

Cultural Differences in Business Practices

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QR code for slides

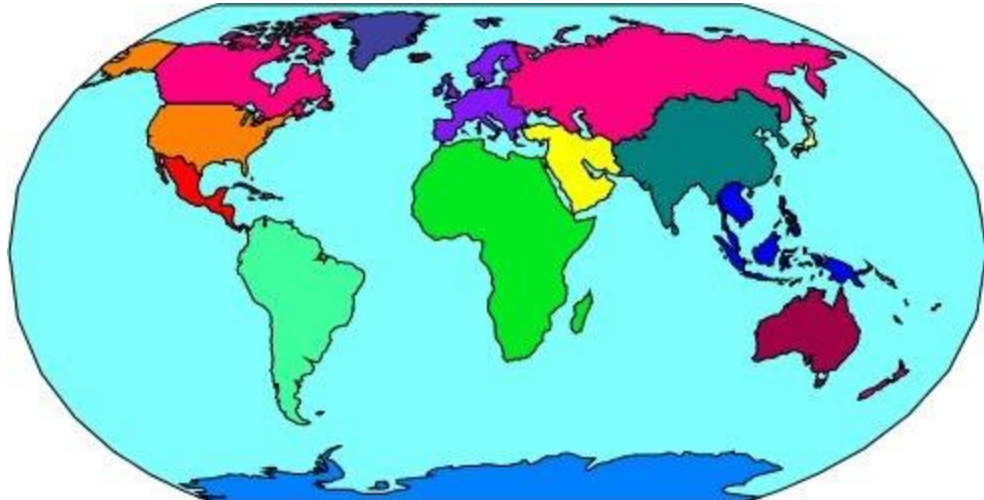


johnhooker.tepper.cmu.edu/businessCultureCMUQ.pdf



Why understand world cultures?

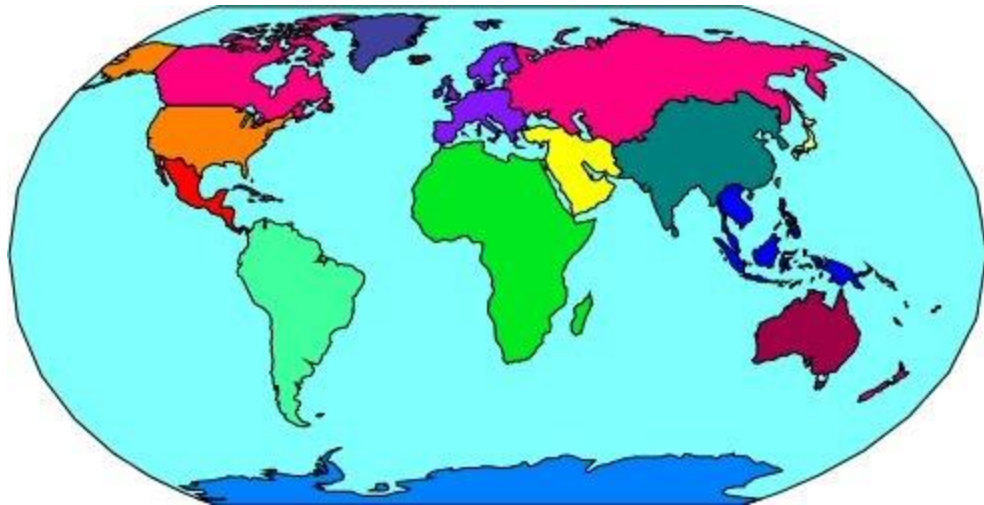
- ✚ Business is **global**.
 - ✚ We routinely work with people of **different cultural backgrounds**.
 - ✚ **Cultural fluency** is an asset.





Why understand world cultures?

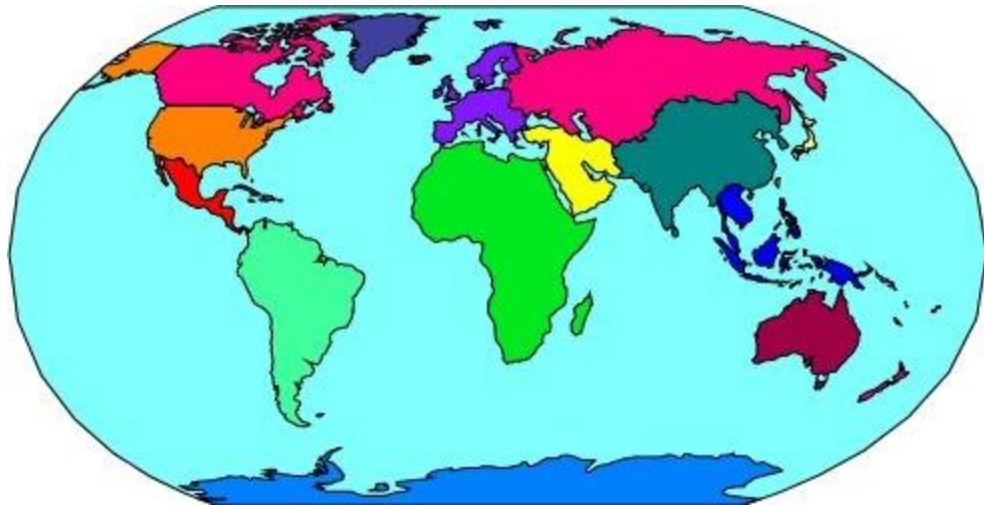
- ✿ Cultures are **different**
 - ▣ Each has a **thought system and logic** of its own.

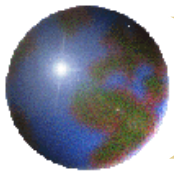




Why understand world cultures?

- ✿ **Business cultures** are therefore different.
 - ❏ Business is **not self-sufficient**.
 - ❏ It would be impossible without **cultural support**.





What is culture?

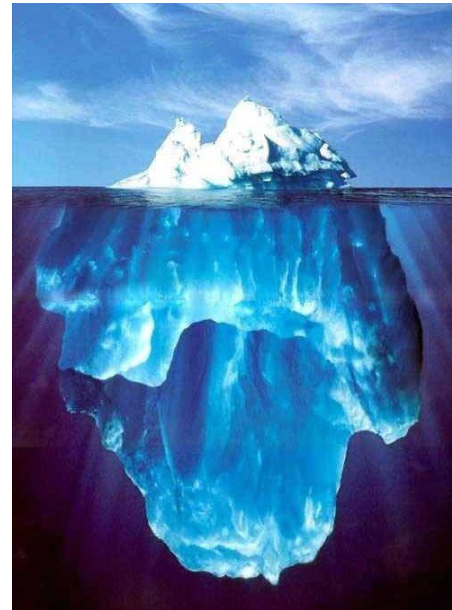
✚ It's not about the food!





What is culture?

- ✿ Culture is the **thought system we live in.**
 - ✿ Culture determines our deepest assumptions, most of which we are **not even aware of.**
 - Like an iceberg, culture lies mostly **beneath the surface.**





Special note

✿ **No judgments.**

- ✦ The aim here is **not** to judge cultures as **good** or **bad**.
 - We claim only that they are **different**.
 - Radically different business cultures have achieved equally **spectacular results**.





Outline

- ✚ **Part I:** Overview of Business Cultures
- ✚ **Part II:** Country Profiles
- ✚ **Part III:** A Cross-cultural View of Corruption



Part I

Overview of Business Cultures

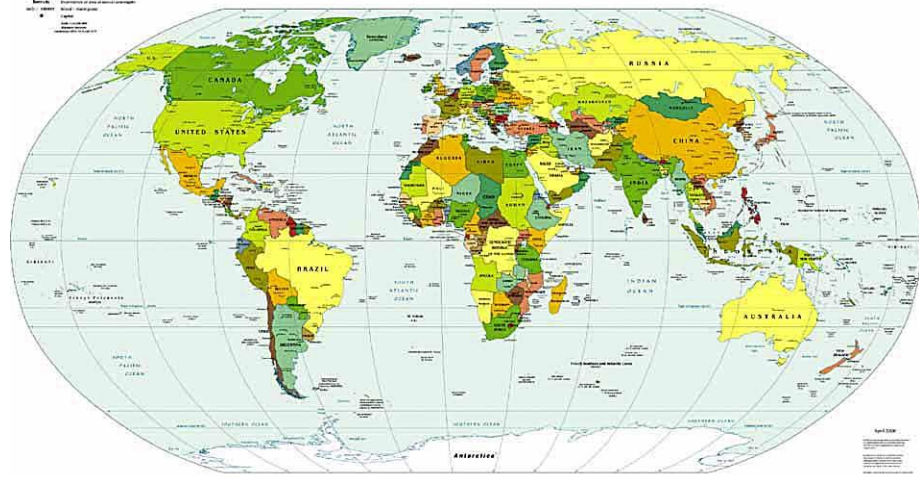
- ✚ Relationships vs. rules
- ✚ Cultural classification



Relationships vs. rules

- ✚ There are 5000+ cultures in the world, all very different.
- ✚ But they can be classified **roughly** as:
 - ✚ **relationship-based**
 - ✚ **rule-based.**

Political Map of the World, April 2000

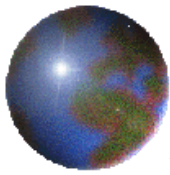




Relationship-based cultures

- ☉ Life is organized primarily around **personal relationships**.
 - ☐ and the **loyalties** they imply.

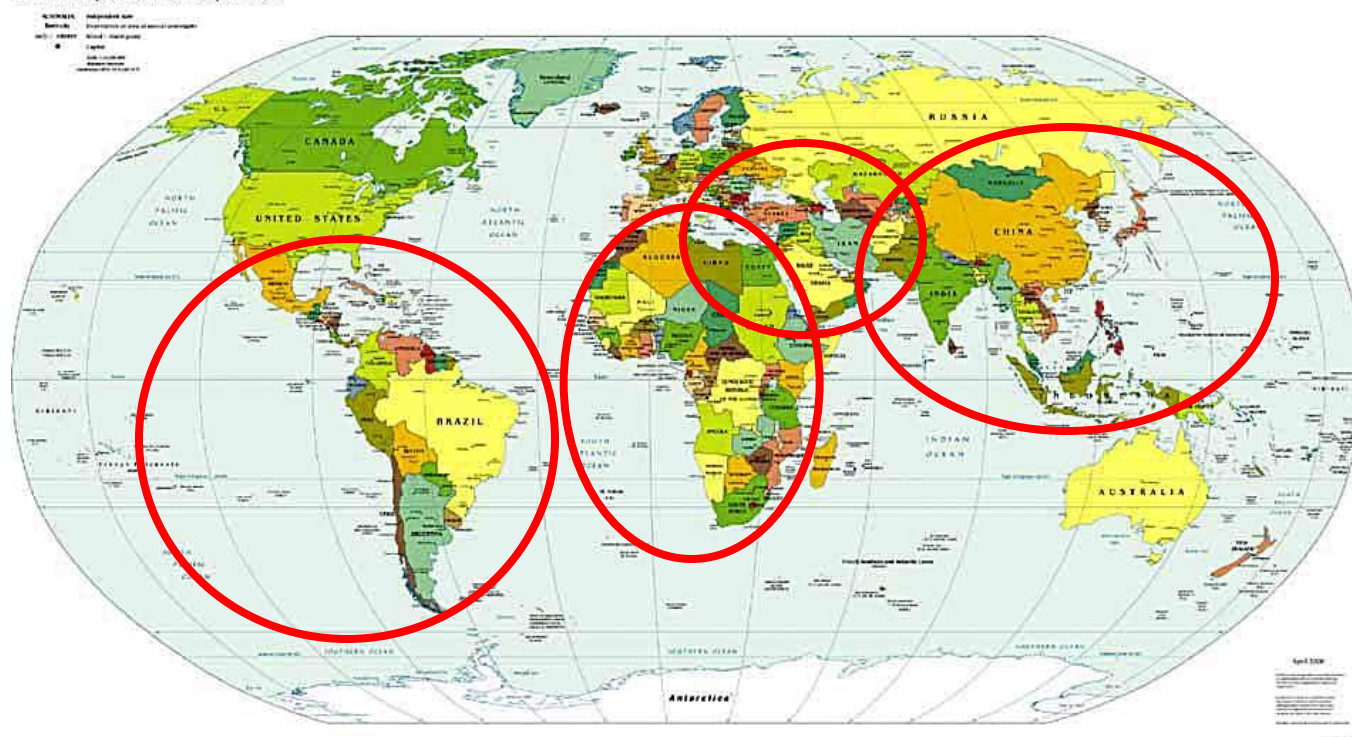


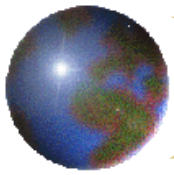


✚ Relationship-based regions

✚ Africa, Asia, Middle East, South America

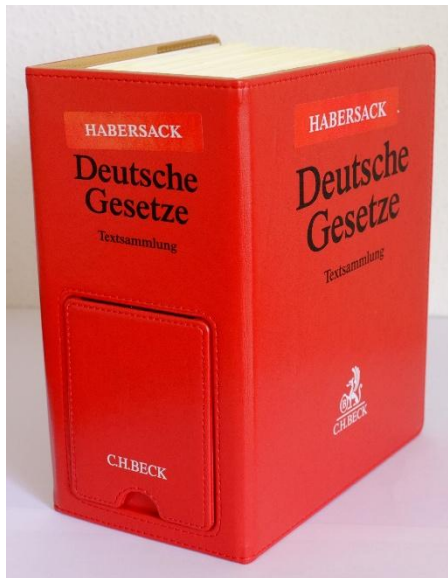
Political Map of the World, April 2000

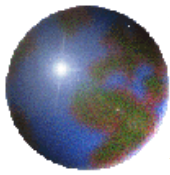




Rule-based cultures

- ☛ Life is organized primarily by **rules**.
 - ▣ ...which ideally are viewed as **reasonable** and **fair**.

