ASK NUS PROFS

Coping with the culture of giving gifts

Q: When doing business overseas, we found that gift-giving is quite a prominent culture. In some places, we are even told to present small gifts to personal assistants of business prospects just to seek an audience with their bosses. At what stage would the practice of gift-giving be construed as bribing?

A: The underlining assumption of your question is that there should be explicit rules regarding gift and/or favour exchanges when building up and maintaining social relationships in business transactions. This is the norm in Singapore and a belief by many Singaporean businessmen due to the rule-based education and business practices here.

However, when conducting business overseas in a different culture, we often find that there are no such explicit rules. In many situations, such rules are implicit and cannot be coded or written down. This is because the enactment, explanation and exercise of these rules depend on many local circumstances, such as the level of familiarity between the parties involved, the rank of the local partner in the hierarchy, local customs and culture, as well as laws and political institutions.

Further, the local circumstances can be idiosyncratic and specific, especially in large countries such as China, India or Russia, that feature significant differences in local cultures and values. Facing these uncertainties and complexities, we need to first understand that Singapore is indeed quite unique in that we have clear and explicit regulations governing social interactions in business transactions.

These rules often do not exist in many markets, especially those in emerging economies. Seeing the Singapore way as relative rather than the absolute is the first step towards a better understanding of local practices in another country, which may not have a strong culture of corporate governance and transparency.

Second, a conservative, gradual and risk-averse approach may be better in managing these social relationships due to their local and idiosyncratic nature. Misunderstanding or misuse of these rules can lead to serious consequences, such as legal prosecution or confiscation of investment assets, especially in places where legal and political systems are less transparent and democratic.

With these attitudes plus an open mind, we can learn these implicit and tacit rules gradually, and the question of “At what stage would the practice of gift-giving be construed as bribing?” will no longer be a question—until we see corporate governance practices gaining a stronger foothold in these countries.

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