The Impact of Culture on Third-Line Leaders in the Kuwait Oil Sector

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Abstract
Societies pass through several transformational phases that could result from economic growth and changes in technology as well. At present, Kuwait is going through such transformation mainly because of the wealth brought by the oil revenues and the current oil price drops. The society has gone through a rapid evolution, without passing into gradual transformational phases. This research studies the impact of culture on leadership within the oil and gas sector in Kuwait. Culture in Kuwait is influenced strongly through Islamic religion and values. Issues related to Wasta (nepotism) and Kuwaitization (nationalization) is a substantial factor in business and every other aspect in Kuwait. Through in-depth interviews with 42 third-line leaders, the research identifies the influence of societal and collectivist culture, Wasta, Kuwaitization, and organization structure. The root problem is the lack of adequate Kuwaiti workforce with the required skills and experience. With a larger expatriate population in Kuwait, the focus of government in Kuwaitization is essential. However, this should not be at the cost of expertise. The emphasis should be on recruiting and identifying talent to achieve excellent business performance. The influence of Wasta needs to be eliminated.

Keywords: Leadership, Culture, Oil and Gas sector, Kuwait.

1: Introduction
Societies pass through several transformational phases that could result from economic growth and changes in technology as well (Karabati and Say, 2005). At present, Kuwait is going through such transformation mainly because of the wealth brought by the oil revenues and the current oil price drops. The society has gone through a rapid evolution, without passing into gradual transformational phases. After the discovery of oil, Kuwait changed from a society of humble merchants trading in horses, wood, spices, coffee, dates, and pearls, to an immensely wealthy society depending on oil exports.

A contemporary Kuwaiti family is highly varied and incorporates significant and uniquely blended elements of tradition and modernity. According to Tetreault (2001), it is not at all unusual for Kuwaitis and their families to be both “modern” and religiously observant. It is typical for “traditional” Kuwaitis to embrace many of the trappings of modernity, from their enjoyment of the Internet, and latest technology to support education, personal, and business growth.

Islamic leadership principles are primarily derived from the following key sources: the Quran, the Prophetic Tradition, the Pious Caliphs, and the Righteous Followers (Khan, 2007). There are many laws, principles, and models, which Khan (2007) classifies into the following fundamental principles and values: (1) Faith and belief; (2) Knowledge and wisdom; (3) Courage and determination; (4) Mutual consultation and unity (fraternity and brotherhood); (5) Morality and piety (honesty and trust); (6) Superior communication; (7) Justice and compassion; (8) Patience and endurance; (9) Commitment and sacrifice; (10) Lifelong endeavor; (11) Gratitude and prayers. According to Khan (2007), these principles and their application are useful for every leader, and they transcend racial, religious, and temporal boundaries.

Leadership in Islam is considered as a trust (Amanah) and a responsibility. While the Quran condemns oppression and authoritarian tendencies, there is a notable proliferation of autocratic leaders in both political and business organizations across the Muslim-majority countries. In the business world, consultative, paternalistic, autocratic and authoritarian leadership has shaped the norms and practices in contemporary Muslim states (Ali, 2009); including Kuwait.

2: Problem Statement
A review of societal culture is essential from many angles; First, because it distinguishes one society from another, and this study’s perspective because it may impact on the style of leadership (Trompenaars and Hampden-Turner, 1998). The issue of leadership and its linkage to culture has often been overlooked in the literature.
Yet, culture gives meaning to what leaders do and can either facilitate or impede the influence process, and it induces followers to respond and act in particular ways (Ali, 2009).

Not many authors have examined the cultural values of the Kuwaiti society and how, in turn, the culture influences its leaders. Therefore, limited literature was found discussing such issues. Yet, the cultural value system helps in establishing priorities, solving conflicting demands and categorizing whether a person is a leader or not. However, some authors (Al Suwaidi, 2008; Ali et al., 1997; Dedoussis, 2004; Hofstede, 1983; Trompenaars and Hampden-Turner, 1998) have touched on some various aspects of Arab cultures and values, including those of Kuwait.