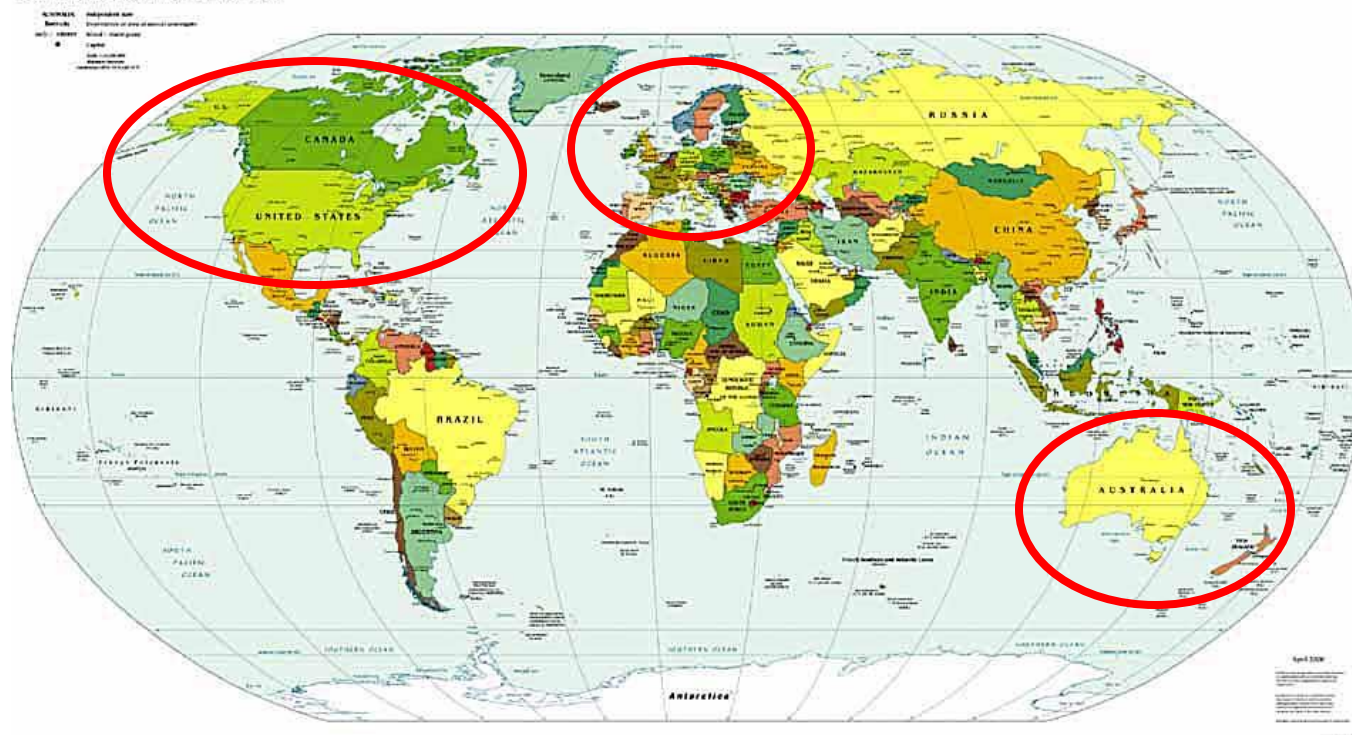


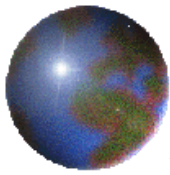


Rule-based regions

- Australia, Europe, North America

Political Map of the World, April 2000

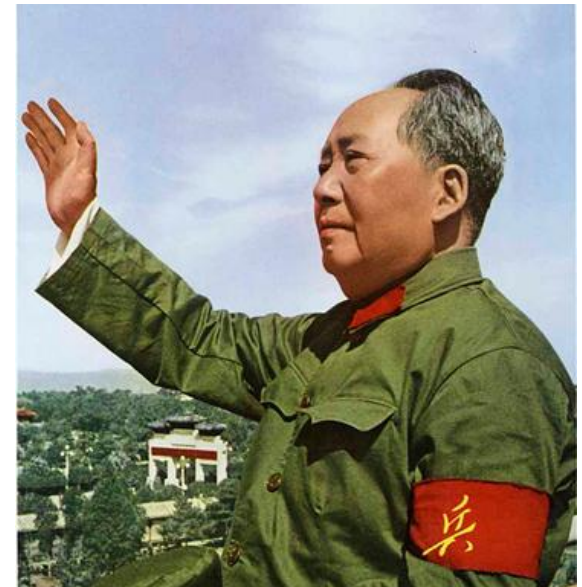


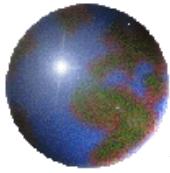


🌀 Note: Relationship-based cultures **also have rules.**

❏ But the rules receive their **legitimacy** from **persons with authority**

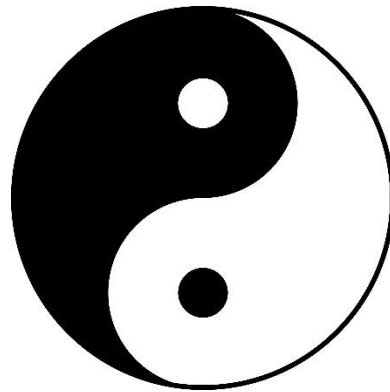
- ...such as **parents, boss, government officials, head of state**
- ...**rather than** through consensus, majority vote, or being seen as **self-justifying.**





✚ **No culture** is **purely** relationship-based or rule-based!

✚ But one system tends to dominate.





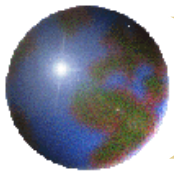
Everyday example - Traffic

☉ Relationship-based:

- ☒ Get through the intersection by **one-on-one negotiation**



Varanasi, India

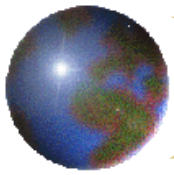


Everyday example - Traffic

- ☛ Rule-based:
 - ☛ Follow **traffic laws**, signs and signals



Los Angeles, USA



Relationship-based business

❖ **Business** is all about...

- ❖ ...forming a **business relationship**
- ❖ ...**trusting the person**,
not the system





Rule-based business

✚ **Business** is all about...

- ✚ ...making **deals** (contracts)
- ✚ ...relying on the **legal system** to enforce the deals





Cultural classification

- ✚ **Specific cultural traits** tend to **correlate** with the relationship-based/rule-based distinction.
 - ✚ Management of **time, information, and employees.**
 - ✚ **Collectivist** or **individualist** society

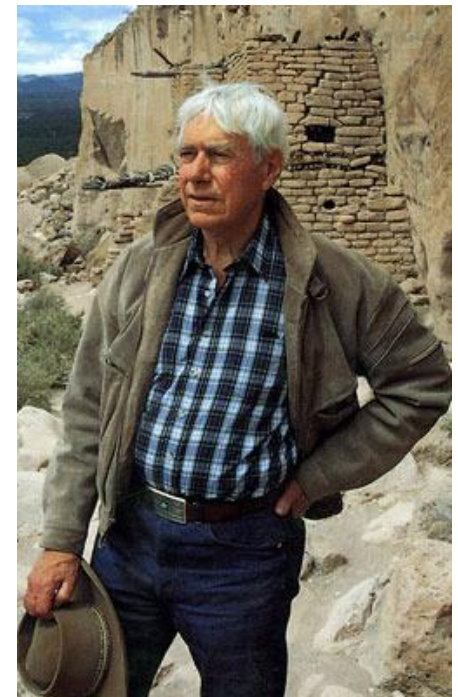


Cultural classification

- ✿ **Specific cultural traits** tend to **correlate** with the relationship-based/rule-based distinction.
 - ✦ Management of **time, information, and employees.**
 - ✦ **Collectivist** or **individualist** society
- ✿ These can serve as a **starting point**
 - ✦ and provide a **basic framework.**



Geert Hofstede
1928-2020



Edward T. Hall
1914-2009



Cultural classification

- ✚ There are **many exceptions** to everything presented here.
 - ✚ But the framework allows us to view exceptions **in the context of a general pattern.**





Cultural classification

- ⊕ There are **many exceptions** to everything presented here.
 - ⊞ But the framework allows us to view exceptions **in the context of a general pattern.**
- ⊕ Think of **weather** and **climate**
 - ⊞ Weather on a given day can be very different from the overall climate.
 - ⊞ Yet it's important to know about the climate!

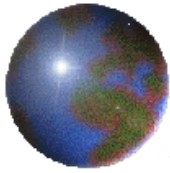


Snow in the Sahara

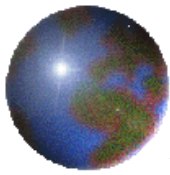


Cultural Classification

	Relationship-Based	Rule-Based
Time	Polychronic	Monochronic
Information	High context	Low context
Employee management	Top-down, supervisory	Consultative, contractual
Society	Collectivist	Individualist



Culture and Time



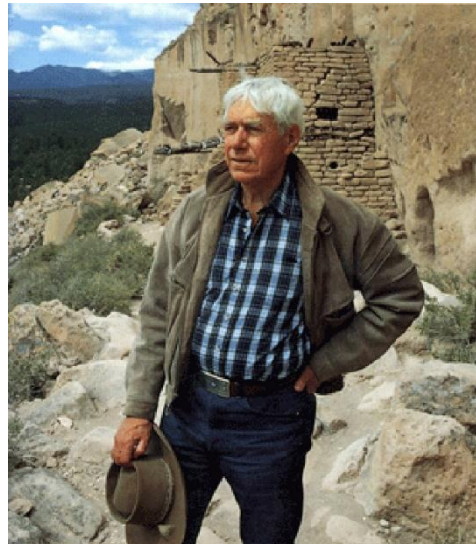
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Culture and time

- ✿ A culture's sense of **time** affects every aspect of daily life – and business.
 - ✿ Edward Hall classified cultures as **polychronic** and **monochronic**.





Polychronic cultures

✿ **Juggling tasks.**

- ✦ People are comfortable with being involved in **several tasks at once**.
- ✦ **Relationship-based** cultures are polychronic.
 - **Punctuality** generally **not important**.
 - Except in Japan, Singapore and (to some extent) China.





Polychronic cultures

- ✚ Due to **multitasking**, less need to structure time.
 - ✚ You may be **kept waiting** 45 minutes for an appointment.
 - ✚ But don't keep the **boss** waiting!
 - ✚ Clerk may serve **3 or 4** people at once.
 - ✚ No orderly queues.
 - except at international airports, hotels, etc.





Polychronic cultures

⊕ Time is **not strictly measured**.

- ⊠ Idleness **stops time**.
- ⊠ Activity **makes time**.
- ⊠ Having to wait is **no big deal**.

Examples: Zimbabwe





Polychronic cultures

- ✿ Travel arrangements.
 - ✦ Perhaps made at the **last minute**.
- ✿ Deadlines.
 - ✦ People switch to another task when delayed.
 - ✦ Staff may not speed up as the deadline approaches.



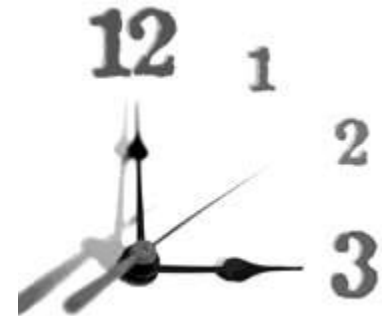
*Examples: Business visa,
house construction*



Monochronic cultures

⊕ One thing at a time.

- ⊞ People like to **finish one task before moving to another** and are generally **punctual**.
- ⊞ **Rule-based** cultures are monochronic.
 - **U.S.** is strongly monochronic.
 - Japan, Singapore and (to some extent) China are **punctual** but **polychronic**.





Monochronic cultures

⊕ People **organize** and **structure** time.

- ⊕ Time is partitioned into **intervals**, each devoted to one task.
- ⊕ **Appointments** are made and **punctuality** important.
- ⊕ Orderly **queues** form.
 - Clerk deals with **one person at a time**.
 - British say they invented the queue.



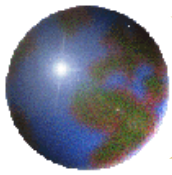


Monochronic cultures

⊕ Time is a **measurable substance**.

- ❑ It can be spent, saved, wasted.
- ❑ Idleness **wastes time**.
- ❑ Activity **fills time**.
- ❑ Having to wait is **boring**.



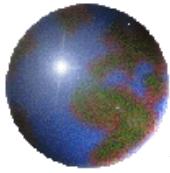


Monochronic cultures

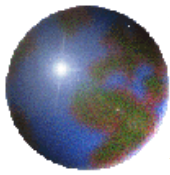
- ✚ Travel arrangements.
 - ✚ Made **far in advance**.
- ✚ Deadlines.
 - ✚ **Time is money**.
 - ✚ People get **nervous** and **speed up** as the deadline approaches.



Example: Bookings in Scandinavia



Culture and Information



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High context cultures

- ✦ Information and behavior norms absorbed from the social context.

Example: Regional airport

- ✦ People just know what to do.
- ✦ Contracts are **vague, verbal, or nonexistent.**
 - Agreements evolve with the situation.
 - But... contracts are important in the Middle East.
- ✦ People **may not pay attention to written rules or memos.**





High context cultures

- ✿ Communication is indirect
 - ❑ One may avoid saying “no,” may say “yes” to be polite.
 - Even if one doesn’t like the offer.
 - This helps to **avoid giving offense**.
 - ❑ It may be improper to **criticize company policy** in the presence of the boss.





Low context cultures

- Information and behavior norms are spelled out in writing.
 - There are many **signs**, timetables, maps.
 - Contracts** are written, long, and detailed.
 - Fixed once signed.
 - Disputes resolved by lawsuits.
 - People **pay attention to written rules**.



Example: Arrival



Low context cultures

- ✿ Disagreements are resolved by **open discussion**.
 - ✦ It is OK to say **“no”**.
 - when one dislikes the offer.
 - ✦ Employees can express **disagreement** with each other and company policy.





Conducting business

- ✿ In **high context** cultures,
 - ✦ Business plans are based on **mutual understanding**.
 - Perhaps arrived at **over dinner**.
 - ✦ There may be no legal contract
 - ...at first, or ever.
 - ✦ Detailed accounting statements may be unimportant.
 - Asking for them may give offense.





Conducting business

- ✦ In **low context** cultures,
 - ▣ Business plans are drawn up in **detailed contracts**.
 - Dinner conversation doesn't apply until it's **in writing**.
 - ▣ **Detailed financial statements** are routine.
 - Conform to **IFRS** (International Financial Reporting Standards) or **GAAP** (Generally Accepted Accounting Principles) in USA.

Example: Bicycle rental





Conducting business

✿ First rule of international business:

- ✦ In a **low-context culture**,

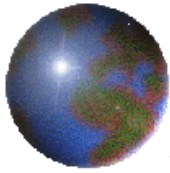
Nothing is agreed upon unless it is **part of the contract.**



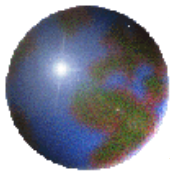
- ✦ In a **high-context culture**,

Nothing is agreed upon unless it is **part of the relationship.**





Employee management



Cultural Classification

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Relationship-based management

- ✚ Decisions are **top-down**.
 - ✚ A **good boss** is expected to make **good decisions**.
 - ✚ **Staff meetings** are used to announce or explain company decisions
 - Not to discuss, arrive at, or get feedback on decisions.
 - **Exception:** Japan, which may rely on *nemawashi*.



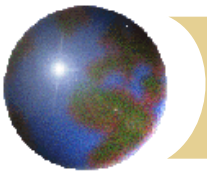


Relationship-based management

- ✿ **Close supervision** is expected.
 - ✦ If the boss isn't watching, employees assume he/she **doesn't care**.
 - Heavy use of **mobile phones** to check on staff while boss is away.
 - ✦ Boss deals with requests for time off, etc., **case by case**.
 - ✦ Rely on **personal communication**
 - Transmit company policy through chain of command
 - Not with company memos.

*Example: Australians
in Guangzhou*





Rule-based management

- ✚ Decisions can be **collaborative**.
 - ✚ A **good boss** is expected to **inspire** employees and rely on **consultative management**.
 - ✚ **Staff meetings** may be used to discuss **pros and cons**.
 - Based on **data** and **evidence**.
 - Final decision made at the top.

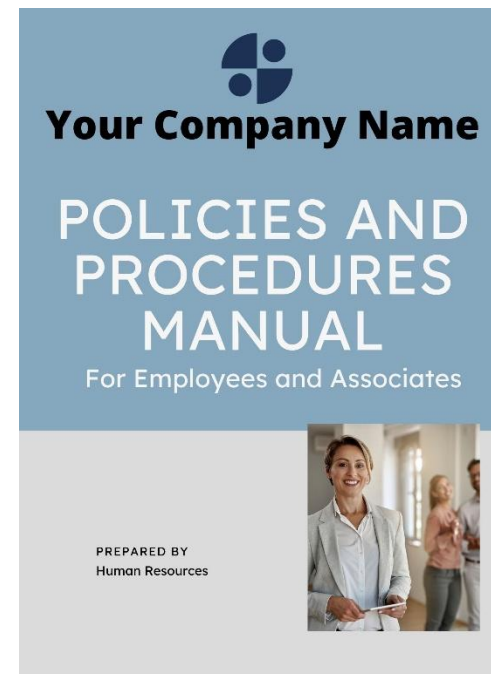


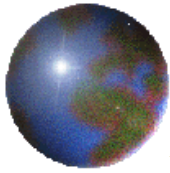


Rule-based management

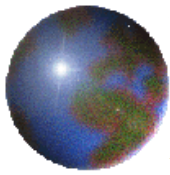
✿ **Supervision is light.**

- ✿ Employees take cues from their **job description**, and **general instructions** for the current project.
 - They are later **rewarded** for success, perhaps **dismissed** or **demoted** for failure.
- ✿ Requests for time off, etc., are handled **by the book**
 - or as stated in the employment contract.
- ✿ Official communication is **in writing**
 - Websites, policy manuals, company memos.
 - Employees are expected to read them.





