completely fulfill the requested standards, or because they are outright illegal. The distinction is thin between using *wasta* as a networking mechanism and using it as a way to circumvent established laws (Hutchings & Weir, 2006).

Cunningham & Sarayrah made a thorough analysis of *wasta*, concluding that "[E]xcessive intercessory *wasta* creates dependency relationships between the individuals preventing the development of self-esteem through challenge and failure, while rewarding sycophancy and risk avoidance" (Cunningham & Sarayrah, 1993: 191). The expectation of *wasta* in Arab society is overwhelming; people who reach positions of power or authority are expected to serve their in-group members. It is almost considered unethical if people do not use their influence and position power to benefit their in-circles. Using one's *wasta* is often something to brag about; pity is expressed towards the person with no *wasta*. While some may perceive that *wasta* is associated with unfairness, others stress that it is a source of social cohesion (Loewe, Blume, Schönleber, Seibert, Speer, & Voss, 2007). While people in general tend to hide the fact that their accomplishments resulted from nepotistic favors, the use of *wasta* is often seen as a sign of someone's ability to influence (Hutchings & Weir, 2006). It is not only a tool to reach a desired end, it is also something to yearn for, which contributes to the notion that it is also an end. *Wasta* becomes a self-feeding phenomenon whose existence is satisfying in and of itself.

The above cultural factors have been strengthened by a specific religious understanding of the importance of family in Islam, the dominant religion in the region. Religious texts emphasize kindness to relatives (Yip, 2004), and severing ties with relatives is a major sin (Ezzat, 2009). The social practice that emerged out of this understanding, however, included the importance of being benevolent to one's relatives in all aspects of life, including business. Kindness to family and relatives has evolved to mean giving them favors when someone has access to employment opportunities, a practice that has no backing in religious texts (Kurdi, 2010). The roots of nepotistic practices in the Arab region go back at least 1500 years and have numerous sources and, surprisingly, little is traceable to Islam itself (Kuran, 2004; Rice, 1999).

The case remains, however, that Islamic laws, and the social construction of these laws, tend to emphasize the interdependence of family members (El-Hadi, 2000). Inheritance laws, for example, and more significantly cultural practices that often override those laws (El-Safty, 2004), tend to fragment family wealth among several beneficiaries implying joint ownership in case of fixed assets and company structures. Sometimes *de facto* inheritance practices reemphasize the tribal nature of inheritance which prevails over the religious injunctions (see Esmaeili, 2009, for an example). Powers (1993) asserts that one should go beyond the surface understanding of inheritance as a law into understanding it as a social process. In all respects, aspects of Islamic inheritance, both as laws and social practices, have emphasized the role of the family in its extended form. Such norms and practices develop an intricacy of relationships among family members that encourage a set of obligations and expectations. Thus a business may end up being owned by many members of the extended family, and different members would have entitlements as to employment and other personnel decisions in that business.

Another factor that is brought forward as facilitating nepotistic behavior is the *waqf* or the charitable trust system (Kuran, 2001), which—paradoxically—was "efficient when it was first introduced and could easily be cited as [a reason] for

economic growth and development" (Ayres & Macey, 2005: 399). A *waqf* is a charitable trust but not a separate legal person, like a Western corporation. It is a process for wealthy individuals to allocate part of their riches to charitable causes (Salarzehi, Armesh, Nikbin, 2010). They would set aside land or other assets to provide public goods and services that the Islamic state did not offer to its citizens. The person endowing the trust would appoint him or herself as chief administrator of the trust and pick close relatives for other key positions, hence the nepotism. In some of its later manifestations, a *waqf* represented a bargain between the state and the rich (Kuran, 2003). The former was relieved of the burden of providing basic public services, while the latter were able to protect their family assets from arbitrary seizure by what was essentially a despotic government. With the passage of time, an enormous amount of wealth came to be tied up in the *Waqf* system, unavailable for more productive uses and often subject to personal/family politics regarding its actual deployment (Raissouni, 2001).