Another issue is with the practice of Wasta – the Arabic term for nepotism/favoritism. Wasta is not a harmless local curiosity; it has severe negative impacts, particularly in the appointment of people to leadership positions by virtue of their position or status in life as opposed to their skills, experience and competence (Cunningham and Sarayrah, 1994; cited in Goodwin and Preiss, 2010). It is, therefore, not surprising to see incompetent leaders in senior positions because of their strong affiliations with influential people in society. Such practices are rampant in the government and the public sector, where there is severe over-staffing due to the necessity to disburse oil revenues among the population (Alduaiji and Lyons, 2014). Furthermore, the only way to be promoted may be through Wasta. In such environments, there is very little accountability, and for one to be noticed and considered for senior positions, thus one tends to use these social networks (Cunningham and Sarayrah, 1994; cited in Goodwin and Preiss, 2010). These promotional practices demonstrate the reason why there is a need to develop the capabilities of future leaders in Kuwait, particularly in the oil sector, because of its significant importance to Kuwait’s economy.

Most of the existing leadership studies in Arab countries are gender-based and mainly focused on women. In contrast, as stated earlier in this section, there is very little evidence on leadership studies in Kuwait, and there is lack of studies focusing on leadership needs and development in the Arab world. There is a lack of leadership studies, particularly in Kuwait, identifying leadership needs and development.

3: Research Objectives

It is necessary to address the role of cultural values in the experience and outcomes of leadership both within and between cultures. Values can impact organizations in different ways. Since Kuwaiti society is a high-power distance society, the decision-making process tends to be top-down driven. Organizational structures are also expected to be of a hierarchical type of structure. Due to the collectivist nature of Kuwaitis, it is more likely to find that employees in companies tend to work in teams. However, it is also expected that employees will tend to spend their time socializing more than working, especially when the environment is friendly and lively (Trompenaars and Hampden-Turner, 1998).

It is expected that more men than women occupy higher positions in companies, and all these have implications on leadership development. Like many things in life, an exclusive focus on cultural values is insufficient to capture the complexity of culture.

4: Methodology

Interpretivist/constructivist approaches focus on “the world of human experience” (Cohen and Manion, 1994, p. 36), suggesting that “the reality is socially constructed” (Mertens, 2005, p. 12). It is argued that the interpretivist/constructivist studies tend to rely upon the “participants” views of the situation being studied” (Creswell, 2003, p. 8) and recognizes the impact on the research of their background and experiences. Creswell (2003) and Yanow and Schwartz-Shea (2011) claim that interpretivist researchers discover reality through participant’s views, their knowledge and experiences.

The research has focused on collecting data from third-line leaders in the Kuwait Oil and Gas sector. Each of them was identified and approached with the research intentions and the need to collect data from them. There are 42 third-line leaders, and data were collected from each of them through personal in-depth semi-structured interviews, carried out in the participant respective offices. Voice recorders were used with the prior permission of the participants, and after the interviews were completed, the data were transcribed, coded and discussed.

5: Theoretical Background

Hofstede (2011a) view culture as a collective phenomenon because it is at least partly shared with people who live or lived within the same social environment, which is where it was learned.

Culture consists of the unwritten rules of the social game. The same authors argue that every group or category of people carries a set of standard mental programs that constitute its culture. Almost everyone belongs to several different groups and categories at the same time, which corresponds to varying layers of culture:
• A national level, according to one’s country (or countries for people who migrated during their lifetime).
• A regional and/or religious and/or linguistic affiliation level, as most nations are composed of culturally different constituent groups.
• A gender level, according to whether a person was born as a girl or as a boy.
• A generational level, separating grandparents from parents from children.
• A social class level associated with educational opportunities and with a person’s occupation or profession.
• For those who are employed: organizational, departmental, and/or corporate levels, according to the way employees have been socialized by their work organization (Hofstede, 2011a).

Based on the analysis of the survey along with the theoretical explanation, Hofstede identified four cultural dimensions (he later added a 5th dimension in 1988 following his work with Bond) and 40 out of 66 countries within IBM subsidiaries were given a specific scoring for each of the four dimensions. Provided below are brief descriptions of the different dimensions.

