MAASTRICHT SCHOOL OF MANAGEMENT

Working Paper No. 2016/6

Conflict: doing business in a heterogeneous and volatile continent, with a focus on China, Turkey and India

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August 2016

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Conflict: doing business in a heterogeneous and volatile continent, with a focus on China, Turkey and India

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Introduction

Western business people confront enormous challenges when seeking to penetrate such important and potentially profitable but complex markets as China, Turkey and India. In this paper we identify three levels of potential and actual conflict. The common theme here is that of conflict in terms of perception, expectations and assumptions – and the practical realities on the ground. Sometimes the challenges presented by the realities are not as great as those feared – but for many Western business people venturing overseas, perception is reality.

Returning to the three levels: firstly, the Western business person has few reference points especially in terms of institutions and typical business practices in exploring these markets, compared with his or her own experience at home; the ways of doing business may be quite different.

Secondly, the business cultures and behaviours in China, Turkey and India are diverse and often incomprehensible to many Westerners; attitudes and practices are just not the same.

Thirdly, these countries and their neighbours are experiencing degrees of political, economic and social volatility which provide another dimension of challenge to the Western business person; many of the regions within Eurasia are in open armed combat with each other.

In this paper, we explore the background to developing business in these emerging markets, drawing on research for the author's recent book *BRICS and Beyond* (Wiley, 2012), which focussed on opportunities, challenges and practice in new economies. Based on the practical experience of domestic and international businesses, this study highlights the conflicts experienced on these three levels. The author also refers to her previous study *Managing in China – an executive survival guide* (Butterworth Heinemann, 1997). Furthermore, she bases her comments on a decade of teaching MBA students across the globe: leading and facilitating courses in organisational behaviour such as challenges in leading teams, understanding business ethics, managing change, implementing quality practices, analysing organisational and national cultures and the challenges of operating in culturally diverse environments. Common to many of these courses are the building of skills in diagnosing conflict styles and managing conflict resolution, explained in two of her MSM textbooks, *Leadership, Change and Responsibility* (2008) and *Managing Cultural Diversity* (2009).

We also look at sources and indices such as those produced by the World Bank, the *Economist,* the *Doing Business In*… survey, the *Corruption Perception Index* of Transparency International, the cultural constructs of authors such as Geert Hofstede (2001) and Fons Trompenaars (1997), and the literature on conflict analysis, especially the valuable *Mode of Conflict Instrument* produced by Thomas and Kilmann (1974) and still widely used. She applies these to her personal knowledge of living and working in each of these three countries.

Introduction to Conflict

How do we define conflict? Thomas and Kilmann (1974) provide a useful framework in terms of their concepts of competing/forcing, collaborating/problem-solving, compromising/sharing, accommodating/soothing, and avoiding/withdrawal. In doing business, many entrepreneurs start off being competitive, or simply wanting to win. But it often does not work out as simply as that; the potential customer wants to win too. When this happens, Westerners might be more inclined to collaborate – getting all the issues out on the table at the beginning, working through differences, and trying to achieve a win-win solution, equally acceptable to both parties. This can be seen as having long-term benefits.

By contrast, business people in many emerging and developing economies (and China, Turkey and India are no exception) are likely to be compromising, seeking a short-term solution by giving up on some elements in order to win on others. This anecdotal observation is based on the author's many years of teaching in such countries. There is also a possibility that one party might be willing to be accommodating to the other, in order to build goodwill and enhance business relationships generally. Finally, one party might dislike conflict and confrontation to the extent of adopting avoiding behaviours, and this can mean a collapse of a potential business relationship.

This framework can be seen to underline the three areas of conflict considered below – in terms of business practice, differences in cultural behaviours, and likelihood of social, economic and political turmoil.

East and West Business: Conflict 1

Differences in institutions and business practices are confusing to both sides of the table in doing business internationally, especially for Europeans and North Americans seeking to do business in such emerging but fast-growing centres such as Turkey, India and China. In the author's recent book *BRICS and Beyond* (Wiley, 2012), she looks at the challenges in detail, especially in terms of perceived country risk, differences in attitudes towards corporate social responsibility [CSR], and contrasts in attitudes to business culture (discussed in more detail below).

Most of the risks and possible areas of conflict experienced by Westerners doing business with these countries revolve around contrasting views of the role of corporate leadership and participation in decision-making; differences in the acceptability and incidence of government intervention; assessments of financial risk; prevalence of corruption (see a further discussion below); difficulties experienced by multinationals dealing with local businesses; varying attitudes to censorship, freedom of information and freedom of expression; and normal risks affecting all kinds of business transactions such as commodity price fluctuations.