THE INSTITUTIONALIZATION OF NEPOTISM

To further understand how nepotism was able to persist all those years, it is beneficial to draw on some elements of institutional theory (Greenwood, Oliver, Sahlin, & Suddaby, 2008; Scott, 2008), especially the concept of legitimacy. Suchman (1995) describes different types of organizational legitimacy; these can be applied well in explaining how nepotism became institutionalized in the first place. The first type is termed *pragmatic* legitimacy which relates to the self-interests of the organization's closest members. In the case of nepotism, the organization's most immediate set of constituents are the family members and such a practice corresponds well to their interests. From their perspective, a business form that evades nepotistic behaviors is not fulfilling an important aspect of organizational coming together, which is catering to those whose interests are most important—family members. In addition, family members often believe that nepotism contributes to the fulfillment of their definitions of organizational performance and effectiveness.

Fukuyama (1996) has argued that societies need large amounts of social capital, simple trust, in order to prosper. It is when the failure of basic institutions at a higher level becomes severe that family connections assume prominence (Herreros & Criado, 2008). This is the case when governments become arbitrary and lacking in accountability or transparency, and when legal systems provide little protection for private property or contract enforcement. This lack of a supportive institutional framework forces people to lean back on the family (Xin & Pearce, 1996). Throughout much of the Arab Middle East, generalized social trust, the willingness to extend a degree of trust to people outside the extended family, is severely limited (Binzel & Fehr, 2010; Kafaji, 2011). In such an environment, it is fairly clear why we should observe reliance on family members in business matters and a preference for family members in hiring for key positions. Nepotism becomes perfectly explicable making pragmatic sense; it is a symptom of state institutions that—historically—did not develop well. Whitaker (2009) refers to Arab countries as "states without citizens" where there is a massive disconnect between the governments and people. This has

resulted from years of hereditary rule and political instability which caused people to rely less on their rulers and governments and more on alternative institutions. When people perceive the powerlessness of the state, they will turn to other institutions as safety nets. In the case of the Arab world, the safety net was exemplified in the family or the tribe to which greater importance is attached than the state itself (Barakat, 1993).

Beyond the issue of trust, nepotistic practices in the Arab world could embed firms in larger social networks which guarantee access to contracts, financing, permits, licenses etc. From this point of view, such practices are necessary as a competitive weapon to put one's firm at equal or better footing than others. This is often the case in what is called "oligarchic capitalism" (Baumol, Litan, & Schramm, 2007). So more than mere favoritism to family members, nepotism becomes a gateway into better competitiveness in an environment where everybody else is trying to do the same. What is sometimes more important to a firm's success than effectiveness and efficiency, is a firm's ability to maintain good connections with certain outside stakeholders. While a good business network is a facilitator of business operations in the Western understanding, it is a dimension of pragmatic legitimacy in the Arab context. Internal efficiency and effectiveness of operations may not be all that important to a firm's survival as long as the latter maintains good connections with crucial outside stakeholders. For this, kinship maintenance could be vital. The firm could be used as a source of patronage for the extended family, and the *wasta* of the extended family could bring the firm everything it needs for survival and profitability including, most importantly, connections in the government.

Based on our earlier discussion on the role of religious understanding of the importance of family, another important type of legitimacy that can explain the institutionalization of nepotism is the *moral* dimension (Suchman, 1995). People do not decide to confer legitimacy solely based on pragmatic terms; they often like to offer moral explanations of what they perceive to be acceptable behavior. Nepotism is not only defended because it is beneficial, but also because it is the right thing to do. In a context where values of family and kin harmony are considered precious, nepotism earns its place as a legitimate practice that is consistent with the prevailing value system. An organization that does not respond to familial obligations regarding favoritism to family members is not only violating family harmony, but it is in effect compromising a moral order, a moral imperative. Pragmatic legitimacy is not sufficient by itself; it would actually be counterproductive if perceived to be devoid of the moral obligation to familial expectations. While family members do expect the firm to serve their interests, accomplishing such an objective is not sufficient for a firm to earn complete legitimacy.