Collectivist and Individualist Cultures



Cultural Classification

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Collectivist cultures

- ✪ Primary loyalty is to the **group**.
 - ✦ Usually the **family**, sometimes the **village** or **nation**.
 - ✦ Loyalty to the **company** can be strong in some cultures.
 - As in **Japan**, where employees feel obligation **not to leave for higher pay** (this is changing)
 - Loyalty to the **boss** can be strong in South **Korea**.
 - Job hopping **disrupts relationships** on which business depends.





Collectivist cultures

✿ Focus on **cooperation**

- ✦ Employees may be reluctant to compete with each other
 - As in some **African, Latino** and **indigenous** cultures
- ✦ But **competition** can be strong **outside the loyalty group**.
 - Especially in “**masculine**” **cultures**, where aggressiveness is valued.
 - ...as in **China**, where **business** is highly competitive





Collectivist cultures

- ✿ Collective bargaining
 - ✦ Employees may confront management **collectively**.
 - even when **individuals** are deferential to managers..
 - This can result in protests and strikes.





Individualist cultures

- ✦ Primary loyalty is to **oneself**.
 - ✦ People are held **individually responsible** for their own welfare.
 - and are expected to show **individual initiative**.
 - Reliance on an impersonal **system** for support and security, rather than family or friends.
 - ✦ **Little company loyalty.**
 - Everyone feels free to **switch jobs** at any time in search of better pay or working conditions.





Individualist cultures

✦ Focus on **competition**

- ✦ ...in **all areas** of life, especially **business**.
- ✦ Strong competition **between coworkers**.
 - Companies encourage **teamwork** in an effort to overcome this.
 - Much research on **group dynamics**.
- ✦ **A few** individualist cultures prefer **cooperation**.
 - Especially in “**feminine**” **cultures**, which don’t value aggressiveness.
 - For example, **Scandinavian** countries.





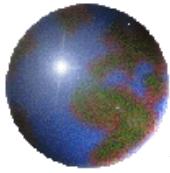
Individualist cultures

✪ Collective bargaining

✪ Employees may be **reluctant** to join **labor unions**

- ...even though they feel free to confront the boss individually.
- As in much of **USA**.
- **Europe** is a **major exception**.





Part II

Country Profiles

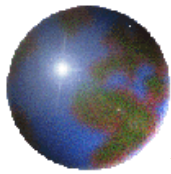
- ✿ **Europe:** Germany, Denmark
- ✿ **East Asia:** China
- ✿ **South Asia:** India
- ✿ **Middle East:** Turkey
- ✿ **Africa:** Zimbabwe
- ✿ **South America:** Brazil
- ✿ **North America:** USA



Country profiles

- ✚ **Brief** summaries of business culture
 - ▣ No time for a more complete cultural guide!

SUMMARY



Europe

Germany, Denmark





Germany

GULF TIMES

QATAR

Qatar-German business meet discusses enhancing trade and investments

DOHA PUBLISHED ON AUGUST 31, 2025 | 03:31 PM



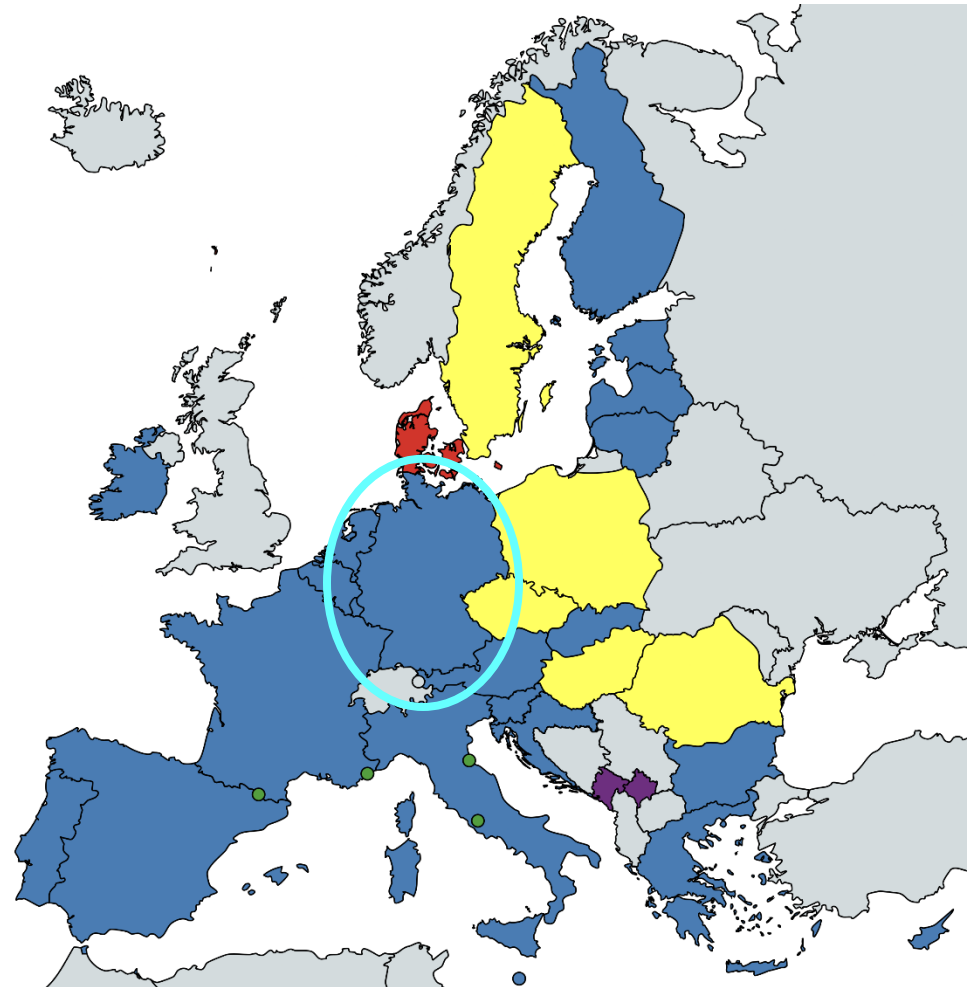


Germany

Economic anchor of the Eurozone

Eurozone 01.01.2026

- Member. The Euro is the official currency.
- Not a member. Legally bound to adopt the Euro when conditions are met.
- Opt out. Not legally bound to adopt the Euro.
- Monetary agreement. Can mint their own Euros.
- Unilaterally adopted. Relies on Euros already in circulation but can't mint their own.





Germany

✪ Perhaps the world's most highly **rule-based** culture.

- ✪ Meticulous regulation of all areas of business and life.

Medieval festival, Bayern
*The village is picturesque
because **everything is
regulated by law.***





Germany

✚ Justly famous for quality, reliability, efficiency

✚ Pioneers in automobiles, aviation, chemicals

- Benz,
Daimler,
Zeppelin,
Lilienthal,
Haber,
Bosch



Robots in BMW plant,
München



Germany

✿ **Reliability & predictability** are important for this **uncertainty avoiding** culture.

- ✿ Highly engineered physical and social systems
- ✿ **Monochronic** time consciousness
- ✿ Staggered school holidays
- ✿ Trains run on time (less so recently)





Germany

✿ **Closing hours** still regulated by law.

✦ Although less than in the past.

- Almost everything closes on Sundays and after 8 pm weekdays.
- Closing laws are now adopted at the state level.





Germany

❖ **Employee relations** are highly regulated by law.

❖ **Strict protection for employees**

- *Kündigungsschutzgesetz* (KSchG) mandates termination procedures.
- *Arbeitnehmerüberlassungsgesetz* (AÜG) ensures fair treatment of temporary workers.

❖ **Working conditions and pay**

- €12.82/hour minimum wage
- minimum 24 days paid vacation
- mandatory rest periods
- 6 weeks paid sick leave
- 14 weeks paid maternity leave
- 3 years unpaid paternity leave
- 14 months 2/3 pay parental leave

❖ **Employees know their rights.**



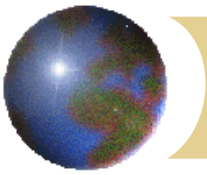


Germany

- ✚ **Financing** is risk averse.
 - ✚ Most businesses are **debt financed** (bank loans) rather than equity financed (stock issues)
 - ✚ Limited venture capital available.

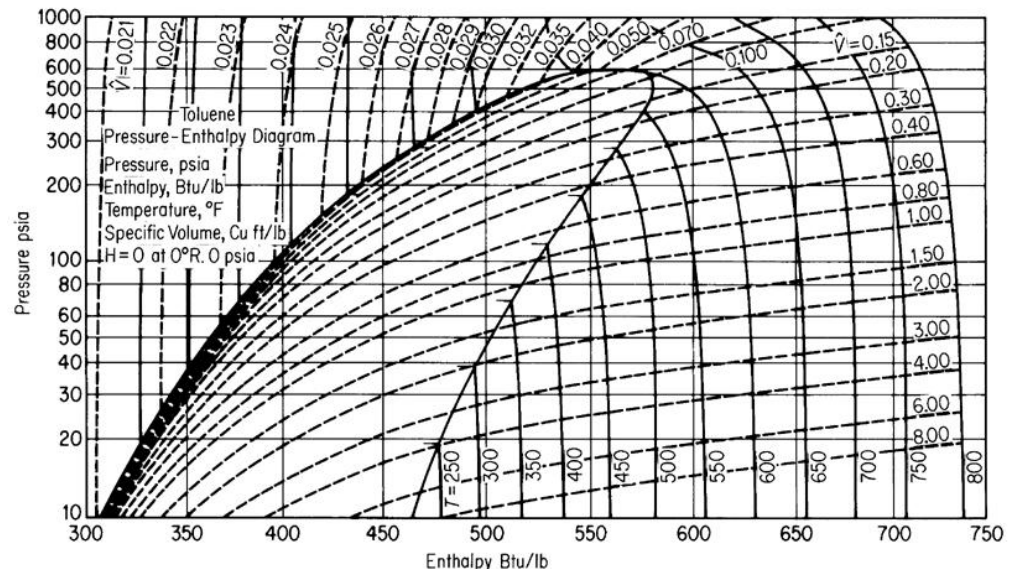
Deutsche Bank towers,
Frankfurt am Main





Germany

- ✚ Business proposals should be **fact-based**.
 - ✚ Data analytics and mathematical models are respected.
 - Executives are often highly trained engineers. *Example: Bayer*
 - No flashy sales pitch.
 - No humor or small talk.
 - You can speak English.
 - ✚ Describe a Plan B
 - Business partners want to be **reassured**, **not impressed**.





Germany

- ✚ Long-term relationships unnecessary.
 - ✚ But attend **trade fairs** to make contacts.
 - Especially in Hanover, Frankfurt, Köln, Düsseldorf, etc.





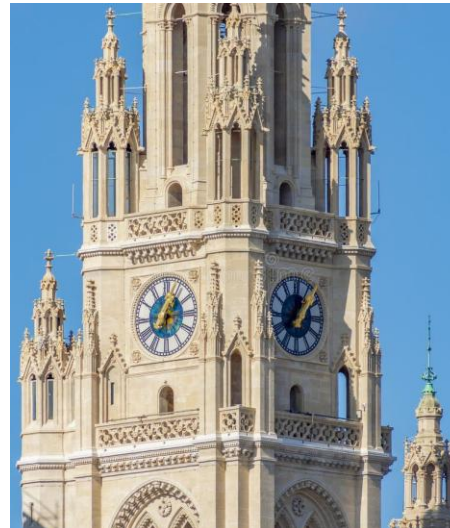
Germany

☼ **Low-context** culture

- ☒ Be specific and straightforward.
 - Provide **highly detailed** business proposals.

☼ **Monochronic** culture

- ☒ Be on time.
 - Clocks are everywhere.





Germany

☙ Somewhat formal

- ☙ Never use first names in the office.
 - *Gunter Schmidt* is **Herr Schmidt**,
Frieda Schmidt is **Frau Schmidt**.
- ☙ Address others by their full title.
 - *Especially in correspondence.*
 - *Herr Doktor Schmidt.*
- ☙ Self introduction is brief.
 - *Gunter Schmidt hier.*
- ☙ Gifts not expected.
 - Although a small item with company logo could be OK.
- ☙ But enjoy leisurely dinner in restaurant with others, after hours.
 - Don't talk business.
 - *Alkoholfreies Bier* is fine.





Denmark



Qatari & Danish firms to expand cooperation



26/9/2017

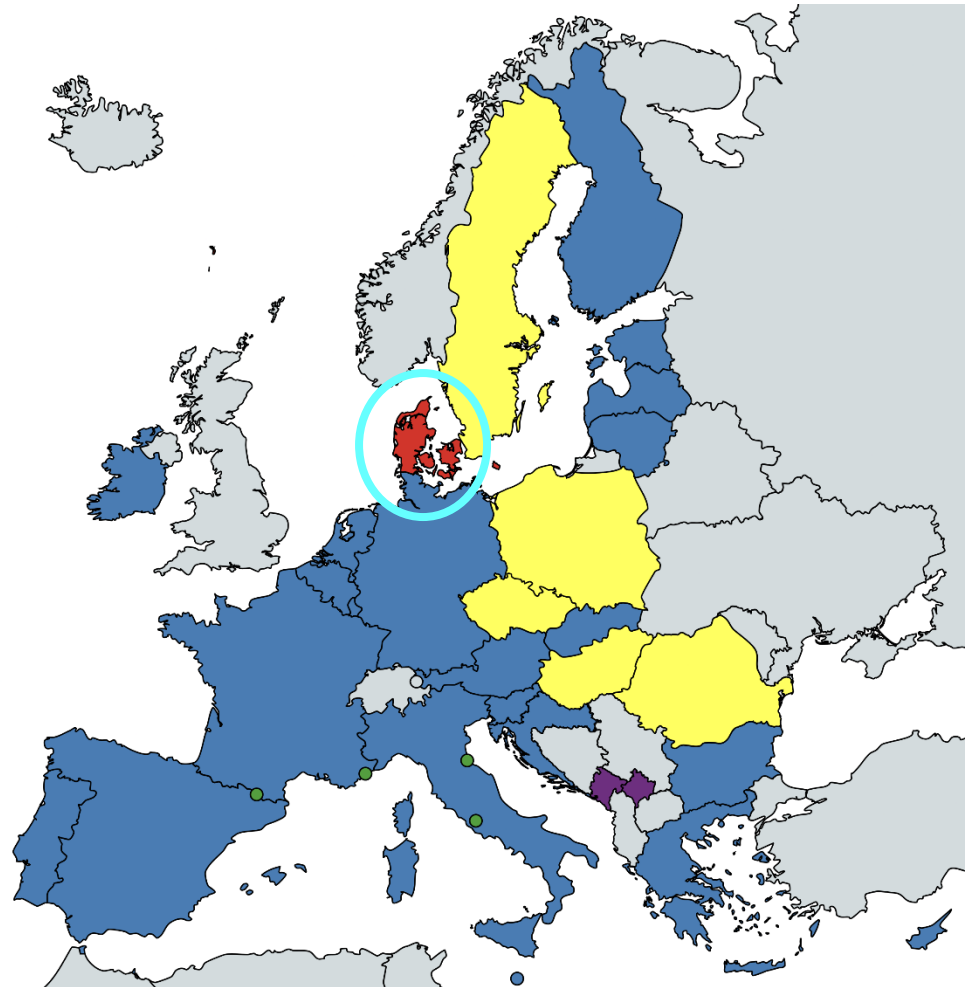


Denmark

Member of
the EU
but uses its
own currency,
Danish *krone*

Eurozone 01.01.2026

- Member. The Euro is the official currency.
- Not a member. Legally bound to adopt the Euro when conditions are met.
- Opt out. Not legally bound to adopt the Euro.
- Monetary agreement. Can mint their own Euros.
- Unilaterally adopted. Relies on Euros already in circulation but can't mint their own.