Institutions and business practices are in complete contrast to what most Westerners expect – just to take a few examples from the author's *BRICS and Beyond* (2012): China's obsession with security (pp. 16-20); Turkey's concern with censorship (p. 34); and India's copyright piracy (p. 72).

East and West Business: Conflict 2

Business cultures and behaviours are often misunderstood and misinterpreted. Globalization of the world economy, together with major changes in the access and use of Information and Communication Technology (ICT), has facilitated the potential for rapid and large-scale expansion of businesses in East and West Eurasia. While this phenomenon gives credence to the claim by Friedman (2005) "that the world is getting flatter" and indicates that there is greater ease in conducting business internationally (Junior, Meyer, & Murphy, 2006), it also uncovers the growing need for cultivating cultural sensitivity among business enterprises to effectively deal with cultural differences. According to Huntington

(2003) as cited by Junior *et al* (2006, p.2), "all countries in the world have a culture that differentiates them from all others". However, to assume that the world is becoming more and more homogenized (Chang, 2010) to the extent that it erodes the cultural diversity between countries of the East and West is analogous to overlooking the importance of cultural factors and underestimating the attendant blunders and conflicts that will result in international business operations. In fact, the convergence-divergence debate shaped by longitudinal studies done by Inglehart and Baker (2000) as cited by Senior and Swailes (2010) indicates that cultural changes are occurring but still in a persistent and distinctive manner (Senior & Swailes, 2010, p. 159). Therefore, even without a theorized position, one can argue from a liberal perspective that the absence of cultural sensitivity and understanding in the international business arena is tantamount to "bouncing one's head against an invisible barrier" (Khairullah & Khairullah, 2013, p. 1) that will defeat business development and competitiveness outside national frontiers.

One of the problems that renders the understanding of the relationship between business and culture difficult is the comprehension of what exactly is "culture". Cognizant that there are more than 160 definitions of culture and the fact that none of these is deemed universally satisfactory (De Bono, Jones, & Van der Heijden, 2008, p. 242), underscore the complexity in understanding its richness and depth across geographic horizons. It is within this context that an analysis of the different business cultures in Europe and that those of China, Turkey and India is undertaken by using the two most well-known and accepted theories on national cultural; that is, the theories of Geert Hosfstede (1980, 2001) and Fons Trompenaars (1997) and (De Bono, Jones, & Van der Heijden, 2008).

Hofstede (1981, p.24) as cited by Senior & Swailes (2010) defines culture as "the collective programming of the mind, which distinguishes the members of one human group from another...in this sense is a system of collectively held values" (p.129). Trompenaars (1999) as cited by De Bono, Jones, & Van der Heijden (2008) defines culture as "the way in which a group of people solves problems, and reconciles dilemmas" (p.242). Despite the nuances, one common thread that is evident in these concepts is that culture is anchored in social groups and it comprises visible and invisible dimensions - inclusive of, but not limited to, artefacts, language, symbols, religion, use of space, time orientation, rites, rituals, ceremonies, beliefs, values, attitudes, and basic and tacit assumptions (De Bono *et al*, 2008; Junior *et al*, 2006; Senior & Swailes, 2010). Given the diverse nature of culture within a competitive global landscape, a question which should occupy the thinking modes of international businesses is how a national cultural context can shape the context for successful business practices and results.

Analysis of Business Cultures

Indeed, recognition of the depth of change in Asia and what it may portend for business relations in the Euro-Asia region serve as a key motivator for developing some tangible guidelines for cross-cultural understanding between the two regions. In particular, while an analysis of the business cultures of China, Turkey and India in relation to Europe presupposes a single European culture, researchers such as Koopman (1999) as cited by Senior and Swailes (2010) have cautioned against this notion. In fact, Koopman *et al.* (1999) have concluded that, in the main, the national cultures of European countries can be grouped into different clusters, that is, Anglo-Saxon, Latin and Northern European (based on, *inter alia*, language roots, geographic proximity, post-war Soviet expansion, religion, political/economic system). However, from a practical standpoint, Europe is presented as a cohesive bloc to give broad practical guidelines on the multiculturalism of the business perspectives and approaches that are present in China, Turkey and India. Therefore, in what follows, we provide a brief description of the most relevant cultural dimensions of Hofstede and Trompenaars to be considered by Europeans when doing business in these three Asian countries. This summary of cultural dimensions[1] by Hofstede and Trompenaars is presented in Box 1 below:

[1] It should be noted that dimensions of culture are used to compare different countries and do not represent individual traits. Hence, these dimensions are to be treated as "tendencies" of whole groups.