On top of these two types of legitimacy, pragmatic and moral, nepotistic practices have earned a "taken-for-grantedness" quality, or *cognitive* legitimacy (Suchman, 1995). Nepotism has been part of organizational practice in this part of the world for a long time and it is supported by local practice, cultural acceptance, and in some respects, meets a certain level of moral evaluation. It would be difficult for people, at least in this phase of history, to think of an alternative practice. As nepotism has

gained wide acceptance within the society, efforts to challenge or replace it are still not strong enough to eradicate it altogether.

It could be argued that nepotism is only beneficial in some instances, that is, nepotism occasionally fails to deliver on its promise of better connections, or sometimes other firms are more judicious at creating networks through their own nepotistic behaviors. This could be true, but what is important is what organizational actors perceive to be the case. In other words, while nepotism sometimes fails at delivering its pragmatic objectives, failures would be attributed to various reasons that would not curb its use in the future. People would argue that other more successful firms have made better use of their nepotistic behaviors, and accordingly the road to future success lies in playing the same game again hoping that this time around things will work out as desired. So nepotism has gained the status of a believed myth; its usefulness has become an idea that is difficult to erase.

In sum, nepotism gains its status in the consciousness of people because it is perceived to be the more effective path to better competiveness and profits, it is morally defensible given the prevailing value system, and its existence is so entrenched that alternative practices—at least to a wide cross-section of the public—are inconceivable. Nepotism's stubborn persistence relates to the fact that it is a practice that is self-sustaining as it is continuously fed by the experiences and expectations of organizational members and audiences. This does not mean that nepotistic practices are not challenged. Given the changes on the global economic scene over the last few years, and the recent changes in Arab environments, we argue in the next section that this deeply held practice is now subject to contest.

CHALLENGES TO NEPOTISM

Despite the strength of nepotism and connected practices, we argue that—like the Arab Spring revolutions at the political level which braved longtime authoritarian practices, nepotistic behaviors will eventually be seriously challenged. Oliver (1992) pinpointed different sources of pressures on institutionalized practices, functional, political, and social. Functional pressures occur when there are performance problems associated with certain practices thus reducing their pragmatic legitimacy. Political pressures occur when environmental and power changes cause actors' interests to shift from supporting certain institutional arrangements. Social pressures occur when there are changes in the diversity of organizational actors, or changes in societal or legal expectations, that lead to divergent beliefs about the legitimacy of certain practices. It is argued here that these forces are likely to challenge the current practice of nepotism.

As global competitive pressures increase, the functional arguments for modifying the practice intensify. Organizational actors will realize that nepotistic behaviors, while culturally defended and taken for-granted, have ceased to accomplish the organizational objectives of efficiency and effectiveness (pragmatic legitimacy) and business connections cannot make up for the shortage. This might be the case, for example, if neoliberal reforms are forcing the economy of a country to open up to the outside, and provide space to new entrants to the domestic market. The

new world of business, globalization, and competition, are posing increasing challenges to nepotistic behaviors and creating strong pressures for alternative ways of doing business (AHDR, 2003). At this stage, managers have to balance two things. On the one hand are the added benefits of having access to networks of family and friends and their connections which facilitate business operations and access to resources. On the other hand are the disadvantages of running a business with many inefficiencies due to the hiring of people who are not necessarily the best to fill their positions, or accommodating requests from constituencies that strain the bottom line. As competition increases and markets open up to foreign companies, managers will find that the added benefits of nepotism do not outweigh its costs and may thus become motivated to institute change.

As to political and social pressures, once nepotism networks are disrupted by political changes, the interests and underlying power distributions that legitimated the practice in a strategic sense go with them. What is left is the moral legitimacy to maintain the practice. But we argue that once self-interest is no longer there to reinforce it, moral legitimacy for a practice that ignores efficiency criteria will wane. For example, people will become open to different religious interpretations that are more critical of the practice (Kurdi, 2010). A search for religious rationale for the illegitimacy of current nepotism would borrow from arguments that love to the next-of-kin pertain to social rights and not to areas where justice would be compromised. A scrutiny of religious texts will uncover that there are indeed strong arguments against such favoritism (*Islamweb*, 2002), but such views have largely been suppressed by overpowering cultural traditions and social customs. Eventually nepotism—as practiced—will lose its "cultural consensus" (Oliver, 1992) and the arguments that have been brought to support its existence and persistence will start to become less convincing to a growing subset of relevant social actors. Because of the importance of family in Arab society, nepotism is not expected to just evaporate, but will reshape itself in a different form.