Denmark

☙ The state provides cradle-to-grave security

☒ High standard of living

- **No poverty** and little conspicuous wealth.
- Unemployment benefits.
- **Egalitarian ethic.**

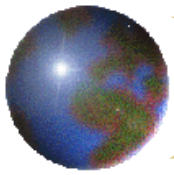
☒ Family and friendship connections not important.

- Partners often don't marry.
- State supports day care for kids, retirement homes for elderly.

*Example:
Secretary's office*

Day care center,
Copenhagen (*Köbenhavn*)





Denmark

- ⊕ Much thought invested in good design
 - ⊞ Highly efficient utilities, transportation
 - Trains & bus go everywhere.

*Example:
Home heating*

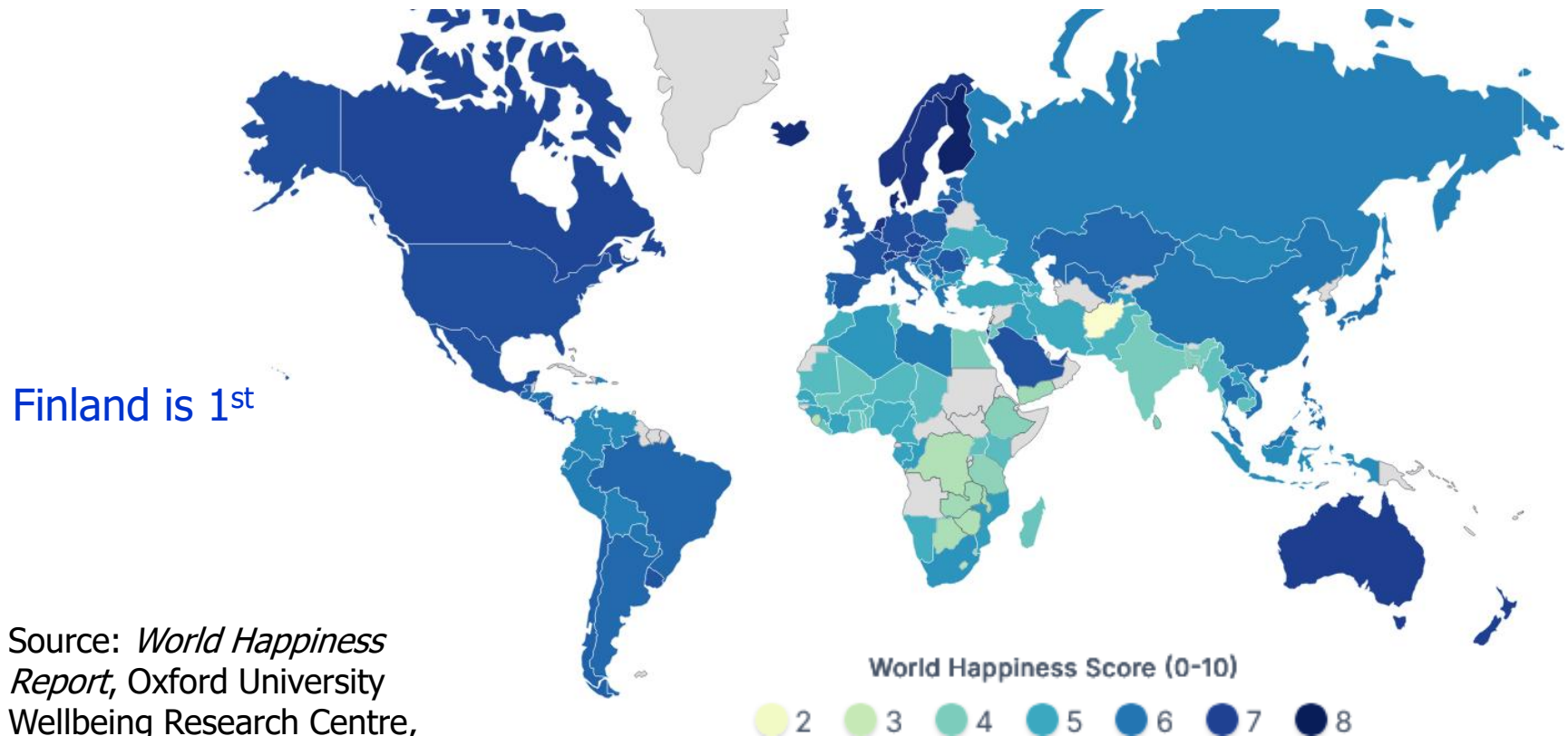


Danish home



Denmark

2nd happiest country in the world (2025)



Source: *World Happiness Report*, Oxford University Wellbeing Research Centre, 2025.



Denmark

- ✚ An individualist culture, but **cooperation** is valued.
 - ✚ Both labor and management sit on company board of directors.
 - And arrive at negotiated policies.
- ✚ **Negotiation is transparent** (low context culture).
 - ✚ As in Scandinavia generally.
 - Each side “**shows its cards**” to find a **mutually beneficial** arrangement.
 - Same, to some extent, elsewhere in northern Europe (except U.K.)





Denmark

✿ A “feminine” culture.

- ✦ Employees are not particularly ambitious or competitive.
 - Don't work late or read email after hours.
 - Don't wear a “power tie.”
- ✦ Hard sell and buzz words are not appreciated.
 - But people are frank and direct.
- ✦ Interpersonal relations are informal and low-key.
 - No need for titles.
 - Attire is often informal.
 - People may use full names (e.g., Lars Åge Sørensen) because so many have similar names.





East Asia

China





China

GULF  TIMES

Qatari, Chinese businessmen explore JVs, commercial partnerships

DOHA PUBLISHED ON MARCH 02, 2024 | 07:51 PM





China

✚ The **new urban China**

✚ China has become an **economic superpower**.

- Continues to prosper while outsiders predict collapse.
- ✚ World's largest economy since 2014
 - In purchasing power parity (PPP)
 - Chinese currency (*yuan* or RMB = *renminbi*) is undervalued.
 - World's largest **sovereign wealth fund**, by far.



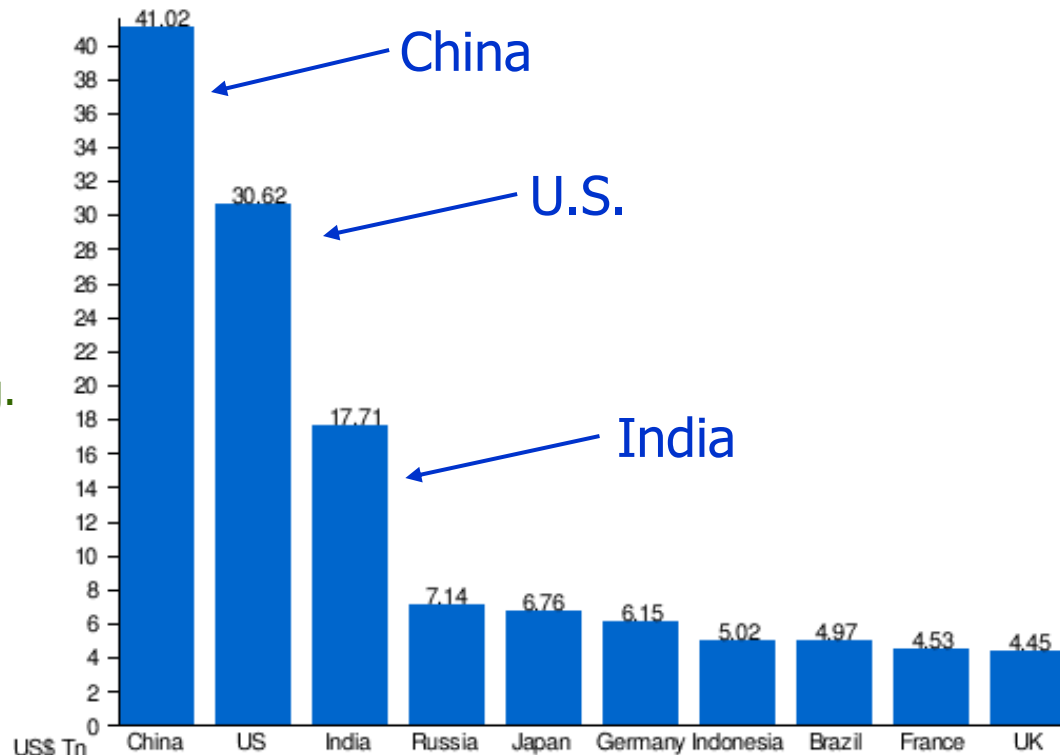
Wangjing SOHO complex, Beijing



China

Estimated GDP in PPP by Country, 2025

- Chinese GDP represents mostly **production**, as opposed to finance, insurance, & rent seeking.



Source: IMF



China

✿ Advanced **infrastructure**

- ✿ Largest high-speed rail system, by far.
 - Over 50,000 km in 2025.
- ✿ Largest expressway network, by far.
 - 190,000 km in 2025
 - US system: 75,440 km



High-speed line, Beijing to Shanghai
350 km/hr



Anshun-Ziyun highway



China

🌀 Advanced **infrastructure**

🌀 New airports everywhere

- 29 new passenger airports completed in 2022.
- 6 new freight terminals



Beijing Daxing Airport
World's largest single-building terminal



China

🌐 World leader in **renewables**

🏠 Largest solar capacity

- Over 1000 GW in 2025
- 174 GW in USA

🏠 Largest wind capacity

- Over 600 GW in 2025
- 150 GW in USA

🏠 Largest EV fleet

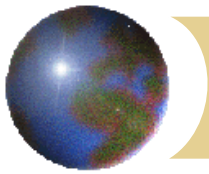
- 37 million in 2025,
54% of new car sales
- 7.6 million in USA,
8-9% of new car sales

BYD Han
Popular mid-size EV



Gonghe Talatan Solar Park, 16 GW
World's largest





China

Language(s)

Spoken Chinese is several languages

- Official language is *Pǔtōnghuà* (Mandarin)
- Written in Roman letters using *Pīnyīn*
- Cantonese (*Yuè*) spoken in Guangdong Prov.
- Characters typed using *Wǔbǐ*, etc.
- Written language is fairly universal
- But many in Hong Kong & Taiwan still use traditional characters



Wǔbǐ (5 stroke) system

Traditional

Simplified

號	号	(hào)	number
門	门	(mén)	door
業	业	(yè)	industry
學	学	(xué)	study
來	来	(lái)	come
寫	写	(xiě)	write
馬	马	(mǎ)	horse
話	话	(huà)	speech
紙	纸	(zhǐ)	paper
見	见	(jiàn)	see



China

⊕ Economic system

- ❏ Not socialist, not capitalist, not communist
 - **Spectacular growth** since 1990s.
- ❏ Centralized incentives.
 - Beijing rewards local officials who follow its policies.
 - Increase local GDP, build infrastructure, reduce poverty.
- ❏ Decentralized execution ("mayor economy").
 - Local officials encourage desirable enterprises.
 - Local governments own most land and lease it, mainly to private firms (80% of work force)
 - Lease income replaces taxes (which go to Beijing)
 - **Intense competition** within each industry.
- ❏ Central control of key assets
 - Big banks, natural resources.



Deng Xiaoping (1904-97)
Architect of the modern
Chinese economy

"It doesn't matter whether
a cat is black or white,
as long as it catches mice."



China

阿里巴巴 
Alibaba.com™

 京东
JD.COM

Consumerism

- Over \$7 trillion consumer spending in 2025.
 - Singles day** (Nov. 11 online shopping) is world's largest retail event.
 - Advanced pay-by-phone technology.
 - Large demand for luxury goods.



Prada Galleria handbag
\$5400 (19,700 QR)



Rolex 36mm Gold
\$58,995 (215,000 QR)





China

*Example:
Electrical firm*

☉ Employee relations

☒ Management is **top down** and **paternalistic**

- A good boss is **authoritarian** but **cares** about employees' welfare.
- May provide a manual with advice for life in general.





China

*Example:
Electrical firm*

☉ Employee relations

☒ Management is **top down** and **paternalistic**

- A good boss is **authoritarian** but **cares** about employees' welfare.
- May provide a manual with advice for life in general.

☒ **Saving face.**

- Before acting or speaking, one must calculate the **effect on face**.
- More important to be **nice** than **right**.
- Employees should relate to each other with **courtesy** and **humility**.

☒ Respect for the **boss**

- Criticizing the boss causes the boss to lose face, **undermining leadership** and authority.

☒ Respect for **employees**

- Undue mistreatment of employees can cause the **boss** to lose face.





China

☛ Employee relations

☛ 1509 **strikes** in 2024 (more in 2025).

- **Collectivist culture**
- Workers are **deferential** to managers as individuals, but will **protest** as a group.



Laid-off workers smash an office at toy factory in Dongguan



China

☉ Employee relations

☐ Expect **nepotism**

- Hiring **relatives** can **benefit** the company.
- The boss knows their strengths and weaknesses.
- Relatives may **work harder** for the boss than others, due to **filial piety** (孝, *xiào*) – the bedrock of Confucian culture.



China

Employee relations

Expect nepotism

- Hiring **relatives** can **benefit** the company.
- The boss knows their strengths and weaknesses.
- Relatives may **work harder** for the boss than others, due to **filial piety** (孝, *xiào*).

Example: LKK (Lee Kum Kee)

- Highly successful Hong Kong-based food products firm. Markets in >100 countries (including Qatar).
- Purchased "Walkie-Talkie" tower in London.
- Chairman Lee Man Tat placed sons in top management positions. They agreed due to filial piety.
- Mr Lee was careful to placate expats from rule-based cultures.





China

✿ Doing business in China

- ✦ Start by building *guānxi* (关系)
 - Mandarin Chinese for *connection* or *relationship*.
- ✦ Exchange favors with business partner.
 - Bring him a gift on first visit.
 - Arrange a fine dinner for him.
 - Find a buyer for his product in your country.
 - Find a job opportunity for his son.
- ✦ You are either friend or foe.
 - If foe, you will lose.
 - You want to be a friend.





China

*Example:
Lodging in Paris*

✿ Doing business in China

✦ *Guānxì* is **not quid pro quo** or **bribery**.

- It is a long-term relationship of mutual obligation and mutual aid.
- May take **years** to build.
- Explore business ventures of mutual benefit.

✦ Rely on *guānxì* rather than legal sanctions.

- Failure to follow through **disrupts** *guānxì*.
- No one wants to lose a valuable business relationship.
- Don't ask to see company financials.
- Always **maintain composure** and respect **face**.

✦ **There may be no "deal."**

- Contract, if it exists, is only a memorandum of understanding.
- It is subject to revision as circumstances change.





China

✿ Doing business in China

✿ Read up on business etiquette

- Learn how to exchange business cards.
- Don't announce your name verbally.
- Avoid direct eye contact, especially with superiors.
- Never refuse welcoming tea.
- Business attire for men



✿ At meals...

- There may be an initial toast.
- Let host fill your teacup.
- Chinese are fun-loving. Join in.
- If you are clumsy with chopsticks, no problem, just laugh about it.





China

🌐 China **around the world**

🌐 Chinese diaspora.