Power Distance (Hofstede): The extent to which a society accepts the fact that power is distributed unequally.

Individualism/Collectivism (Hofstede): The degree of interdependence a society maintains among its members.

Uncertainty Avoidance (Hofstede): The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these.

Long Term/Short Term Orientation (Hofstede): How society maintains some links with its own past while dealing with the challenges of the present and the future.

Universalism/Particularism (Trompenaars): The observance of laws and rules rather than placing importance on relationships.

Specific/Diffuse (Trompenaars): The extent to which business and private lives are kept separate.

Achievement/Ascription (Trompenaars): The extent to which status is accorded to performance of duties rather than who or what the person is.

Box 1: Summary of Key Cultural Dimensions by Hofstede and Trompenaars

Source: De Bono *et al* (2008), www.https://geert-hofstede.com

The figure below provides a graphical representation of the cultural preferences in India, Turkey and China using Hofstede's model.

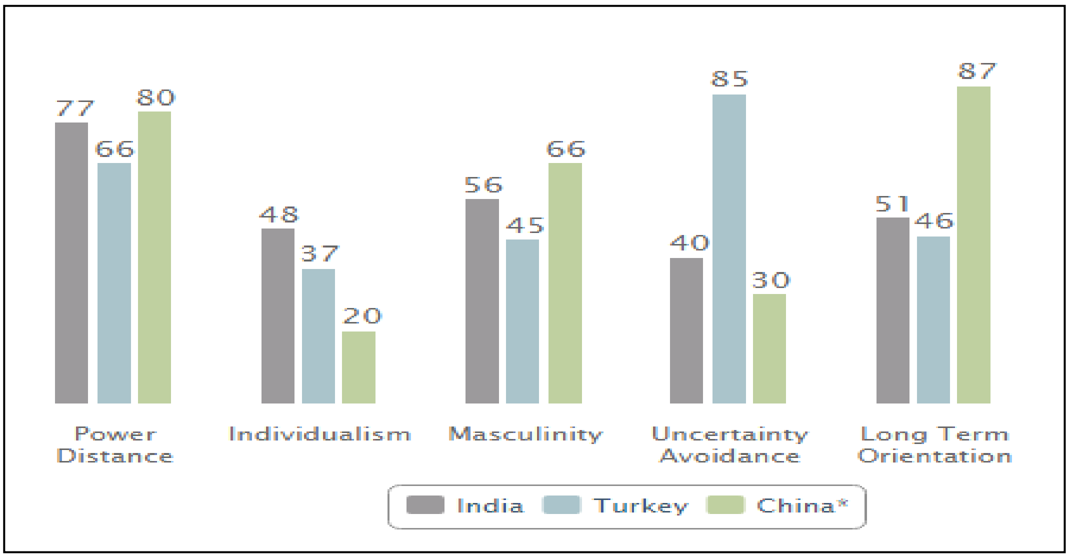

Figure 1: Hofstede's Model of Cultural Differences between India, Turkey and China

(Source: https://geert-hofstede.com

Power Distance

All three countries have a high power-distance orientation, with Turkey, India and China having average scores of 66, 77 and 80 respectively. Organisations in these cultures are generally characterized as hierarchical and decision-making is a top-down process. Therefore, direct communication between employees and boss is limited, the notion of referring to one's boss by his/her first name or of contradicting the boss in public is rare, and the general mind-set among employees is that of following the leader. For example, the caste system in India underscores the social stratification and significantly influences how people relate to each other. Moreover, politics play an influential role in these Asian countries (Luo, 2008) so it is important for leaders of business enterprises to know the official government's policies and to ensure their business policies are in harmony with these.

European countries generally have a low-power distance index when compared to these Asian countries. According to De Bono *et al* (2008), countries of low power-distance cultures tend to favour flat organisations, decentralized power structures, equality or privileges, and consultation in decision making. Hence, European companies tend to promote "open door policies" to build camaraderie and relationships. The relatively "short" distance kept among employees and their seniors emphasizes a low degree of formality and a high degree of friendship in the business environment. While body language, such as direct eye contact between subordinates and superiors, is an indicator of honesty in the European business context, this can be instinctively misinterpreted as threatening or rude in these three Asian cultures. The underlying principle in low power-distance cultures, like those in Europe, is that business practices are generally direct and independent of rank.