The macro level environment faced by Arab firms is undergoing transformations, in part because of the political upheavals, and also because of neoliberal policies forced on the region by institutional actors like the IMF and World Bank (Harrigan & Wang, 2006). It is becoming a world where nepotistic connections will provide less and less protection against the winds of competition. Prominent business people might try to exploit rising populist sentiments to legitimate statist policies that will protect them against the outside world. But at the same time there will be less popular patience with the privileges that they have acquired through their connections with those actually running the government. We have been observing this in Egypt in the post-Mubarak era where virtually the entire class of big businessmen has compromised itself through its connections with the regime. In addition, business in the region is likely to face an increasingly aggressive labor force, much more prone to industrial action than in the past. Workers are key stakeholders who, through globalization and improvement in communication channels, have increasingly become more aware of their collective powers. The Arab Spring revolutions added to the empowerment of the general Arab masses which will, we argue, spill over to other organizational realms. The institutional world of Arab business is in

flux with both internal and external actors helping to create a world where power relationships will count for less and less in determining the survival of a firm, and technical criteria of efficiency and effectiveness will count for more and more. A more subtle approach to nepotism will be required, one that realizes that performance criteria can no longer be shunted to the side when selecting people for important posts. Nepotism will still perform a role because it is needed to maintain family cohesion in uncertain times, when the *wasta* networks that start with the extended family will provide the influence that may become a necessary, but no longer sufficient basis for firm survival. It is in this chaotic institutional world that the social space for a "hybrid form" of nepotism will open up. It will be a world where *wasta* will paradoxically become more important and less effective.

In sum, there is a great upheaval sweeping the region and the sort of oligarchic capitalism based on cronyism and kinship is liable to be seriously disrupted, leaving the door open for the emergence of new organizational forms that follow a somewhat different institutional reasoning. One of these might be the hybrid form that uses different logics to give it moral and strategic legitimacy. In the next section we explore the main aspects of this form, its key drivers, characteristics, influences on its diffusion in the Arab world, in addition to key challenges and barriers to such diffusion.

A HYBRID EVOLUTION OF THE NEPOTISM FORM
IN THE ARAB WORLD

Many family businesses are run as organic flexible entities where roles sometimes overlap and decisions are taken more informally by key family members. This could prove very beneficial for many companies especially at the early entrepreneurial stage. The benefits could dwindle, however, as a company establishes itself in the market and becomes exposed to competitive pressures. A move towards a more bureaucratic structure, with a well-defined chain of command, job descriptions, succession plans, and selection criteria is normally warranted at this stage (Barry, 1989). Nepotism becomes especially pernicious when companies begin to scale up their operations and build a large organization that realizes economies of scale and scope.

Literature on family business is full of examples of how to develop a growing family business into a professionalized entity that goes beyond narrow family interests and nepotistic behaviors (e.g., Stewart & Hitt, 2012). For instance, company boards can benefit from the presence of outside members. This has been associated with better board functioning and effectiveness (Bettinelli, 2011) as it helps in mitigating risk associated with the appointment of weak family members to the board. In a sample of S&P 500 firms, Anderson & Reeb found that firms with few outside directors performed significantly worse than the average nonfamily firm: "our results indicate that founding family ownership, balanced and tempered with independent directors, appears to be a particularly effective organizational structure" (Anderson & Reeb, 2004: 233). In cases where the appointment of non-family members to the board is not feasible or not welcome by the existing family shareholders, the appointment of an outside advisor or executive coach may be a second viable op-

tion. Such an advisor, by virtue of not being a family member, may be able to offer independent recommendations on how to move the growing family firm into a more formal business concern (Barry, 1989; Hartel, Bozer, & Levin, 2009).