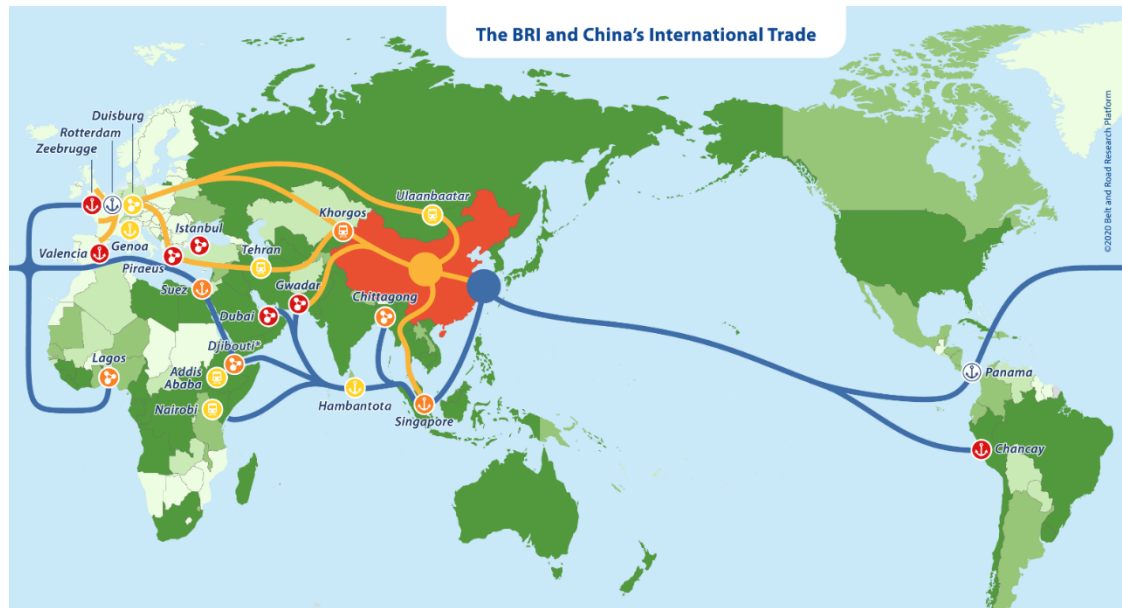
- **Uncertainty tolerant culture:** Chinese will live anywhere, go anywhere.

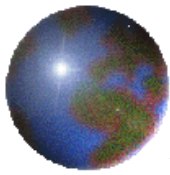
🌐 Chinese have excelled at international business for centuries.

- Most of the world today is more comfortable with their relationship-based style.

🌐 Belt and Road aims to continue this tradition.

- Also known as the **New Silk Road**.





South Asia

India





India



Qatar-India Business Council explores trade and investment relations



06-10-2025



India



The new Mumbai (population 26 million, and growing)



India

❁ Land of **infinite complexity**

- ❁ Every statement about India is wrong.
 - Including this one.
- ❁ About 2000 ethnic groups
 - 22 official languages.
 - 700+ languages overall.
- ❁ Many religious practices
 - Hindu, Muslim, Christian, Sikh, Buddhist, Jain, Parsi
- ❁ There is **one constant...**





India

🌐 Networking is the key to everything

- ❏ Indians are the world's consummate networkers.
 - They work through **extended family** and **friends**.
 - The **only way** to get things done.

*Example:
Work visa*

*Example:
PhD student jobs*





India

- ❏ Weddings can go on for **days**, and attract people from around the world. Why?
 - A marriage **joins two networks**.
 - Everyone must **get connected** with the other network.
 - This makes the choice of mate very important.



Bride & groom
at wedding ceremony

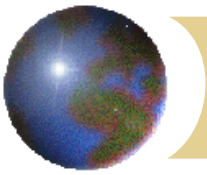


India

- ❖ Strong on **intellectual capital**
 - ❖ Information technology and software
 - ❖ Top-flight universities
 - 3% Harvard acceptance rate
 - 4% Stanford, MIT
 - **1% Indian Institutes of Technology (IITs)**
 - ❖ English language fluency
 - A big advantage economically



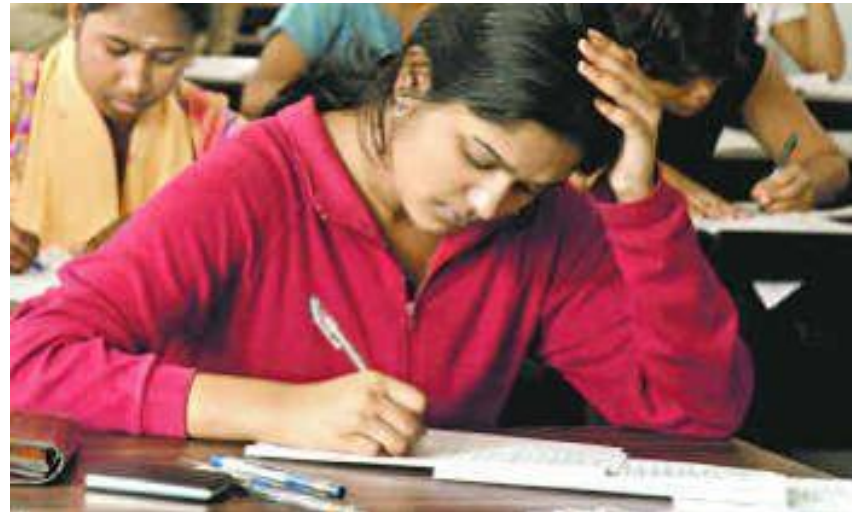
IIT Madras (Chennai)



India

- ✿ Strong on **intellectual capital**
 - ✿ Cope by **mental discipline**
 - Rather than engineering the environment.
 - ✿ Today, **yoga** = studying for the exam.

Taking college
entrance exam





India

❖ **High-context** society

- ❖ Rely on Indians for **advice** and **assistance** in business and everyday life!
 - However, there is a sophisticated legal system inherited from the British, which benefits from Indian intellect and verbal fluency.





India

- ✚ Comfortable with **travel** and **relocation**.

- ✚ Due to network-based relationships.
 - Everyone keeps in touch electronically.
 - No need for supportive or familiar environment.

- ✚ **Top-down** management

- ✚ But staff can politely discuss company policy.

- ✚ Strongly **polychronic**

- ✚ But don't keep the boss waiting.





India

- ✿ Meetings are informal.
 - ✦ Except high level business, government.
 - ✦ For men:
 - White long-sleeved shirt and tie.
 - Business suit in high-level corporate or government context.
 - Casual in smaller firm or startup. Avoid short sleeves, short pants.
 - A thobe is generally acceptable in public, but **not** in a business setting.
 - ✦ For women:
 - Saris are popular with Indian women, but foreigners should bring **their own attire** (non-revealing).
 - An abaya (or sari-abaya) is perfectly OK in public, usually OK in business setting.





India

✿ Names can be long and complex

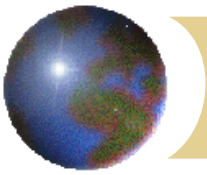
- Only Indians can decipher them.

✿ Shortened form often used

- Titles affixed to given name.
- When in doubt, **just ask**.



M. Vidyasagar
(short for *Mathukumalli Vidyasagar*)
Addressed as *Dr. Sagar*

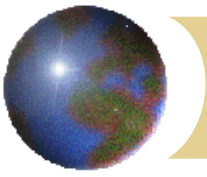


India

☙ Money

- ☒ Two Hindi-derived words you **must** know:
- ☒ **Lakh** = 100,000
- ☒ **Crore** = 10 million
 - These terms are used for money (rupees) in **English** as well as Hindi.



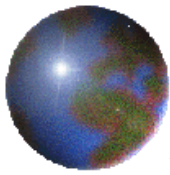


India

Anecdote



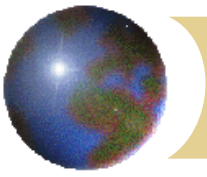
Conference room, India Ministry of Defence



Middle East

Turkey





Turkey



Qatar, Türkiye Business Forum reviews bolstering trade and investment cooperation



08-02-2024



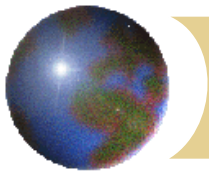
Turkey

✿ A blend of Europe, Asia, and Middle East

- ✿ ...and of rule-based and relationship-based culture
 - But the latter is more pervasive.

Istanbul,
Largest city in Europe





Turkey

- ✚ Asian roots
 - ✚ But a Muslim population
 - ✚ with close ties to Europe

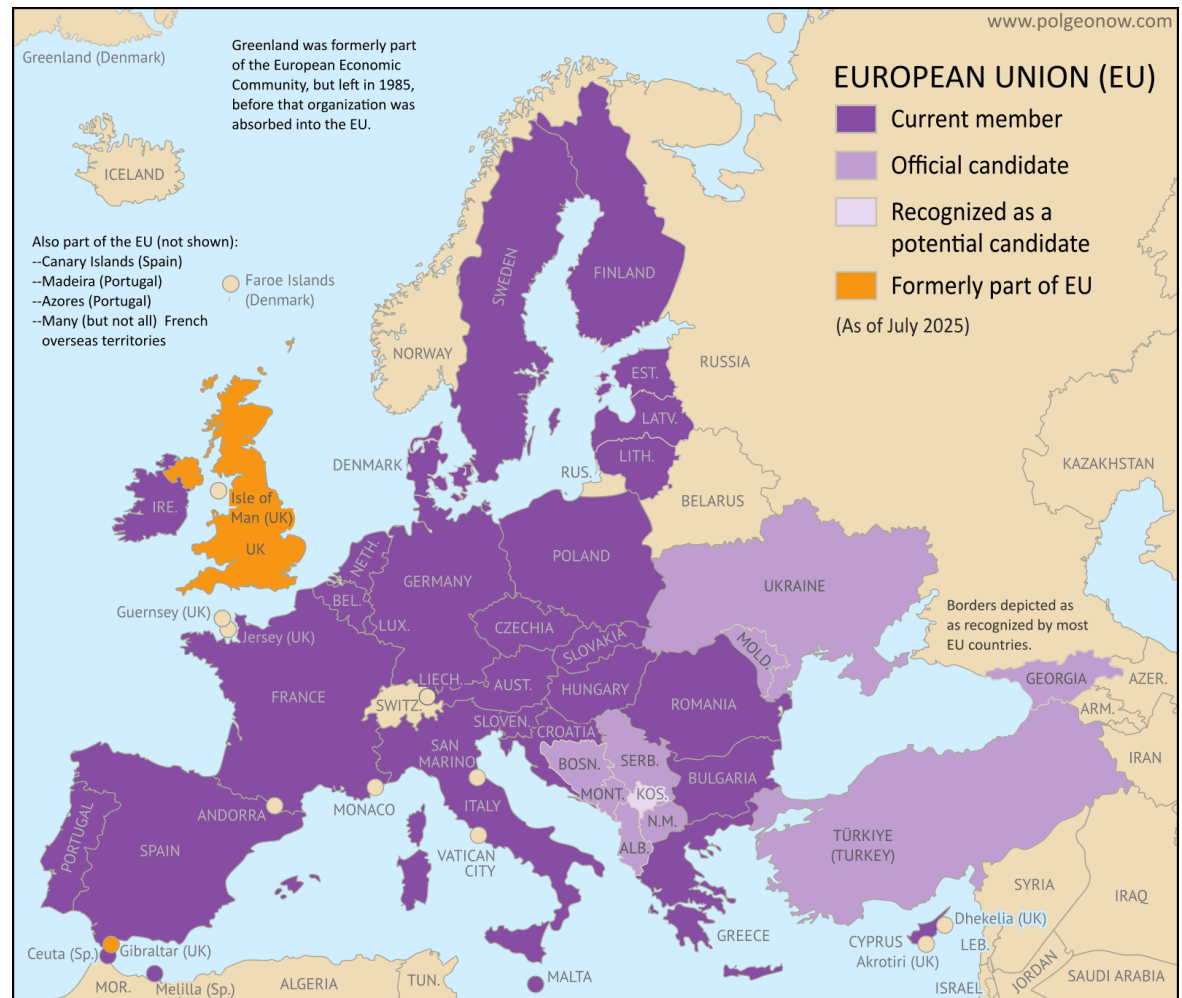


Migration of Turkic peoples



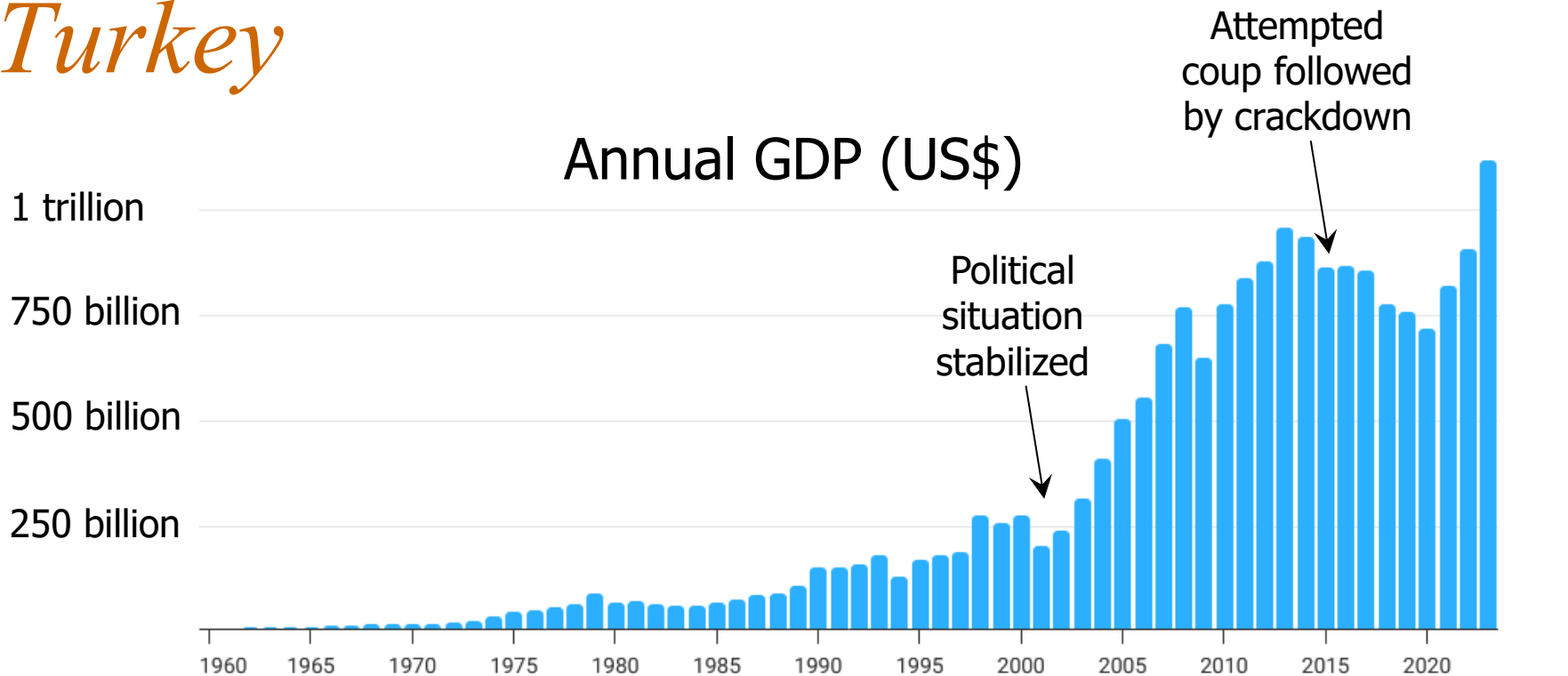
Turkey

- ❏ A candidate for EU membership
- ❏ But negotiations stalled since 2016
 - Currency is Turkish *lira*





Turkey



Top trading partners: Germany, China, Russia

A fair number of Turks speak German, due to work experience there.
Business professionals and academics commonly speak English.



Turkey

✚ Getting started.

✚ Begin with hearty greeting

- Show that you like your Turkish hosts and enjoy their **hospitality**.
- Relate to your hosts as human beings as well as business people.

✚ Business presentation can be similar to Europe or USA.

- Turkish business people are **cosmopolitan** and adapt to different styles.
- Dress is formal business attire.

✚ Register a business in Turkey.

- Usually LLC (Ltd Şti) or joint stock company (A.Ş.)





Turkey

✿ Business relationships.

- ✦ Can do business soon after getting acquainted.
 - But **personal relationships are important in the long run.**
 - Networking may stem from school and military.
- ✦ Comradeship is important
 - Honesty is essential.
 - No pretense.
 - Possible lifelong friendship.
 - Note that Turks are extremely patriotic.





Turkey

✪ Business relationships.

✪ An Islamic country.

- But many smoke and/or drink alcohol.
- No problem if you abstain.
- Ramadan not strictly observed in cities.