Individualism/Collectivism

On the individualism dimension, all three countries score relatively low with Turkey, India and China having average scores of 37, 48, and 20 respectively. Therefore, these Asian societies are bound by collectivism and the workers are generally group/team oriented. In these societies, there is collective responsibility for members in a group to save face, and decisions are made to benefit the entire group. Further, loyalty is high, turnover is low, and firing of employees is rare. Hence, these collectivist cultures are characterized by a high degree of social connectedness, benevolent motivations, and teamwork (Wasti, Tan, & Erdil, 2010) where values of harmony, solidarity, humility, cooperation, and trust are espoused. The dominant influence of the religious practices of Islamism and Hinduism, as well as Confucianism-based ethics in these three Asian countries also supports the overall collectivism in the societies. Hence, businesses in China, Turkey and India tend to have a familial ethos within the companies.

Europeans, on the other hand, have a highly individualistic culture which implies that ties among employees and the populace are generally "loosely-bound". The society is largely independent, competitive, highly task oriented and focused on getting things done. Moreover, the individualistic culture is characterised by the individuals' natural rights, freedom and discretion. In such societies, it is normal for the remuneration system of employees within organisations to be performance-based rather than intrinsically based given the prevalence of meritocracy. According to Stoner and Freeman (1995) as cited by Junior *et al* (2006), the level of entrepreneurism, innovation and risk taking is generally higher among companies in European societies than in these Asian countries which focus more on product improvements. Also, being less socially stratified than their Asian counterparts, tend to facilitate higher entrepreneurial activities in European countries.

Uncertainty Avoidance

Both India and China have an average score of 40 and 30 respectively representing a low score, while Turkey has a high average score of 85. This cultural dimension for China and India follows from their collectivist cultures and implies that these societies have fewer rules and generally do not place high emphasis on controlling all results and outcomes. In other words, bearing in mind that decisions are aimed at promoting group cooperation, there is a higher level of tolerance for ambiguity and variation as the society tends to be more relationship based. It is therefore not unusual for Indian or Chinese partners to want to change the terms of a contract the day after it is signed. Paradoxically, though Turkey is a relationship-based society, its high average score (85) means that it requires far greater paper work and bureaucracy in business activities than India and China. In this case, Turkish bureaucracy primarily serves the purpose of cementing personal power rather than a logical functionality. In this instance, it can be argued that Turkey's reality is consistent with the cultural framework of southern European (Spain and Italy) to which there is geographic proximity.

European countries generally have a high average uncertainty-avoiding index which indicates that they seek reassurance in predictable rules-based systems. Cognisant that some rules-based cultures can become complex and dysfunctional bureaucracies, the notion of high uncertainty avoidance is intended to promote professionalism, transparency and logic-based communication (Hooker, 2008). In fact, rules-based cultures give due consideration to the fundamental equality of autonomous individuals and therefore support the earlier mentioned low power-distance cultures of European societies. Moreover, while the growth of large corporations has brought to the fore the importance of rules-based systems for transparency-based investments and financing, it is important to note that in China for example, some investments are based on guānxì[2] relationships where financial statements are of secondary importance and requesting this from a business partner can be interpreted as insulting (Hooker, 2008).

Like Hooker (2008), the authors surmise that the notion of categorizing countries as uncertainty avoiding can be somewhat problematic given that all cultures put systems in place to alleviate uncertainty (Hooker, 2008). However, this construct is deemed particularly useful in providing some level of reassurance for businesses in effectively managing risks and engendering transparency.

Long Term/Short Term Orientation

According to Hofstede, the intermediate scores of Turkey (46) and India (51) are in the middle of the scale which implies that neither country displays a dominant cultural preference. Interestingly, China has a high score of 87 in this dimension which implies that its culture is characterised as pragmatic, persistent and persevering. With a long-term orientation, Chinese society is concern with saving, long-term rewards, and developing economies. Although among the younger generation there are more short-term tendencies, "China remains traditionally long-term in its thinking by focussing on dynasties rather than years" (De Bono, Jones, & Van der Heijden, 2008, p. 247). In general, business decisions are protracted given that there is high regard for deriving national and collective benefits from business deals.

European countries are generally on the opposite ends of the scale and are characterised by quick work and life rhythms. In these short-term cultural orientations, the "bottom line" is a major concern and the attendant control (rules-

[2] Guānxì is a Mandarin Chinese word for "connection"

based) systems are so focussed. Further, the short-term cultures indicate that European countries foster cultures that are punctuated by national pride, respect for tradition, and the fulfilment of social obligations. Therefore, in international business, European countries can potentially adapt and/or integrate more readily to other dominant Asian cultures given the former's short term traditions are more heavily emphasized.