Forces Driving the Hybrid Form

The proponents of a "hybrid form" would qualify as what the literature refers to as "institutional entrepreneurs" who exploit the opportunity to bring change (Dacin et al., 2002; DiMaggio, 1988). The possibility of such entrepreneurs has been developed to explain how change might occur in highly institutionalized organizational worlds. This is an answer to a key problem in earlier institutional theory which was very good at explaining how stability arises and reproduces itself, but did not do as well in explaining change (Scott, 2008). The topic of intentionality has been discussed in the institutional theory literature (Battilana, Leca, & Boxenbaum, 2009) with some arguing that organizational actors can purposely develop specific strategies to implement intended change, while others argue that institutional entrepreneurs simply act as agents for change, with change happening incrementally without a premeditated long-term change strategy (Colomy, 1998; Garud, Hardy, Maguire, 2007).

What we have in the Arab world is a good empirical example of a changing world to begin with, where there is a lot of room for institutional entrepreneurs who bring with them a new hybrid form of an established practice where there is a very obvious need for this new form. We suggest that institutional entrepreneurs will come from among family company owners and not from non-family professional managers. The latter—in our opinion—are still too weak to be the catalysts for change. It is true that there are examples of professional companies in the Middle East which have been able to grow beyond being a mere family business, expand their capital base, and are now managed by local professional managers. Many of those managers run their organizations proficiently and are able to set their own terms resisting most, if not all, of the various social pressures to hire family members and close friends. However, one still finds a high incidence of family businesses that are led by professional managers who often have to accommodate employment requests from family owners, or from their own families.

The economic initiatives advanced by world organizations like the IMF and the World Bank, the increasing numbers of educated company owners and professional managers, the relentless pressure from companies with different competitive mindsets, changes at the political level that question nepotistic behaviors in the political realm, the increased awareness of a labor force more empowered after the Arab Spring revolutions, all of these factors will contribute to a move away from old nepotistic behaviors. This constellation of forces will bring change about incrementally, a thing that some authors have alluded to have happened in different contexts: there is often a "multiplicity of actors that interactively produced change" (Lounsbury & Crumley, 2007). Company owners and managers now will have to respond to a growing increasingly conscious set of constituents who will not be content with existing practices.

Institutional theory identifies three pillars upon which institutionalization occurs: the regulatory (coercive), normative, and cultural-cognitive (Scott, 2008). We will discuss each of these factors in the following section.

Regulatory/Coercive

Legislation often creates shifts of interests which impact behaviors and reinforce certain practices (Greenwood et al., 2008). We argue that this is not going to be a major factor in the diffusion of the hybrid form as we do not foresee regulatory influence that would curb nepotism. Changes in laws often prove to be an arduous lengthy process (Aguilera & Cuervo-Cazura, 2004), and many Arab countries suffer from problems with implementation, even in the presence of legislation, which significantly reduces compliance. Coercive pressures also come from MNCs where headquarters force branches to follow a certain code of conduct (Guler, Guillen, Macpherson, 2002), but this will only extend to subsidiaries and not disseminate to other organizations.

Normative

HR policies represent part of the normative structure key to initiating change. These include policies that take into consideration non-family members and their perceptions of justice. Barnett & Kellermanns indicate that companies with some family influence may have positive impact on firm performance if they have a "facilitating family influence," a context where HR practices ensure fairness towards non-family members. While such practices will still "include built-in advantages for family members" (Barnett & Kellermanns, 2006: 844), they would also include mechanisms that protect the interest of non-family managers and employees. Such practices include more transparent HR policies regarding promotion, succession planning, and pay. Non-family members may accept nepotistic practices in succession planning when they realize that the predecessor has invested in developing the chosen successor in terms of leadership skills and knowledge transfer, both relevant to the assumed position (Cabrera-Suárez, 2005). Other policies include clear job descriptions that should be respected, a practice not often found in family firms.

Another approach that is already underway increasing normative pressures in the Arab region is related to efforts by international non-profit organizations and capacity building platforms such as the *Global Corporate Governance Forum*, *Center for International Private Enterprise*, and *International Finance Corporation* (*CIPE*, 2011). At a local level, these include the *National Steering Committee on Corporate Governance* (Bahrain), the *Institut Arabe des Chefs d'Entreprise* (Tunisia), *Egyptian Institute of Directors* (Egypt), *the Lebanese Task Force on Corporate Governance* (Lebanon), and *Hawkamah* (Regional-Based in UAE), (*CIPE*, 2008; *Hawkamah*, 2011; Saidi, 2011). These and like-minded institutions have embarked on initiatives that not only serve the needs of large companies, but more importantly to the region, address issues of proper management for smaller family-run businesses. Guides and handbooks have been issued, forums have been conducted, and best practices have been reported to encourage a culture of fair employment, thus establishing a

hiring system whereby family members are encouraged to attain a certain standard
before they contribute to their family's business (AbdelSater-AbuSamra & Bishara,
2006; *CIPE*, 2011).