Candy store stocked for *Şeker Bayramı*, celebrated at end of Ramadan



rakı, said to be national drink



çay (tea), truly a national beverage



Turkey

✚ Employee management

✚ **Top-down** management style.

- But employees may want to **negotiate** with the boss.
- **The boss should oblige!**
- But make the final decision.

✚ Domestic education is **world class**.

Bilkent
University



Middle East
Technical University



Turkey

☉ Preference for **high-context** commerce

*Example:
Carpet shop*

☒ That is, one-on-one **negotiation**.

- As opposed to posted prices, as in low-context cultures.
- Can negotiate even in department stores.

☒ Turks are master negotiators.

- Hagglng over price is a **favorite sport** and a kind of cultural glue.





Turkey

Skit: The Carpet Shop

Swedish tourist walks into a carpet shop.

Salesman: Buyurun, efendim. Oturun.

Tourist remains standing.

Salesman (offering cigarette): İçiyor musunuz?

Tourist: Teşekkür ederim. Sigara kullanmıyorum.

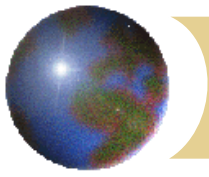
Salesman: Çok iyi. Ben de bırakmak istiyorum. Çay?

Tourist: Teşekkür ederim. Kilimlere bakmak istiyorum.

Salesman: Tabii efendim. Buyurun, oturun.

Tourist remains standing.





Turkey



Tourist: Acelem var. İşime gidiyorum.

Salesman: Taman abi. Kilim mi, halı mı istiyorsunuz?

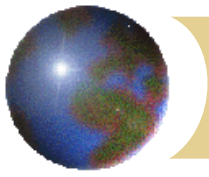
Tourist: Kilim.

Salesman: Hangi renk? (*Holds up a rug.*) Bu mavi kilim çok güzel.

Tourist: Güzel. Ama ben yeşil istiyorum.

Salesman: (*pulls out a green rug*) Bu motif nasıl?

Tourist: Şu motif çok güzel. Çok iyi, ama kilim çok büyük.



Turkey



Salesman: Bir dakika. Daha küçük istiyorsunuz....

Salesman finds a smaller version.

Salesman: İşte! Hemen hemen aynı, ve daha küçük.

Tourist: Evet, çok güzel. Ne kadar?

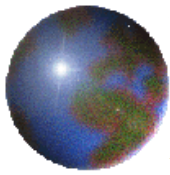
Salesman: Bu kilim çok özel, kaliteli.

Tourist: Kaç para?

Salesman: Bin Türk lirası.

Tourist: Allah Allah! Şaka yapıyorsunuz. Dokuz yüz?

Salesman: Bin lira efendim. Pazarlık yapmıyoruz bu dükkanda.



Africa

Zimbabwe

Named for *Great Zimbabwe* = royal *palace of stone* in medieval capital city



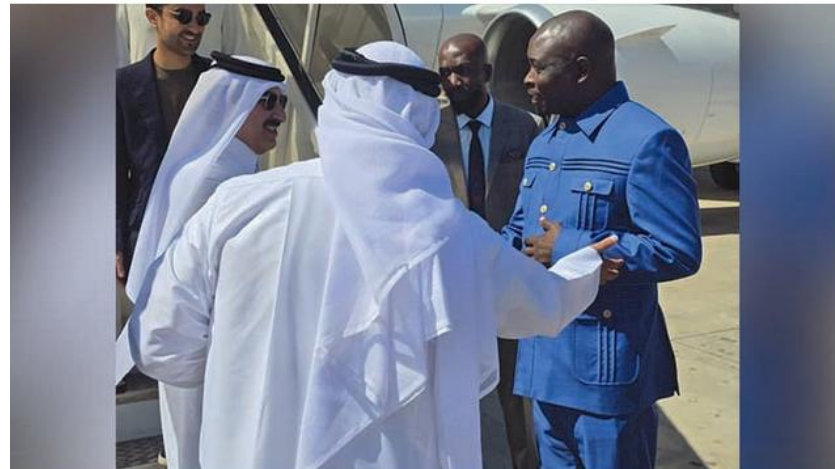


Zimbabwe

HeraldOnline

US\$19 billion investment windfall . . . Qatar's royal family arrives for strategic partnerships

Online Reporter • Herald • August 23, 2025 • 0 Comments



Rutendo Nyeve in VICTORIA FALLS



Zimbabwe

🌐 Land of **Shona** and **Ndebele** peoples.

Example: Ian Smith

🏰 Formerly, British colony Southern Rhodesia.

- Independence in 1980 following **civil war** against Ian Smith.
- Still recovering from massive **culture clash** during colonial era.
- The dominant Shona culture has experienced **less disruption** than most post-colonial African cultures.
- A “**forgive & forget**” culture, Zimbabweans don’t hold a grudge against former colonial masters.



Harare, capital city



Zimbabwe

✿ Land of Shona and Ndebele peoples.

✿ Ethnic makeup (estimates)

- 71% Shona
- 16% Ndebele
- 11% other African
- 1% mixed
- <1% European

✿ Primary languages

- chiShona (75-80%)
- English (60-90%)
- isiNdebele (10-20%)

✿ Focus here is on Shona culture.



Shona family in rural village, Manicaland



Zimbabwe

✿ **Business prospects.**

- ✦ Substantial growth in recent years
 - After currency stabilization.
- ✦ Development potential
 - Minerals, solar energy, agriculture
 - Population is keenly pro-education.
- ✦ But risk of instability
 - Economic & political

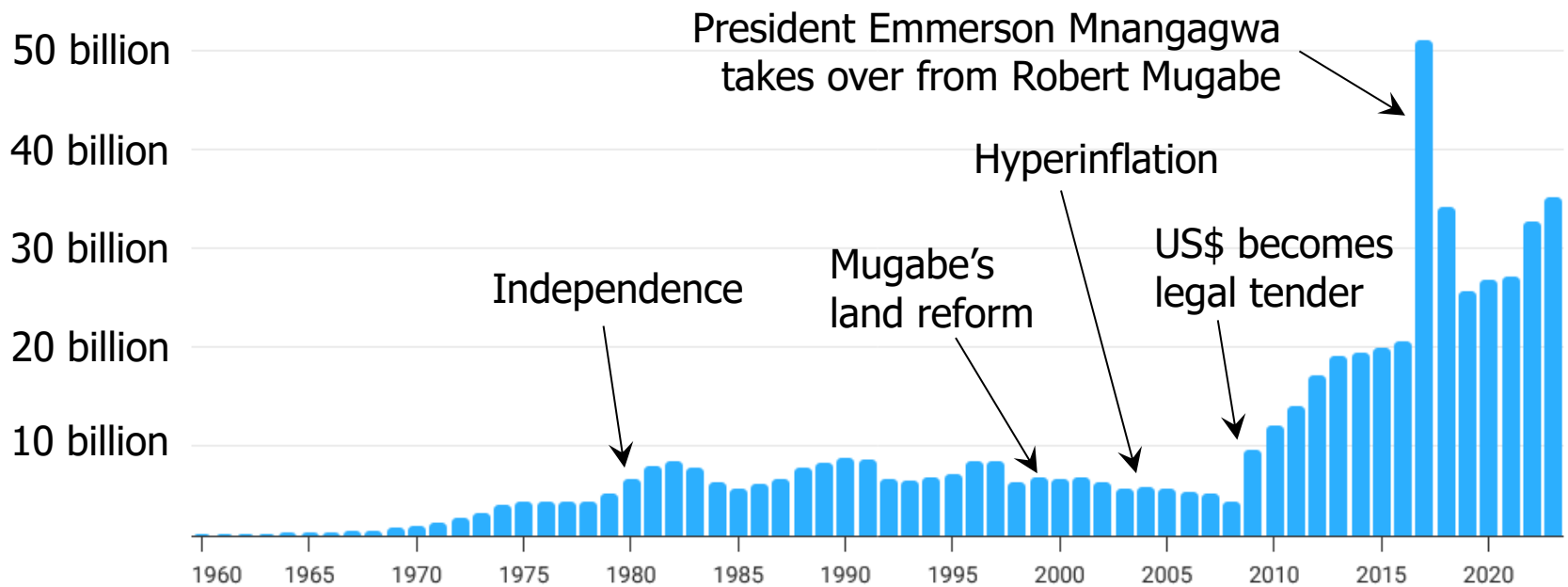
Chinese ambassador promoting business with Zimbabwe





Zimbabwe

Annual GDP (US\$)



ZiG (Zimbabwe Gold) became official currency in 2024.
Unclear whether it will eventually replace US\$.





Zimbabwe

✚ Getting started

✚ A **relationship-based, top-down** business culture

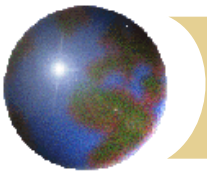
- **Start at the top:** Make contact with high government officials and influential business people.
- This is easier for **large corporations**.
- Send your **CEO or other high ranking company executives**.

✚ 100% foreign-owned business is possible

- But registration, investment license, etc., are necessary
- Include **locals on board of directors** to make personal connections and navigate regulatory environment



Kudakwashe Tagwirei, influential businessman



Zimbabwe

☙ Employee management

- ☙ The boss is **the boss**.
 - Can be harsh at times.
- ☙ But the culture is **strongly collectivist**
 - Ethic of **cooperation** and **mutual support**.
 - **No interest in competition** among employees.
 - Incentives that inspire competition are **seriously disruptive**.
 - Emphasize the well-being of the **staff as a whole**.
- ☙ Keen interest in **learning**.

Example: Greeting ritual

Example: School fees

Example: Class presentations

Example: Class attendance





Zimbabwe

Example: Textbooks

⊕ Employee management

- ⊞ Employees are deferential individually, but not collectively.
 - **Strikes** are common.



Union-sponsored teachers strike



Zimbabwe

✿ Personal relations

✿ Acknowledging others

- During a business presentation, recognize some members of the audience **by name** for their accomplishments.
- Greet coworkers you pass in the hall, even 2 or 3 times a day.

✿ Laughter and amusement

- are a distinctive Shona **coping device** for getting through the day.
- ✿ Enjoy Shona courtesy, empathy, and concern for others.



Example: Laughter on bus



Latin America

Brazil





Brazil

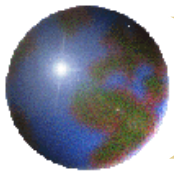


وكالة الأنباء القطرية
QATAR NEWS AGENCY

Qatari-Brazilian Business Meeting Discusses Strengthening Investment Partnerships

30 Sep 2025 4:46 PM

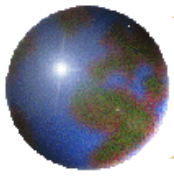




Brazil

São Paulo, business center of Brazil





Brazil

Rio de Janeiro





Brazil

✿ A blend of ethnic groups

- ✦ Portuguese, German, Italian, Lebanese, Japanese, etc.
 - About 55%
- ✦ African, indigenous
 - About 7%
- ✦ Mixed background
 - About 38%





Brazil

▣ Example: Ethnic diversity of recent Presidents



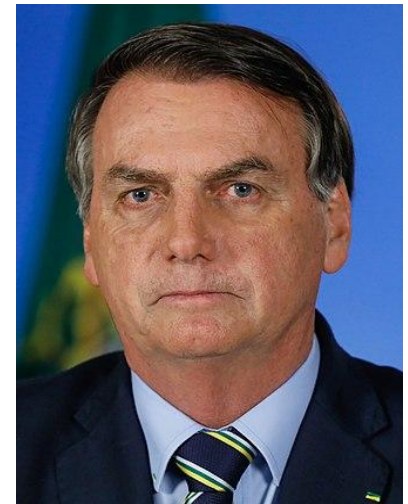
Luiz Inácio
Lula da Silva
2003-2011, 2023-
Portuguese



Dilma Rousseff
2011-2016
Bulgarian



Michel Temer
2016-2019
Lebanese

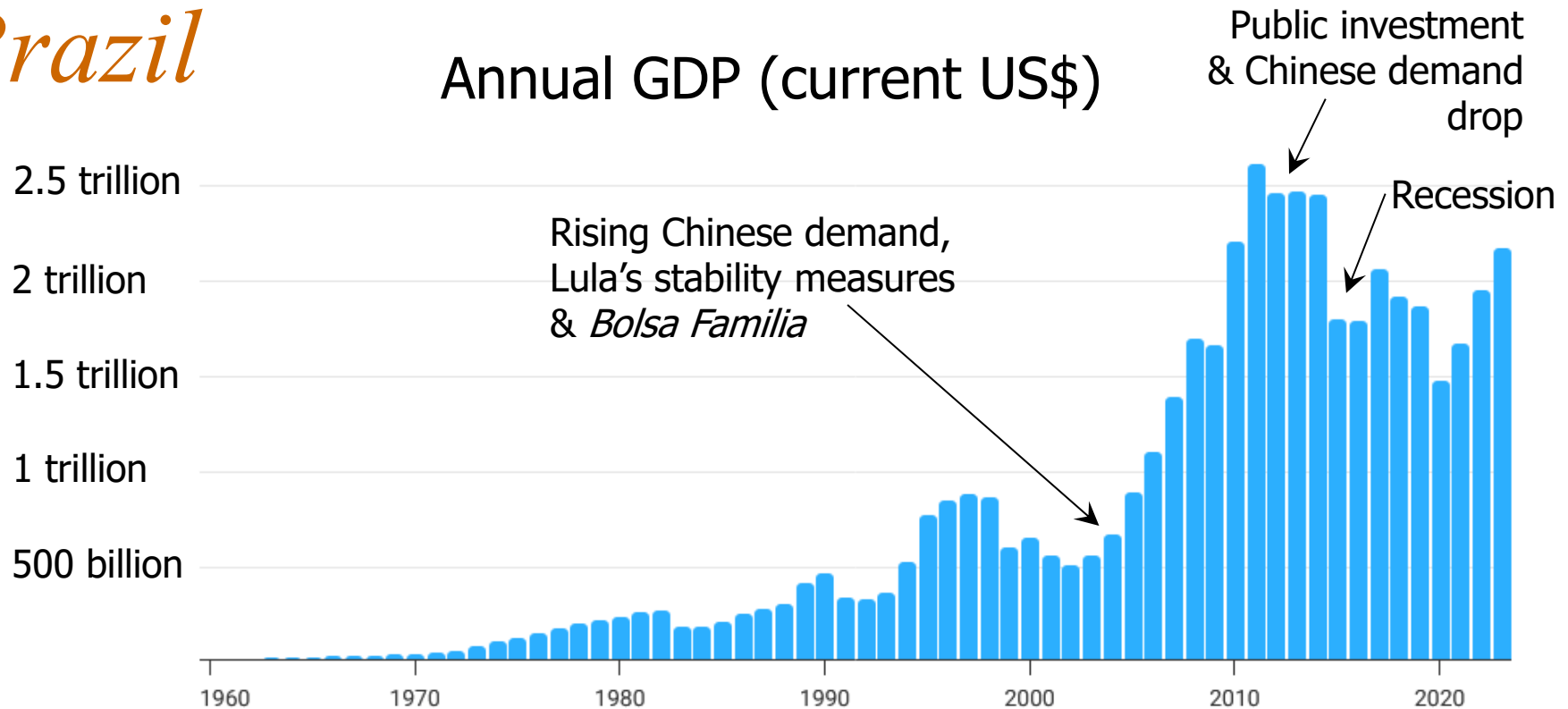


Jair Bolsonaro
2019-2022
Italian/German



Brazil

Annual GDP (current US\$)



Largest economy in Latin America, followed by Mexico
Excitement over BRICS (Brazil, Russia, India, China, S. Africa) has faded,
but greater non-Western bloc continues to gain influence.



Brazil

⊕ Polychronic culture

- ⊠ Expect interruptions
- ⊠ Be late for social occasions
 - But on time for business, particularly in São Paulo.
- ⊠ Expect last-minute arrangements, changes.
- ⊠ Rely on ***jeitinho*** !
 - Relax, friends will take care of you.