In relation to Trompenaars' culture dimensions, there are some noted overlaps with those of Hofstede with a few minor variations. These are as follows:

Universalism/Particularism

China, India and Turkey generally espouse particularistic cultures and therefore give greater attention to obligations of relationships and unique circumstances. Therefore, in these Asian societies, particularistic orientations give rise to judgments that are relative to social situations. Hence, there is a strong tendency for guānxì type philosophy to govern business operations and less attention to rules-based systems. This is similar to Hofstede's model on collectivism which ranks these three Asian as highly collective.

European countries have more universalistic cultures where law and social norms take precedent over relationships. Moreover, judgments are rules-based and conform to universal standards. This also resonates with Hofstede's model on individualistic cultures which generally typify European cultures.

Specific/Diffuse

In the main, the three Asian countries have more diffused than specific cultures. This means that business officials in Indian, Turkish and Chinese societies tend to be more opportunistic in pursuing business ventures and do not have rigid distinctions between their private and public lives.

European societies on the contrary tend to have more specific cultures meaning that they are generally deterministic in making clear distinctions between their professional life and life as a whole. Therefore, in business operations, officials usually set aside specific time slots for each activity, which results in appointments and strict schedules. Critical to this modus operandi is the premium place on punctuality. Here this cultural distinction resonates with Hofstede's cultural dimension on the short-term orientation of Europeans.

Achievement/Ascription

In most Asian cultures, honorific terms and titles are expected and in some cases obligatory. Therefore, in India, Turkey and China the cultures are largely based on ascription. In the conduct of business activities, there is high consciousness of paying due regard to formalities, appearance and status. In addition, there is such high respect for age that in most cases seniority automatically means better knowledge and skills. This is reflective of Hofstede's high power-distance which is representative of Asian societies.

On the other hand, in Europe, one has to prove him/herself for his/her competencies and skills in substantive ways. There is generally limited importance given to material aspects and status in an organization. Hence, European cultures are based on achievement where there is a tendency for equal opportunity and fair competition. This cultural orientation is in concert with Hofstede's model on individualism and low power-distance which generally characterize European cultures. Hence, in its practical application, when European business officials are desirous to do business in these Asian countries, it is important to have older, senior members with formal titles as part of the team.

East and West Business: Conflict 3

Political, economic and social volatility in China, Turkey and India – which we can read about every day in our newspapers – have had an overwhelming impact on the ease and difficulty of doing business for Westerners looking at penetrating these markets. This is seen clearly in the "Doing Business in…" index:

Doing Business Indices for China, Turkey and India (2016)

Doing Business Indicators	China	Turkey	India[3]
EASE OF DOING	5	55	130

[3] The population has over 100 million as of 2013 and data are based on two cities.

BUSINESS RANK			
Starting a Business	4	94	73
Dealing with Construction Permits	7	98	113
Getting Electricity	9	36	144
Registering Property	59	52	111
Getting Credit	19	79	79
Protecting Minority Investors	1	20	122
Paying Taxes	4	61	151
Trading Across Borders	47	62	157
Enforcing Contracts	22	36	155
Resolving Insolvency	26	124	119

Source: http://doingbusiness.org/rankings (Economies are benchmarked as at June 2015)

The ranking of the Doing Business Index produced by the World Bank annually focuses on measuring 10 quantity indicator sets among 189 countries from 1-189, where 1 is the highest and 189 the lowest. Therefore, a high ease of doing business index indicates that the given regulatory environment is conducive to starting and operating a local business (The World Bank Group, 2016). In a nutshell, the data broadly indicate the business ethics and the potential benefits and/or challenges of doing business in the respective countries. While some critics question the objectivity and impartiality of the rankings (Cooley & Snyder, 2015), the data actually help to sharpen the analysis and reduce shock of investors in deciding to do business in a foreign country.

China

In the Table above, it is noted that China outperforms Turkey and India on the overall indicator of "Ease of Doing Business", as well as on the individual indicators except for "Registering Property". Moreover, China ranks 5th globally and India and Turkey rank 55th and 130th respectively. The data suggest that China possess significant advantages for doing business vis-à-vis Turkey and India. For example, of the three countries China is ranked among the top 10 countries for protecting minority investors (also ranked #1 globally), starting a business (#4), paying taxes (#4), dealing with construction permits (#7) and getting electricity (#9). Among other things, the indices also outline the other underlying factors for China's advantage over India and Turkey in attracting business investments; particularly for Small and Medium Enterprises (SMEs). It is important to highlight that in China businesses tend to face less difficulties in trading across borders (ranked #47) than India and Turkey rank at 62 and 157 respectively.