Among the suggestions brought forward by such organizations is the need to de-
velop a "family constitution" or protocol that outlines an agreed-upon methodology
for family member involvement in the business. Standards for hiring and succes-
sion planning are also addressed. Other suggestions include the establishment of a
"family board of directors" or "family council" that is able to review employment
policies and oversee practices regarding the proper development and performance of
family and non-family employees (AbdelSater-AbuSamra & Bishara, 2006). These
initiatives are important in terms of contributing to the general normative context.
As more organizations voluntarily apply those principles, others will imitate such
behaviors and eventually this would become part of the culture of such organizations.
However, these initiatives, in our assessment, are still not sufficient and should be
accompanied by approaching the deeply-engrained cultural values.

Cognitive

Borrowing from other world experiences in legitimizing novel practices, we suggest
complementary routes which operate at the cultural-cognitive level. Boxenbaum
(2006) gives the example of the Danish implementation of diversity management,
an American management practice, which collided with another valued Danish
principle, democratic decision making. Through a process of strategic refram-
ing and local grounding, efforts to link the practice to an indigenous established
system (social responsibility), therefore legitimizing it, met with success. Social
responsibility was used as a sense-making vehicle and, through subtly working on
the common concepts shared by social responsibility and diversity management,
the hybrid form gained acceptance and was successfully diffused. In the same vein,
management in a Cuban company meshed some aspects of Communist ideology
with modern economic doctrine to legitimate a change process that was welcomed
by the company's most relevant stakeholders (De Holan & Phillips, 2002).

The same approach, we argue, can be used to bring about the hybrid form in Arab
organizations. It may appear challenging, at first, to integrate the two concepts of
"kindness to family" with "equality to all," but we suggest that efforts should use the
concept of *justice* as the vehicle to link the two apparently competing values. The
concept of *justice* is a compelling one in the Arab world. An example in the Arab
context would help in clarifying this point. Savola, a leading conglomerate in the Arab
region has come up with an ethics document, *The Balanced Way* (Savola Company,
2011), that does not exclusively address nepotism, but its underlying framework
can be borrowed to set up a mechanism by which the suggested hybrid form can
function. *The Balanced Way* identifies four relevant parties whose interests need to
be addressed and to whom justice should be awarded. The first three are external:
partners (owners/shareholders), third party stakeholders (which includes customers,
suppliers, and the community at large), and workers. The fourth party is internal:
"our own selves." While this resembles the stakeholder approach in management

thought, the company has grounded it in Islamic principles. For example, the concept of *Amanah* (Honesty) is used to stress the responsibility towards shareholders and joint venture partners. The concept of *Taqwa* (Conscientiousness) is used to address the responsibility to external parties. The concept of *Birr* (caring justice) is used to tackle the responsibility to employees. *Mujahada* (personal control) refers to the responsibility to oneself, where one exerts personal effort to make the right decision and balance among the competing needs of the former three parties. These four terms are part of local terminology, grounded in Arab/Islamic culture, which people can easily recognize and identify with. The company was able to diffuse those concepts which are now part of the company's discourse. A logic of doing justice to all drives the entire process and, in the hybrid form, could be used to temper the bias towards nepotistic behaviors.