Example: Residence in Campinas



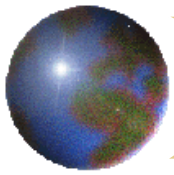


Brazil

✚ **Collectivist** culture

- ✚ Family important
- ✚ Develop friendships quickly
 - Opposite of Europe.
- ✚ First-name basis
 - but titles important.
- ✚ Expect nepotism.
- ✚ Extremely proud of their country
 - And football (soccer) team!
- ✚ Friends will help you stay safe.





Brazil

✚ Uncertainty avoiding

- ✚ May be reluctant to take risks.
- ✚ Decision making slow.
- ✚ Complicated bureaucracy
- ✚ Hire a *despachante*
 - Not the same as a *wasta*.

Despachantes are so important to making things run in Brazil that a holiday is dedicated to their honor.





Brazil

✚ **Business meetings**

- ✚ Shake hands with everyone.
- ✚ Formal business attire
- ✚ Direct eye contact
- ✚ Have business card handy.
- ✚ Expect backslapping, touching arm or shoulder.





Brazil

✚ Negotiation

- ✚ Negotiate with the person, not the company.
 - A new team may have to renegotiate everything.
- ✚ Spend **much time** going over details.
- ✚ Nonconfrontational
- ✚ Draw up contract later.





Brazil

Banking and money

High-tech banking sector.

- Relatively little cash used.
- Don't use ATMs
- You can make **your own international bank transfers.**

Elections also hi-tech.

- Voting mandatory



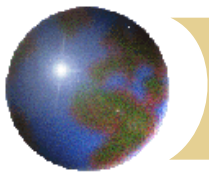


Brazil

✚ Social occasions

- ✚ Essential for building relationships.
- ✚ Long lunch
 - Often the main meal, except for dinner party.
 - Office-related dinners in restaurants
- ✚ May be invited to home barbeque.
 - Arrive **late**.
 - Can bring gift or send flowers later.
 - Avoid sensitive topics – crime, corruption, rainforest, poverty, Argentina





North America

USA





USA

USQBC Business Portal

The newly developed USQBC Business Portal is a one-of-a-kind platform that covers every single US state and the Qatar market and is your first step to doing business between the two countries.



This website provides **comprehensive state-specific guidance** for doing business in or with the USA



USQBC Hosts Evening Reception with Senior US and Qatari Officials on Sidelines of SelectUSA Investment Summit

May 12th, 2025



USA

✚ Strongly rule based

- ✚ Decisions based on **law, efficiency, bottom line.**
 - **Highly litigious:** Lawsuits are routine.
- ✚ Hiring can be based on **resumes** rather than connections.
 - Now, AI-powered.
 - Connections often help, of course.





USA

✚ **Strongly polychronic**

- ✚ Punctuality essential.
 - Apologize if 3 minutes late.
- ✚ Constant time pressure.
 - Frenetic lifestyle, deadlines.
- ✚ Long work hours
 - Short paid vacation (e.g., one week per year).
 - May be pressured to forgo holiday.
 - Expect to be on email at night, during holiday.





USA

✚ Strongly individualist

- ✚ People are responsible for themselves
 - **Individual initiative** expected.
 - People are blamed even for **illness**.
- ✚ “**Can do**” culture.
- ✚ “**Masculine**” culture.
 - Business is fiercely competitive.
 - Coworkers compete for promotions and survival in the firm.
 - Firms try to encourage teamwork.
 - Huge literature on group dynamics.
- ✚ **Work comes before family.**
 - Constant struggle to balance them.



Myth of the cowboy and
rugged independence 158



USA

✚ An extremely **low-context** culture

✚ Written policies and instructions.

- Everyone is expected to **read them**.
- Time off, benefits, etc. are **by the book**.

✚ Employees can speak **frankly**.

- ...subject to “political correctness.”
- But must **back up** claims with data.

✚ **Contracts** are long and detailed.

- Beyond ability of non-lawyers to absorb.
- Nothing matters unless it is in the contract.
- Strict accounting standards (GAAP).





USA

✚ An **uncertainty tolerant** culture

✚ Inherited from British

- ...and population of adventurous **immigrants**.

✚ Steady stream of business **startups**.

- ...even though most fail.
- ...and despite dominance of large corporations.
- Successful tech startups often sell out to tech giants.

✚ System made for **entrepreneurship**.

- **Easy** to charter your own corporation.
- Debt and equity financing available.
- Many sources of **venture capital**.





USA

✚ Strong regional subcultures.

- ✚ ...which modify the cultural traits just described.
 - Regional differences today are **stronger than ever**.
- ✚ One's subculture is usually not determined by one's ethnic background.
 - Intermarriage has dissolved most ethnic groups.
 - Except for recent immigrants.
 - Regional subculture is largely determined by the ethnic group that first settled the area.



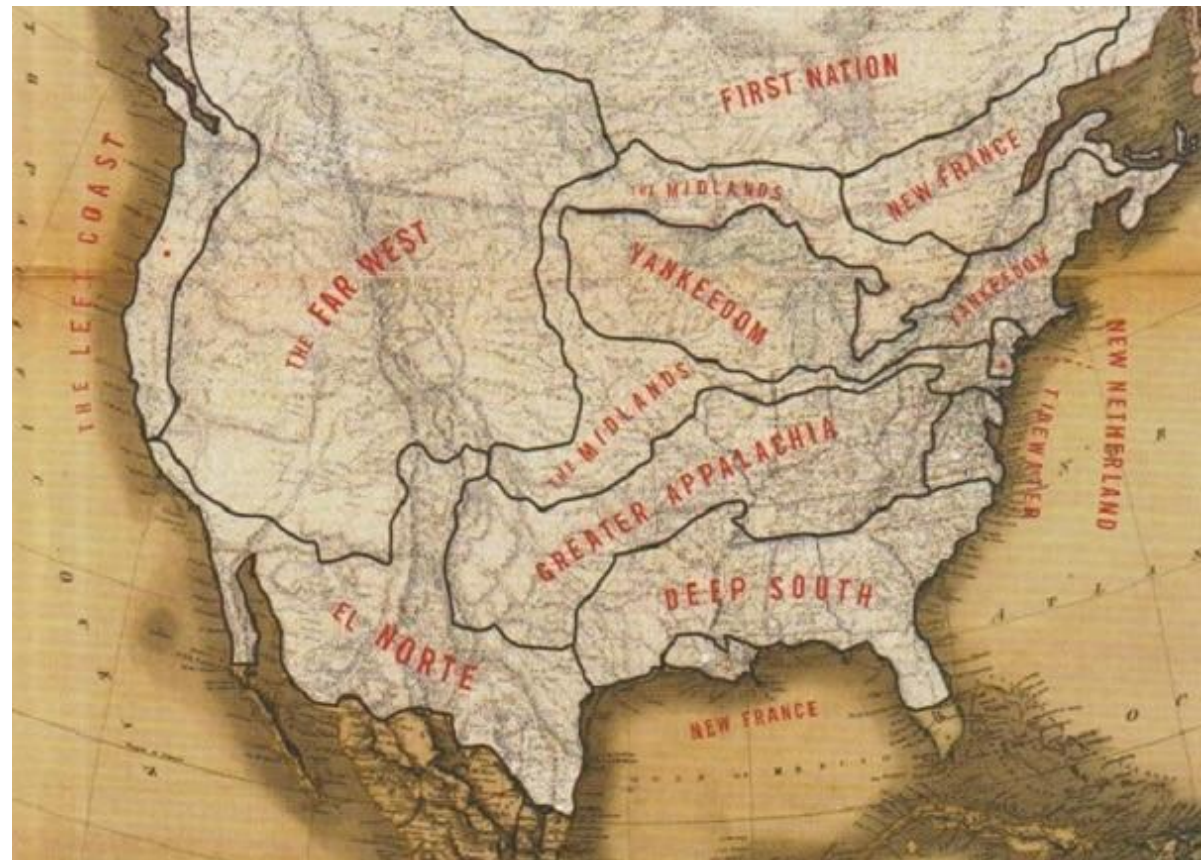


USA

Major regional subcultures

of U.S, Canada, and parts of Mexico

Example: Texas



From *American Nations* by Colin Woodard
The only book that gets it right



Part III

A Cross-cultural View of Corruption

- ⊕ What is corruption?
- ⊕ Kodak in Taiwan
- ⊕ Financial crisis of 2008
- ⊕ Mattel in China
- ⊕ Garment industry in South Asia



What is corruption?

- ✚ **Corruption** is activity that **corrupts**.
 - ▣ It **undermines** the cultural or business system.

- ✚ Corruption occurs **everywhere**.
 - ▣ But takes **different forms** because the systems are different.



What is corruption?

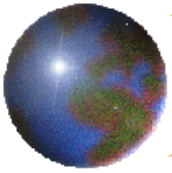
- ❖ **Bribery** is more common in **relationship-based** cultures.
 - ❖ A shortcut to true relationship building.
 - ❖ Occurs due to **importance of relationships**.
- ❖ **Cheating** is more common in **rule-based** cultures.
 - ❖ Undermines adherence to rules.
 - ❖ Occurs due to **light supervision**.



Kodak in Taiwan

- ⊕ Example of corruption in a **relationship-based** culture
- ⊕ U.S. manager was posted in Kodak's Taiwan branch.
 - ⊠ He met with a team representing a potential supplier.
 - ⊠ When the team left, he noticed that one of them left his briefcase.





Kodak in Taiwan

- ❖ While looking for the owner's name, he found the case to be full of **cash**.



- ❖ **Kickbacks** ("commissions") are common in some industries.
- ❖ They are a form of **bribery**.



Kodak in Taiwan

⊕ Some definitions

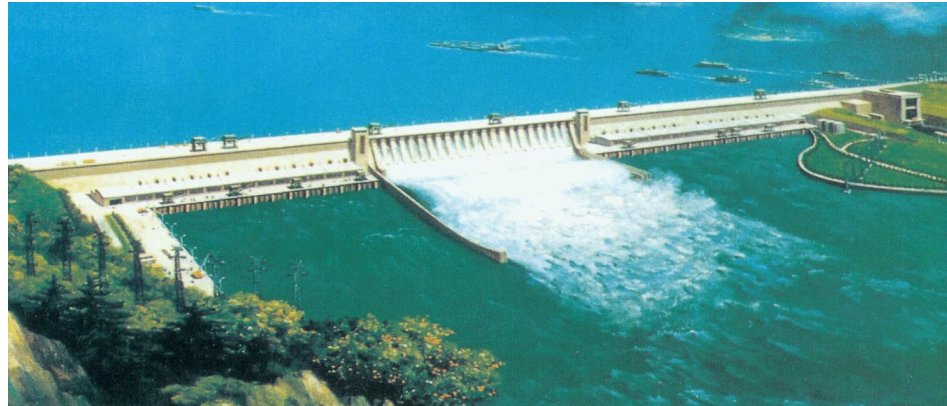
- ⊞ A **bribe** is a side payment intended to influence a decision.
 - Such as a purchasing decision.
- ⊞ An **extortion payment** is required to obtain something to which you are already entitled.
 - Such as a permit to do business.
- ⊞ A **facilitating payment** is a small, routine extortion payment.
 - Such as to obtain timely customs clearance.

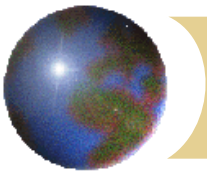


Kodak in Taiwan

- ✿ Bribes and kickbacks **undermine** *guānxì*.
 - ✿ They don't provide the stable, long-term relationships required by a complex civilization.

Three Gorges Dam,
Yangtze River, China





Kodak in Taiwan

❖ Bribes and kickbacks **undermine** *guānxi*.

- ❖ They don't provide the stable, long-term relationships required by a complex civilization.



Three Gorges Dam,
Yangtze River, China

❖ U.S. manager's response.

- He asked a trusted subordinate to return the briefcase to the owner.
- Sent a vague-worded message to the owner's boss that he was returning "lost property." Otherwise, the manager would think the money was delivered.



Kodak in Taiwan

⊕ Lesson:

- ⊞ **Bribery** is corrupting, *guānxi* is not.

⊕ *Guānxi* is an example of **responsible cronyism**

- ⊞ = dealing with friends because you **trust** them to **deliver for the company**.
- ⊞ Often **not corrupting** in relationship-based cultures.

⊕ **Irresponsible cronyism**

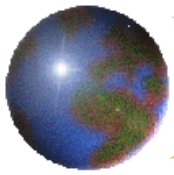
- ⊞ = dealing with friends **simply because they are friends**.
- ⊞ **Corrupting** almost anywhere.



Financial crisis of 2008

- ⊕ Example of corruption in a **rule-based** society.
- ⊕ U.S. “subprime” mortgage lenders granted loans to customers who were **unqualified**.
 - ⊕ Why? The **lenders** didn’t care about the risk because they sold the mortgages to big banks.
 - The **big banks** hid the mortgages in complex securities.
 - **Ratings agencies** gave the securities AAA ratings to avoid losing the banks as clients.
 - When the borrowers **defaulted**, the securities became worthless.
 - ⊕ A **global credit freeze** resulted.





Financial crisis of 2008

✚ Lesson:

- ✚ Lenders, banks, and ratings agencies **cheated** by breaking the rules.
- ✚ This occurred because **no one was watching.**





Corruption when cultures mix

- ✚ Corruption can occur when rule-based and relationship-based cultures **interact**.
 - ✚ As when **supply chains** reach from one to the other.
 - ✚ Two case studies:
 - Mattel in China.
 - Garment industry in South Asia.



Mattel in China

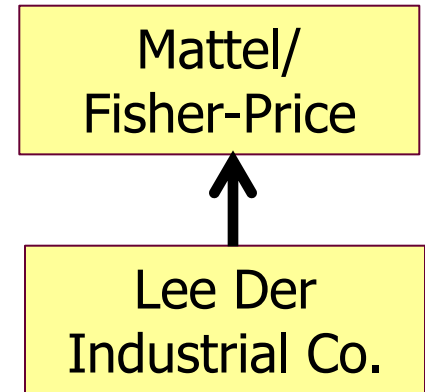
- ❖ Mattel discovered that many of its toys were coated with **lead-based paint**.
 - ❖ Toys were sourced **from China**.
 - ❖ Lead can cause irreversible **brain damage** in children.
 - ❖ Mattel recalled about **1 million** toys.
 - ❖ What went wrong?





Mattel in China

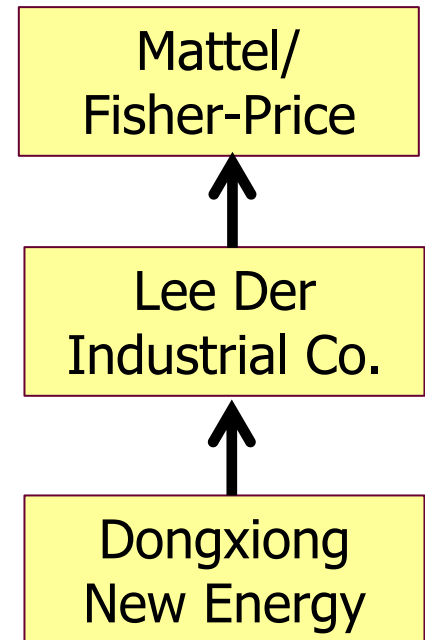
- ⊕ Mattel sourced from Zhang Shuhong.
 - ❏ Manager of Lee Der Industrial Company.
 - ❏ Zhang was totally dedicated to his job.
 - He even lived in a small room at the factory.