5.1 Power distance
The extent to which inequality exists and is accepted by members of a society and where subordinates can express disagreement with their supervisor (Hofstede, 2011b).

Uncertainty avoidance: The structures within a society and the related society’s intolerance of uncertainty and ambiguity. Hofstede (2011b) ranks the U.S. as 46 and Kuwait as 68, where the U.S. has a better uncertainty avoidance society compared to Kuwait.

Individualism/collectivism: The extent to which individuals are integrated into groups. A society with low individualism shares high loyalty and respect between members. For example, the U.S. scored 91 for individualism, while Kuwait scored 38 (Hofstede, 2011b).

Masculinity/femininity: The extent to which societies are pervaded by what Hofstede identified as masculine and feminine values (Hofstede, 2011b). House et al. (2004) contend that Kuwaiti society may be a higher human orientation society.

Short-term versus long-term orientation: Deals with time orientation and consists of two poles: long-term versus short-term. Arab-speaking countries were not included in this study.

Through Hofstede’s scoring of the cultural dimension, the Kuwaiti society/community, is capable of forming a unique set of values and societal norms, influencing people’s practices, attitudes and actions, making them distinguished from other societal groups. However, the cultural context can form and change the values of a society in which individuals live and work in, though over a period of time.

5.2 Kuwait Culture
Trompenaars and Hampden-Turner (1998) in their study, examined the Kuwaiti culture from the perspective of affective versus neutral culture, specific versus diffuse relationships, achievement versus ascription, and perception of the physical environment. They found that Kuwaitis, unlike the general Arab countries, fall in the diffuse, affective cultures and tend to express their emotions very openly, thus Kuwaitis enjoy working in organizations that are friendly and lively, and they enjoy getting together to talk or socialize.

Trompenaars and Hampden-Turner (1998) found that 50% of the Kuwaiti respondents disagreed that the respect a person gets is highly dependent on their family background. Further, Kuwaiti people believe that nature should take its course and they just have to accept it the way it comes and do the best they can. They are often fatalistic, as expressed in the expression Insha Allah (God willing). The GLOBE project is a cross-cultural study of leadership and culture in 62 societies which aims to develop an empirically based theory that describes the relationships between societal culture, organizational processes and leadership. The GLOBE research project examines culture as practices and values. Practices are acts or ‘the way things are done in this culture’, and values are the judgments about ‘the way things should be done’, the artefacts of human spiritual, moral and mental construct.

Specifically, GLOBE is about culturally endorsed implicit theories of leadership (CLTs). The study was a foundational shift in leadership thinking from individual leadership theory (ILT) to cultural leadership theory (CLT) (House et al., 2004). The GLOBE study is built on the foundation of ILT to develop a culturally endorsed implicit leadership theory (House et al., 2004). Numerous examples demonstrate how societal and organizational culture can shape the ILT of their members (Javidan et al., 2010). In a country with relatively high-power distance values (e.g. Kuwait, Russia and Iran), children typically learn that the father is the ultimate authority in the family, and they show strong respect and
deference to him. They found that the father knows what is best and makes decisions for the good of the family. They also learn, through their interactions with their parents, that their role is to comply and follow the decisions and directives made by the father. As a result, in such cultures, the collective ILT reflects elements of power and autocratic leadership. As adults, employees in organizations in such cultures are more accepting of high-power distance values and autocratic leadership styles in their organizations.

The literature review identified the Kuwaiti culture as high-power distance one, which tends to be authoritarian. Although there might be some consultation in some cases, Abbas (996) refers to it as pseudo-consultation, whereby leaders prepare employees to accept their points of view. In some cases, subordinates are consulted, but their opinions are not necessarily incorporated. The potential benefits of genuine consultation include better decisions and greater acceptance of decisions by subordinates who will implement them or are affected by them (Yukl, 2013).