Therefore, the hybrid form can adopt some new concepts, and translate them into terms which would make more sense in the local context. Decision makers would be encouraged, for example, to make the "justice and kindness test" in their administrative decisions. While this will not solve all types of conflicts a decision maker might face, it would nevertheless alert them to the need to balance the perceived duty towards a family member with the justice requirement as framed within Islamic principles. Some decision makers may still decide to go with "kindness" to the family at the expense of "justice" to others, but they would be compelled to use their moral imagination to generate novel alternatives that would bring more justice to non-family members. It is expected that once this framework of thinking becomes part of the manager's analytical repertoire, a further gradual movement away from nepotism would materialize. One of the positive things that a manager could do in this instance is to ensure that family members are equipped with the necessary skills, education, and competencies needed to warrant hiring them. This will eliminate instances when family members are hired just because they are family.

Barriers to the Diffusion of the Hybrid Form

The Arab world has been witnessing fundamental transformations that have disrupted existing power networks (AHDR, 2004). The Arab Spring changes at the political level will also have implications at the level of the firm and are arguably going to speed the pace of change facilitating a move away from traditional nepotistic practices. Yet the hybrid form is still likely to face some key barriers and challenges. There is the danger that the larger institutional environment remains fundamentally unchanged and leaves little room for the hybrid form to take shape. People with vested interests in keeping the status quo, such as family business founders with little exposure to outside experiences, may still find that business success is mostly related to keeping the old structures and influence networks. People in government positions may also fell little motivated to enable the creation of an institutional context facilitating a different way of doing things. There has to be some fundamental change at the macro institutional level and only then may the move and opportunity for the hybrid form manifest themselves.

There is in the Arab world a cultural bias in favor of nepotism. This has to be weakened and nepotism has to gradually lose its cognitive legitimacy. This is an intellectual battle where people marshal the arguments for limiting the scope of nepotism drawing not only on Islamic traditions but also modern arguments about the benefits of rational market behavior. Companies have to feel intellectual pressure to operate organizations in a truly efficient and effective way.

In the absence of total eradication of nepotism, two alternative outcomes are likely. We will either observe attempts to create new networks using family connections that attempt to "capture" the apparatus of the state in order to milk it for economic rents, or we will see a break away from family based strategies and more focus on purely business strategies to insure success and survival. The first alternative is the same old nepotism dressed in new clothes. The latter would include the hybrid form of nepotism we have been talking about. What is hoped for is a relative break from family based strategies and the subsequent use of methodologies that still take the cultural context into consideration. What would ideally be expected is a kind of business that captures the necessities of proper economic and competitive behavior on the one hand, while at the same time addressing the needs of family business. In such an environment, the family business would still accommodate some degree of nepotism, but through making sure that family members, who are hired to fill positions in the business, are qualified in the first place, and are also held accountable for their performance. Nepotism thus will not cease to exist, but its presence in its current form will not be sustained either. As many Arab countries move away from nepotism in politics and political appointments, a parallel move should occur at the firm level. We will see movements to make nepotism more in line with economic reality and more responsive to the aspirations of a more powerful labor force empowered by the successes of the Arab Spring on the political front.

Creating the hybrid form of nepotism requires a change at a higher social level. There is a role for companies, first to increasingly implement a just way of doing business through distancing themselves from detrimental nepotistic behaviors, and second to act as social change agents, involving themselves in discourse about certain damaging practices prevalent in their societies. The government might act as facilitator to this discourse by establishing councils or forums by which corporations can enter into this type of dialogue. This would impact both the normative and cognitive institutional aspects and help in creating a new best practice that is not only true to business interests and shareholder concerns, but also one that takes the values of the culture into serious consideration.

In line with institutional thinking, as practices become more embedded in some organizations, they turn out to be to be perceived by other organizations as legitimate which will increase mimetic behaviors (DiMaggio & Powell, 1983). Scheuer emphasizes that it is sometimes the case that small incremental changes could fare better than radical transformations: "[B]ig ideas and controversial reforms often achieve less impact because they are controversial and many actors work against them (and those who support them tread cautiously so as not to provoke), while similar ideas that include fewer novel elements fare better. . . . [S]ome actors avoid

complete stasis through utilizing small openings instead of breaking down the whole wall" (Scheuer, 2008: 317).