Mattel in China

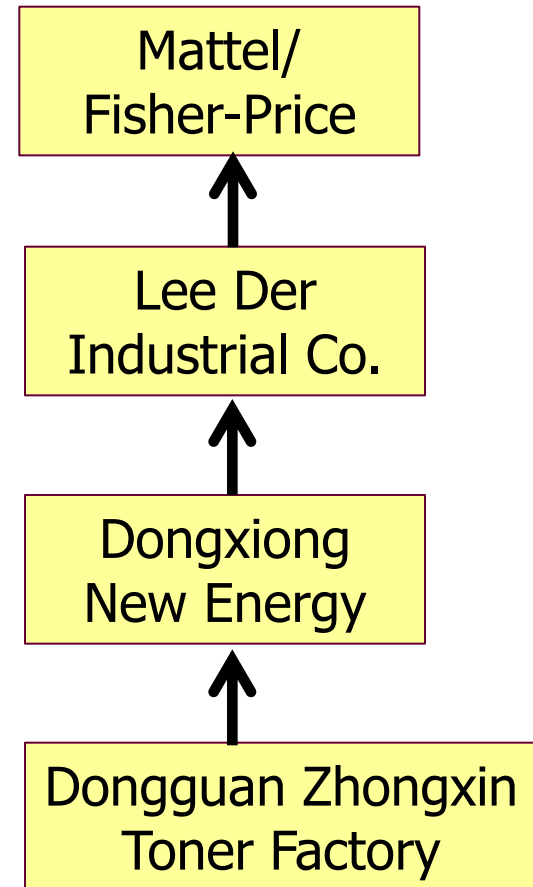
- ⊕ Zhang ordered paint from a **trusted** *guānxi* partner
 - ⊕ Liang Jiacheng at Dongxiong New Energy.





Mattel in China

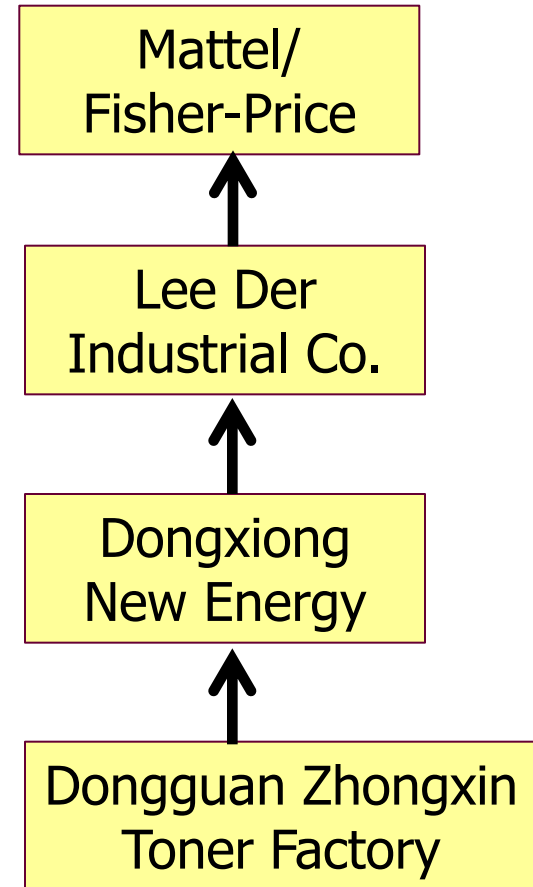
- ⊕ Liang was short of pigment.
 - ▣ He ordered it **online** from people he **didn't know**.

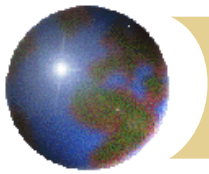




Mattel in China

- ⊕ The supplier sent **lead-based** pigment.
 - ▣ Along with a **forged** certificate..





Mattel in China

⊕ When Mattel discovered the problem...

⊞ Chinese government **revoked** Lee Der's export license.

- Zhang said good-bye to his workers and hanged himself.

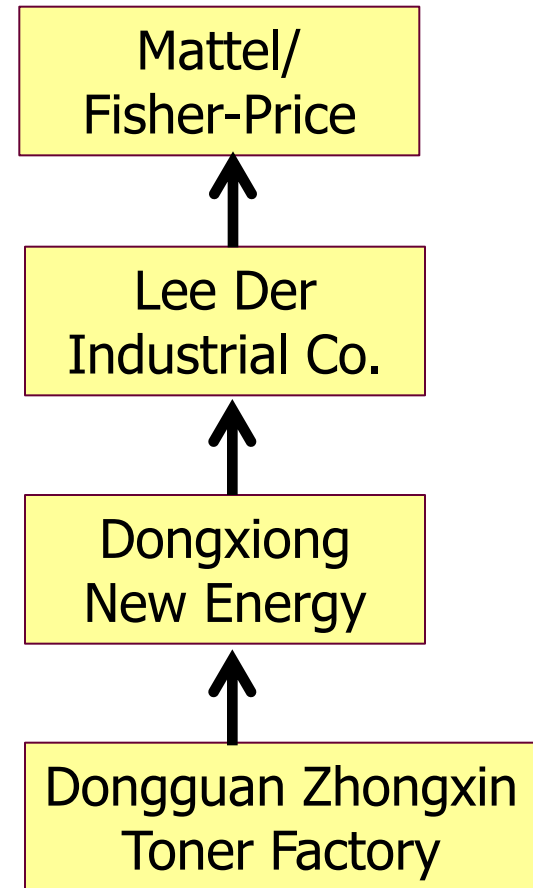


Chinese Toy Exec Commits Suicide After Recall



China banned exports from the company

Aug 13, 2007 7:59 AM CDT



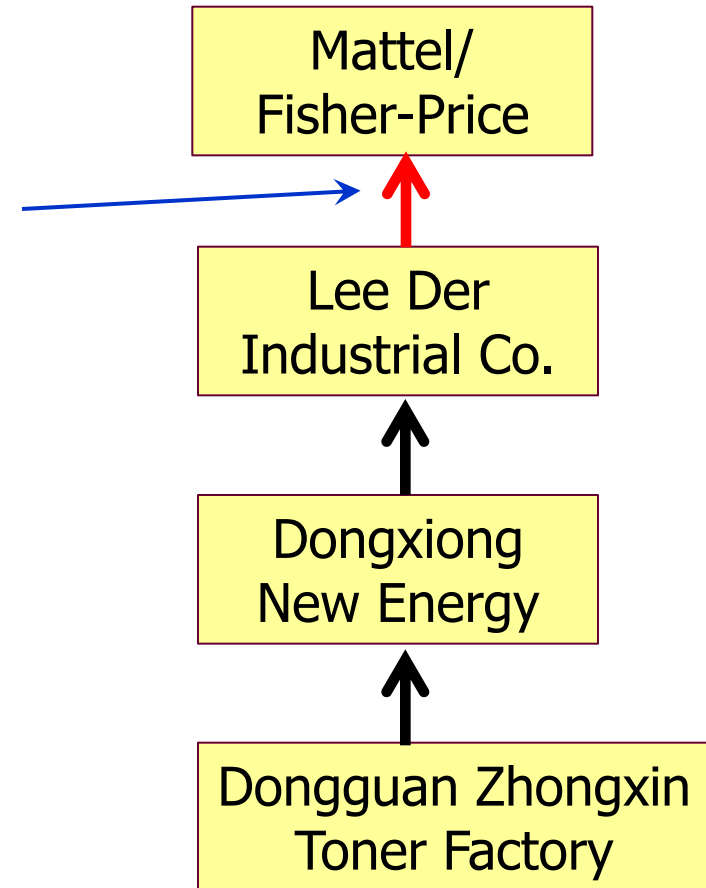


Mattel in China

⊕ Weak link in the supply chain.

▣ **Transition from contract-based to relationship-based business.**

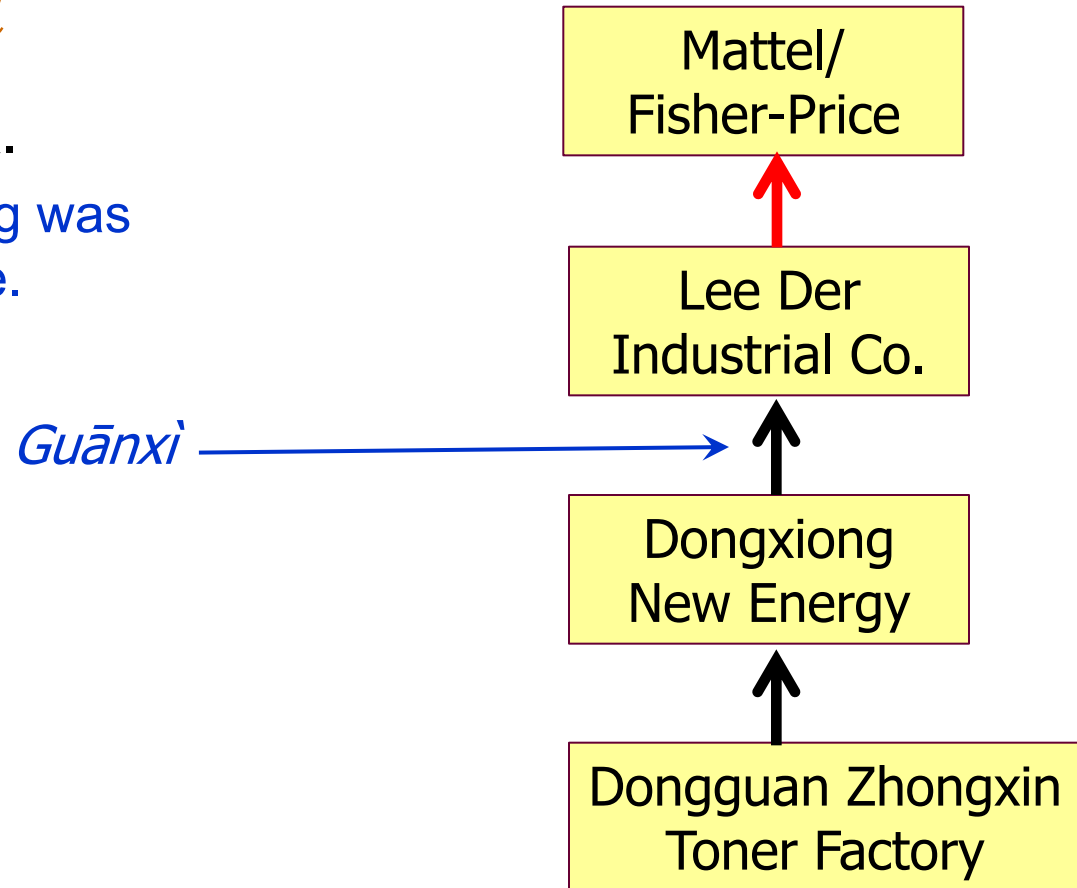
- The **contract** called for **lead-free certification** testing by Zhang.
- Zhang considered it sufficient to **trust** his supplier Liang.
- A Mattel purchaser who had **guanxi** with Zhang could have learned this and asked Zhang to test the paint as a favor.





Mattel in China

- ⊕ Second link was OK.
 - ⊞ Zhang's trust in Liang was culturally appropriate.

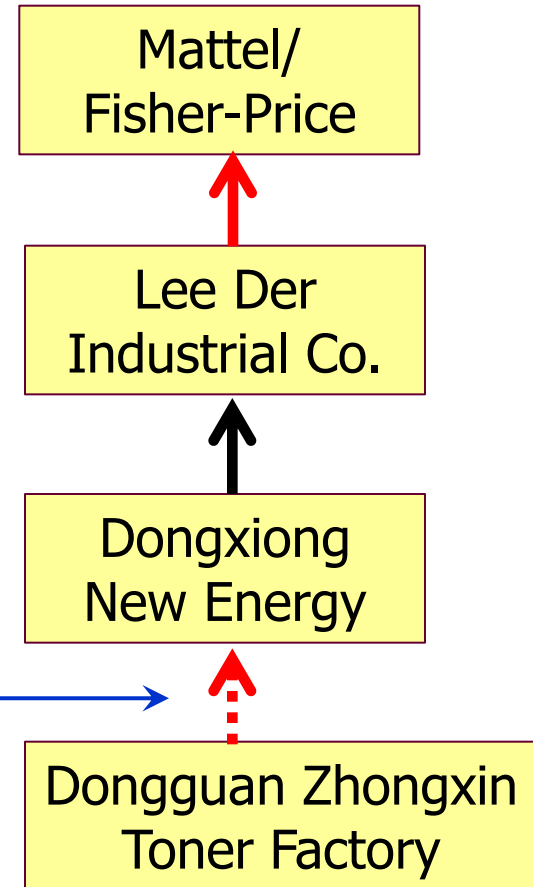




Mattel in China

- ⊕ The chain **broke** at the third link.
- ▣ And tragedy ensued.

Culturally inappropriate
trust of an unknown
person online





Garment industry in South Asia

✚ In April 2013, garment workers in Rana Plaza heard a loud noise.

- ✚ An **8-story complex** containing several **factories**.
- ✚ A **large crack** formed in the building.
- ✚ An engineer urged everyone to **evacuate**.





Garment industry in South Asia

✚ Landlord Soheli Rana refused to close the building.

- ✚ Factory owners ordered workers to show up the next morning
 - or lose their jobs and several weeks back pay.





Garment industry in South Asia

✚ At 8:45 am, the building collapsed.

▣ 1129 workers killed, >2000 injured



Worst disaster
in history of
garment industry



Garment industry in South Asia

✚ Why?

- ▣ Multiple safety and building code violations.



Worst disaster
in history of
garment industry



Garment industry in South Asia

- ✚ Journalists found evidence in the rubble that **U.S. and European firms** were sourcing from these factories.
 - ✚ Unsafe factories offer the **lowest price**.
 - Factories are forced to **cut costs** to get contracts with buyers.
 - Yet the buyers **write safety conditions into their contracts**.
 - Why doesn't this work?



Calvin Klein





Garment industry in South Asia

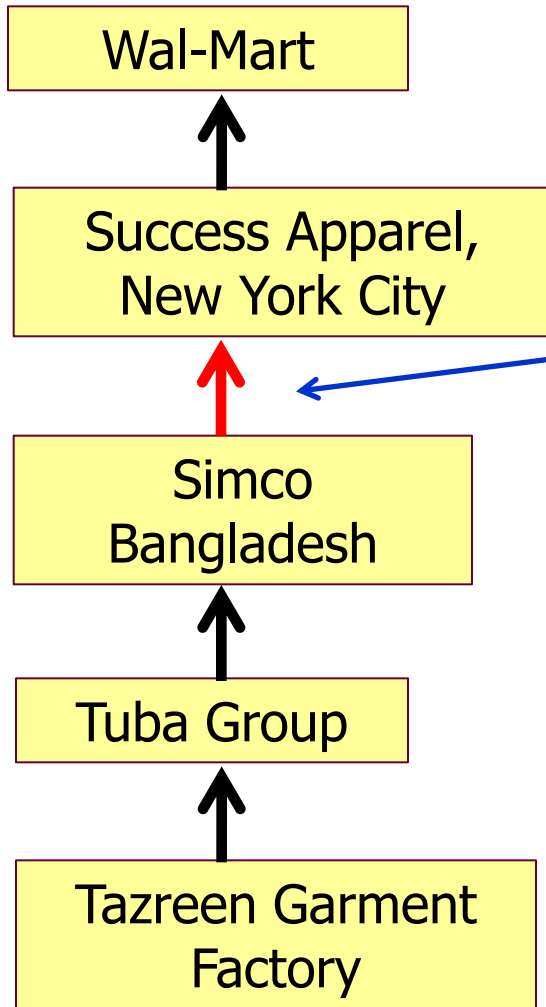
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 - Factories are forced to **cut costs** to get contracts with buyers.
 - Yet the buyers **write safety conditions into their contracts**.
 - Why doesn't this work?
 - ✚ Another factory disaster clarifies the problem...

Tazreen factory fire,
Dhaka, Nov 2012





Garment industry in South Asia



Supply chain from Tazreen factory to U.S.

Contractual safety requirements didn't cross the cultural divide.

Tuba sourced from Tazreen because its own Wal-Mart compliant plant lacked capacity.

Desire for worker safety must become part of **relationships** down the chain

and buyers must be prepared to pay for safety.



Garment industry in South Asia

- ☛ Relationships can also convey information about personal reputation.
 - ☛ Sohel Rana was locally known to be a corrupt political boss and drug dealer.

Sohel Rana apprehended
as he tries to flee the country