5.3 Wasta

Other important contextual factors, such as religion and Wasta (nepotism) are briefly reviewed to understand their impact on leadership and leadership development in Kuwait. It is noted that Kuwait is an Islamic state wherein Islam affects every aspect of living, including people’s behaviors and work attitudes (Milton-Edwards, 2004). Therefore, its implications on leadership ought to be fully understood. Islam particularly emphasizes the role of leadership as a significant instrument for the realization of an ideal society (Abbas, 2009). By reviewing the Kuwaiti context, we will have a comprehensive appreciation of the contextual factors that influence leadership in Kuwait. Jepson (2009) highlights the importance of differences in these different areas, i.e. cultural, contextual, organizational structural differences, etc., which all points to the need to challenge the universality of leadership values and themes.

Wasta, usually translated as nepotism or favoritism, is a common phenomenon in Kuwait and other Middle East countries, and it is more complicated than these essential translations reveal (Al-Rayis and Al-Fadli, 2004). Wasta is an Arabic term that encompasses bribes (accepting payments in exchange for current or future favors or services), cronyism (hiring or giving contracts to friends), nepotism (hiring or giving contracts to relatives), and kickbacks (accepting a side payment in exchange for a contract) (Cunningham and Sarayrah, 1994; cited in Goodwin and Preiss, 2010). However, this is only one side of a phenomenon deeply rooted in the social and collectivist structure of Arabic society, as mentioned previously, whereby it is seen as a social obligation on leaders to care for their followers, including their families, friends and associates.

6: Findings

All of the third-line leaders in the Kuwait oil and gas sector are Kuwaiti nationals. The oil and gas sector is owned and operated by the government. As part of the ‘Kuwaitization’ (nationalization) process, the sector has Kuwaiti nationals in most of the leadership positions. The following sections will discuss the findings of culture and its influence on the leadership capabilities and issues.

The organizational culture of a company has far-reaching implications on its operations and performance. In Kuwait, the culture is deeply rooted and reinforced primarily by religion and therefore difficult to change. It was, therefore, essential to explore the cultural influences as perceived by these third-line leaders themselves.

Third-line leaders explained Kuwaiti culture as about knowing people and how this also played advantage to the individual. It was observed that the more influential people one knew, the higher the likelihood one could get things done. Another negative aspect of the culture was about how people who were situated away from the actual workplace took vital decisions.

As stated earlier, the oil sector is subservient to the government (ministers and parliamentarians). It is operated or vulnerable to the interference of people who are incompetent to undertake decisions, which adversely affects how the organizations work. Some of the decisions that were taken had adverse effects on employees, thereby adversely affecting their motivation.

6.1 Societal Culture

The responses showed that there is a strong influence of the society on organizational culture and how work is conducted in these oil companies, making it very difficult to change the latter, mainly as Kuwaitis predominantly work in these oil companies. They control most of the critical positions. Due to the high-power distance culture, usually, the leaders are immune when they do something wrong and lower-level employees, and in this case, the third-line leaders get blamed when something goes wrong. As a result, the third-line leaders tend to be very cautious and are reluctant to take initiatives and bold decisions, for fear of being blamed.
It was noted that in these companies, the key leadership positions were now primarily occupied by Kuwaitis, drawn from a largely homogenous society, and the influence of societal culture was beginning to influence organizational work practices adversely. It is difficult to change the work practices as the Kuwaiti people are used to a very relaxed way of working and are not willing to change, calling for more diversity in the workplace. It is a high-power distance society where lower-level employees do not have much say in the running of the company, and instead are told what to do; they are periodically blamed when things go wrong, as top management does not take responsibility which tends to stifle creativity, and third-line leaders are not necessarily willing to take initiatives as a result. The primary aspect that emerged was that it was challenging to change the work practices in these oil companies because of the influential organizational culture that was strongly influenced by societal culture.

6.2 Collectivist Culture

The findings showed that the practice of Wasta (nepotism) had influenced the recruitment and promotion of various individuals to leadership positions. Some of the participants stated that the use of Wasta is based on tribal culture, which is the base of Kuwait culture. There are also non-Kuwaiti nationals who have been working in the company for several years and possess a great deal of knowledge and experience. However, due to the Kuwaitization policy, these employees are not given leadership positions which is one of the stumbling blocks that was identified.