CONCLUSION

The hybrid form, which implies a mix of different practices also implies that it may be transitional. It may take a generation or more for it to take hold and then for nepotistic practices to largely die out. It is not expected, nor required, that nepotism withers in small family businesses where strong networks of trusting members work together. It is when an organization grows that nepotism becomes a problem and hence the need for a transitional hybrid form of organization. Businesses that are more likely to move towards creating this kind of hybrid in Arab states include those that are more subject to competitive pressures. We propose that the manufacturing sector, for example, is a good candidate to implement such a form as it has been subject to stiff competition from more agile firms operating in Southeast Asia.

It is up to future research, however, to uncover which specific sectors would benefit from such an organizational form. Businesses that grow beyond a certain size are also good candidates to implement the hybrid form. In addition, companies whose managers have received advanced management training may better realize the benefits of rational economic behavior, and hence see the futility of irresponsible favoritism to family members. Family businesses that have lived to the third generation, or beyond, will find that nepotistic practices in such firms are more likely to cause problems and create instances of intra-family conflict as the allocation of employment among members of an extended family becomes practically unmanageable. Family businesses that have developed joint ventures/partnerships with multinationals, or even with local non-family firms, will also find it necessary to provide a pragmatic rationale for their managerial behavior. Future research can explore in more empirical detail instances (industry, family generation, size, etc.) where a transition to the hybrid form makes sense. This could be done through comparative case studies that track company performance and quality of managerial decisions as companies begin implementation of the new organizational form.

Of equal interest to management scholars is how to analyze the above-mentioned "intellectual-battle" that works not only at pragmatic levels, but also addresses deeply-engrained cognitive dimensions. Business ethics scholars may want to track the evolution of such a war of ideas, following how mindsets are changed. Scholars may find it beneficial to see how the religious discourse from another tradition (Islam) is dealing with challenges of modernity. After all, discussing issues of nepotism cannot be separated from the larger societal discourse about the extent to which one can borrow practices that have proved successful in foreign contexts without compromising local intellectual paradigms. For example, the last few decades have witnessed the emergence of what is called *Islamic Economics* and the challenge for management scholars is to explore how to facilitate the transfer of market-oriented values within such discourse.

The whole concept of creating a novel organizational form is likely to meet with attitudes of indifference, or outright resistance. Future research should explore in

more detail the parties which will most likely lead such an opposition, and come out with detailed strategies for coping with that opposition. For example, governments in the region are not expected to be immediately sympathetic to the eradication of the practice of nepotism. In many Arab countries a government represents a constellation of alliances where people in power benefit from a close relationship with private sector actors, dominated by traditional family businesses. They would be hesitant to be proactively involved in passing regulations that may compromise such interests. Members of family firms may not be willing to seriously curb nepotism as such endeavors may be perceived as compromising their hold on their businesses. In addition, they have to respond to incessant family pressures in that regard. The least resistance in our estimation, perhaps counter-intuitively, would come from religious institutions. With properly designed religious discourse, they would be more willing to embrace the hybrid form. In addition, they have no vested interest in supporting old managerial practices, especially once family firms become willing to make the transition.

One additional concern when addressing the issue of nepotism is that, given the problems that engulf many Arab societies, nepotism does not seem to be a top priority. A challenge for researchers is to come up with mechanisms to show the real impact of such practices on the firm and larger society. Research should show, empirically where possible, the detrimental effect of old nepotism, especially as companies grow in size and complexity, and become exposed to increasing competitive pressures. Researchers could also address in more detail the impact of recent political changes in Arab societies on the development of alternative organizational forms. The recent changes stemming from the Arab Spring may make what was first thought to be an arduous long term process something more swift and broadly welcomed.

In sum, there is a dialogue that needs to be facilitated by the government, professional organizations, or other relevant stakeholders. Such dialogue would help in explaining the terminology of the new hybrid form to the public. There is a necessity to initiate a discourse, a local *constructive engagement* (Windsor, 2004), which involves company owners and family-members in a dialogue about nepotism and its pitfalls, while allowing for a degree of *moral free space* for certain practices that do not violate standards of fairness and equity. Arguments for the hybrid form center on the futility of old-type nepotism from a pragmatic point of view. In addition, there is a moral argument grounded in Islamic religious thought that shows the limitations of the current practice. This second argument is likely to be particularly effective with an audience that sees Islam as a source of universal notions of justice and fairness.

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