India
The data further suggest that EU investors wanting to operate in India are likely to face the most hurdles in forms of obtaining construction permits, getting electivity, registering property, protecting minority investors, paying taxes, trading across borders and enforcing contracts. Evidently, for EU investors, doing business in India is a lot more challenging than in Turkey and China.

Turkey
Turkey's overall rank at 55 implies that it is a high-potential emerging market (Kalafatoglu, 2010). This may be partially explained by the deliberate efforts made by Turkey during 1980 – 2000 in undertaking economic reforms to open its economy through removal of trade barriers and provision of incentives in foreign investments (Kalafatoglu, 2010, p. 63). Therefore, except for the relatively low rank for resolving insolvency (#123), Turkey's rank signals that there are good prospects for success in investments by EU businesses.

In addition, mention must be made of Turkey's geo-strategic location in linking the economic and political area known as Eurasia, coupled with its customs union with the EU makes it ideal for potential investors desirous of operating in the "heart of Europe and Asia". For instance, the construction of the Baku-Tbilisi-Ceyhan crude oil pipeline and other energy projects underscore the substantial potential growth and importance of the Turkish economy for EU investors.

Corruption Perception Index (2015) for India, China and Turkey

According to Transparency International, the Corruption Perception Index (CPI) "measures the perceived levels of public sector corruption worldwide" (Beddow, 2015). While, it can be argued that the CPI underscores the emerging culture of accountability and improved governance, the indices for 2015 show that corruption remains rife around the world (the higher the score, the more clean or less corrupt):

Corruption Perception Index

Rank	Country/Region	Score
66	Turkey	42
76	India	38
83	China	37
	Eastern Europe & Central Asia	33
	EU & Western Europe	67

Source: www.transparency.org

The Table above shows the perceived public perception of corruption in India, China and Turkey in comparison to 168 countries around the world, where from a range of 0-100, a score of 0-9 means the country is "highly corrupt" and a score of 90-100 means it is "very clean". Apart from Turkey which is claimed to have deteriorated, both China and Turkey are considered to be stagnant where there is no change in the perceived level of corruption from 2014 (Beddow, 2015).

Interestingly, China is deemed to be the most corrupt from among the three countries (even worse than India) while Turkey is deemed to be the least corrupt. Therefore, the data indicate that despite the relatively strong investment climate for China, it is perceived to be the most corrupt of the three countries.

From a global and regional perspective, the CPI also indicate that on average the level of corruption in Eastern Europe and Central Asia is deemed to be 50% higher than in the EU and Western Europe. For EU investors, this signals the need to be aware of the scope for the absence of non-enforcement of legislation, and the potential for stifling of free media and the active participation and influence of civil society in the investment climate.

It should be noted that recent publicized data on Ease of Doing Business by the World Bank (2016) do not seem to match the ranking on the CPI for 2015. This may suggest that some of the investment policies and infrastructure in place may be more for cosmetic purposes, as opposed to being structural in intent; or that steps should be taken to reduce opportunism to increase the objectivity and impartiality of the CPI data.

Conclusion

Based on our analysis of these three areas of conflict in doing business between these countries and the West, we note that the plurality of national culture is both a fascinating but challenging phenomenon; and getting it right for business entities operating in the international market should never be an after-thought. An analysis of cultural dimensions and their implications is of utmost importance when participating in international markets. However, De Bono *et al* (2008) have indicated that the rankings of cultural dimensions are changing, and while recent empirical evidence has shown that a new Asia and Eurasia is emerging, companies that are keen to operate in this economic sphere must remember that the old cultural make-up is not entirely gone (Economist, 2016). Also, international indices of ease of doing business and corruption are constantly varying – up and down. Therefore, those European businesses failing to strategically plan to understand the cultural sensitivities of the Eurasian and Asian countries and the resulting implications, and failing to take steps to adapt to the local realities, are subject to conflict because of overlooked or ignored "cultural potholes". Unfortunately, by the time they try to retrace their steps and regain their balance, the economic opportunity could fade. This can ultimately lead to stereotypical cultural myths and prejudice, which can become artificial barriers in otherwise positive future business relationships.

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