The negative impact of culture also extended to recruitment and promotion. Knowing the right people played a significant role in getting things done in Kuwait, and this was part of the culture as well. According to some of the third-line leaders, this meant that people with lesser knowledge and experience were often promoted as managers, and third-line leaders with better knowledge and abilities had to report to these people. Kuwait’s society is a collectivist society where people live in families or tribes and care for each other, including providing employment opportunities to each other, by being family members. It is therefore not surprising to see people from the same tribe or religious sect working together at the exclusion of the other people.

6.3 Wasta (Nepotism / Favoritism)

Wasta tended to affect the whole employment system in Kuwait. Through the practice of Wasta, people get employed or promoted because of ‘whom they know’ and not necessarily based on merit. Such a rampant practice implies that sometimes people are appointed to positions such as third-line leaders. However, they are unable to perform although they may have an academic qualification but lack the skills and competencies to be able to perform their work. This tends to have demoralizing effects on those people who are bypassed by the practice simply because they are not well connected in society.

Wasta is advantageous to people who have connections and want to get their work done, but at the same, this creates barriers and problems for others. Within an organization, the use of Wasta can have several issues. People in authority will use their power and influence to promote people that are close to them. This may mean that people who are qualified and experienced are left behind. Such practices can, therefore, create problems for these employees and make them demotivated.

However, Wasta is an unavoidable aspect of culture throughout the MENA countries. Kuwaiti society is tribes and family affiliations (Hofstede, 1980; House et al., 2004). These people make it a regular habit to consult and work together on issues in divans; traditional meeting places wherein every topic including personal, business, political and economic problems are discussed, and very often decisions are made in such meeting places.

Therefore, the same practice is there in the business and within the organization as well. Besides, an understanding of Wasta is essential because of the considerable role it exerts in societal, economic, public, and political spheres in the Arab World.

The empirical findings here are in-line with the literature findings culture defines the community and the people, including within organizations, but people need to use culture to their advantage and the benefit of the organization. The study identified that divans could play a decisive role in enhancing communication and collaboration across different levels of organizations.

The main problem in appointments was the use of Wasta, including government personnel appointing their in-group members to senior positions at the expense of in-house employees. The leadership aspects in the Kuwaiti Oil and Gas Sector are permeated by Wasta (Salaman, 2004). The findings of this research also show that Wasta is not a welcome practice in the Kuwaiti Oil and Gas Sector, but unfortunately, it is ubiquitous. It has become deeply rooted in these organizations, creating various problems.
6.4 Kuwaitization

It was noticed that the Kuwaitization policy was generally perceived to be well-intentioned in terms of developing the country and having indigenous people gaining skills and developing themselves, particularly in the oil and gas sector. There was general agreement amongst the participants that it was a policy also meant to establish local labor and strengthen the economy. The third-line leaders needed to be given a fair chance and opportunities to grow to assume greater responsibilities. It is a policy targeted to reduce the unemployment rate of Kuwaitis. However, it has resulted in over-staffing in governmental and quasi-governmental organizations such as the oil and gas sector companies.

The drawback, however, was that many of these third-line leaders lacked the skills and competencies primarily because of the technical nature of the work. Furthermore, appointing people to leadership positions without selecting qualified people or the best people may reduce the potential of having good leaders in the long run. The major criticism of the policy was that bringing in Kuwaitis for the sake of meeting government employment quotas resulted in them loitering around without doing anything (or indeed receiving a salary while relaxing at home), with a foreigner working as their proxy.

The Kuwaitization policy creates issues due to which most of the leadership positions being occupied by Kuwaitis. There is, therefore, a need to cultivating a new set of leadership competencies to deal with change. In response to such changes that are sweeping throughout the sector, the third-line leaders must be very agile. Leadership agility is the ability to be flexible, responsive and adaptable, showing initiative during times of uncertainty and change (Joiner and Josephs, 2006). Agile leaders manage dynamism by reading the new realities of a situation and quickly shifting their attention, perspective and behavior to fit the changing environment (Joiner and Josephs, 2006). Furthermore, management development must not be divorced from change management projects and should not be seen as separate activities and carried out by different people.

An important finding from this study is that although there are cultural differences between Kuwait and Western countries. This finding is particularly important, given the widely accepted cultural differences in traditional leadership skills (House et al., 2004). This may lead us to conclude that perhaps, shortly, all leadership competencies associated with success will be equally prevalent amongst leaders, regardless of their cultural background. As these competencies are strengthened within a leader, they will be more likely to improve the efficiency and effectiveness of their organization as well.

6.5 Organizational Structure

The third-line leaders viewed the structure as hierarchical, and they felt that it was designed to accommodate as many Kuwaitis as possible. This was also in-line with the high-power distance culture of Kuwait, as pointed out earlier. Third-line leaders had the potential to lead and develop to become potential future senior leaders. There was, therefore, a large pool of people to be developed to become future senior leaders. However, it was essential to ensure that the people appointed to these positions possessed the requisite qualifications and skills required to do the work.

The issues mentioned above helped to understand better the needs and skill requirements of these third-line leaders and some of the underlying problems that may have influenced them. This enabled the investigation to dwell more in-depth into the main objective of the study, which was to understand the needs of these lower-level leaders.

7: Recommendations

The findings showed indicated the issues with Kuwaitization or localization policy (which is essentially a national Wasta). The government of Kuwait has taken the initiative of ensuring that jobs are provided to its nationals. Each sector has a specific percentage and positions that are reserved for Kuwaitis. The initiative of offering jobs to citizens is an essential mechanism to disburse oil revenues and to try and promote a diverse economy and skilled populace. Still, there are mixed observations and feelings about this. Third-line leaders expressed that this process is fundamentally sound, but its implementation has been mishandled, resulting in hiring less qualified and experienced candidates over experienced non-Kuwaitis. For the company to perform well, employing a lot of local nationals with no knowledge or work ethic is not going to help. They need qualified and experienced people, irrespective of any other criteria. Therefore, the issue of diversity ought to be considered seriously. Some participants expressed that exposure to expatriate counterparts could form a channel for experiential learning for Kuwaiti employees. However, in the existing situation, it was more likely that a Kuwaiti would be engaged to make up numbers (to fill the quota required for government certifications, licenses and lucrative tenders), with his or her actual tasks being performed by an expatriate proxy while the Kuwaiti relaxed at home.
The root problem is the lack of adequate Kuwaiti workforce with the required skills and experience. This is also backed by Salih (2010), who found (based on data over a decade) that the government offers low-quality services due to workers’ lack of qualifications and improper planning for a replacement. In other words, the emphasis of the government on generating jobs for the nationals is right. However, the organizations do not appreciate this as they choose inexperienced or less experienced Kuwaitis over adequate, available expatriates with experience of working in various fields who could bring in a wealth of knowledge to the benefit of Kuwaitis themselves.

8: Summary

Wasta or nepotism seems to be widely accepted in most Arab countries, including in these Kuwaiti companies, with the implication that the appointed third-line leaders are not necessarily the most suitable candidates to hold such positions. In some cases, third-line leaders are assigned to specific job positions, and they do not have the know-how or knowledge required for that position, leaving them at the mercy of their subordinates, which may be more experienced but unwilling to cooperate. Furthermore, such work practices have demoralizing effects on the more competent people who might not necessarily be well connected in society.

The paper discusses the functional leadership abilities of the third-line leaders working in Kuwait’s Oil and Gas Sector, as seen by the leaders themselves, considering cultural unity that can yield increased usefulness. This leadership needs with the influence of culture is grounded in empirical research. It is essential to gain Kuwaiti leaders’ understanding of the leadership topic, as Western models have been highlighted in the past to be inadequate when being applied to non-Western countries. The third-line leaders themselves identified skills that might be lacking and thus impeding the leader’s ability to perform at an optimal level in their current roles.

References


