

On the Influence of Interpersonal Relations on Business Practices in Latin America: A Comparison with the Chinese *Guanxi* and the Arab *Wasta*

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The connection between interpersonal relationships and business practices is currently an object of study in the field of international business. The authors have identified a significant body of research literature characterizing this phenomenon in China, where it is denominated as guanxi, as well as a recent interest of the academy in studying the Arab wasta (i.e., clout or influence). The authors argue

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that a similar phenomenon occurs in Latin America and identify patterns similar to those of *guanxi* and *wasta* in a cultural artifact called *compadrazgo*. The article offers insight for managers and individuals interested in doing business in Latin America. © 2015 Wiley Periodicals, Inc.

Introduction

The recent global economic turmoil and the rise of new global powers such as China, India, and Brazil are transforming the architecture of the economic world order. Multinational companies are moving their operations or opening subsidiaries in emerging economies, thus creating cross-cultural challenges for managers, especially when they operate in places where the local culture significantly differs from their own. In this context, the importance of understanding local cultures and business practices in those countries has become evident, spurring efforts by both academics and practitioners to develop research on intercultural studies.

In recent years, the academic community has produced a body of literature focused on the incidence of social networks and interpersonal relationships in the development of businesses in emerging countries and regions such as China and the Arab world. To date, extensive literature exists about business practices in China and the influence of Confucian values, particularly about the importance given to interpersonal connections—i.e., *guanxi*—in the development of business relations. In the Arab world the phenomenon of *wasta* has been identified, related, and compared to *guanxi* (Hutchings & Weir, 2006a), although it has not been as thoroughly studied as its Chinese counterpart.

Latin America, which is also an emerging region, has not been given much attention in the field of intercultural studies, even though the local cultures show evidence of social/business features comparable to those of *guanxi* and *wasta*. These features have been subject to study by scholars in the disciplines of anthropology, sociology, and ethnology in such phenomena as *compadrazgo*.

Latin America is gaining relevance in the field of international business given the growth of its major economies and the expansion of multinational companies, making it important to engage in the study of the relationship between cultural features and business practices in this region. After going through a *lost decade* in the 1980s, most of the region experienced a process of economic liberalization in which the countries' current and financial accounts were opened to the world. This allowed the entry of foreign multinationals to the local markets, but also increased the presence of foreign

exchange and capital that fostered the internationalization processes of local enterprises through both international trade and foreign direct investment. Latin America is now home to important multinationals, which, in the current slang of international business, have been labeled as *multilatinas* (Cuervo-Cazurra, 2008). Companies such as Cemex, Vale do Rio Doce, PETROBRAS, and Grupo JBS are worldwide leaders in their respective industries, and companies from middle-size economies such as Chile and Colombia are becoming important players in the sectors of retail sales, financial services, the food industry, and air transport, just to name some examples.

The recent global economic and financial crisis showed that the macroeconomic foundations of the region's main economies (with the notable exception of Venezuela) are now solid; local governments have apparently learned from the errors of the past, and the general rule in the region is fiscal discipline, low levels of public debt, and accumulation of important international reserves (Botero & Cavallo, 2010). Even though the economy of the region was affected by the global downturn and showed a 2.1% decrease of aggregate gross domestic product (GDP) in 2009, in 2010 it rebounded, growing around 5.6%, keeping the growth trajectory there ever since. While the developed world still struggles to reshuffle economic activity and shows negligible growth, Latin America is growing at a pace around 3% (International Monetary Fund [IMF], 2013).

Despite its increasing internationalization, Latin America presents difficulties for foreigners wanting to do business in the region because its culture is complex and international assignees often encounter obstacles. According to the latest Brookfield Global Relocation Trends survey (Brookfield, 2013), four Latin American countries (Brazil, Mexico, Argentina, and Venezuela) rank among the 11 destinations that present the most difficulties for foreigners to deal with.

Latin America, though large and diverse, shares common aspects such as language,¹ religion, *mestizaje*² and conquest, colonization, and independence processes, which actually make it culturally homogeneous (Skidmore, Smith, & Green, 2010). Language is a strong common characteristic, but an equally important feature among Latin American countries is religion. Catholicism is widely practiced and is the dominant religion of the

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region, being followed by 70% of residents (Munck, 2003).

Considering the particularities of Latin American countries, this article aims at contributing to the understanding of cultural differences and social relationships that enable international managers to perform more effectively (Hutchings & Weir, 2006b; Teegen & Doh, 2002) by becoming active participants.

Methodology

The purpose of this conceptual article is to highlight the similarities among *wasta*, *guanxi*, and the Latin American *compadrazgo* in order to provide a better understanding of business practices in these relationship-oriented cultures. In the review of the literature, no evidence was found that *compadrazgo* has been applied to understanding business before. First, the authors review interpersonal connections in Latin America or *compadrazgo*, and then conceptualize similar phenomena of interpersonal relations in China and the Arab world, which are regions that

have already been studied and in which the connection between *wasta* and *guanxi* has already been established.

Although *guanxi* and *wasta*, as systems for the creation of kinship ties, have been extensively studied in order to understand their influence over business practices in China and the Middle East, respectively, the present study offers a new argument to include the Latin American concept of *compadrazgo* in this group. To accomplish it, as Hutchings & Weir (2006a) proposed in their comparison between *guanxi* and *wasta*, an extensive revision of the existent literature, as well as the authors' personal experiences through traveling, studying, and working abroad, were considered, in order to look to both value constructs and agreed-upon cultural norms and apply them to business.

Previous studies have addressed the Latin American fictive kinship system in order to analyze its implications over the formation of social networks, and in some cases economic and political implications have been addressed (Carlos, 1973; Gill-Hopple & Brage-Hudson, 2012; Institute for Latino Studies, University of Notre Dame, 2010; Lomnitz & Sheinbaum, 2004; Nutini & White, 1977). However, *compadrazgo* has not yet been used to describe the role social networks play on business practices in Latin America.

Conceptualization of Guanxi and Wasta

Culture, which is understood as the set of "shared values, understanding, assumptions and goals that are learned from earlier generations, imposed by present members of a society and passed on to succeeding generations" (Deresky, 2006), is a determinant factor on individuals' social behavior and defines what is conceived to be right or wrong in any social setting. Even though business practices might be motivated by the economic interests of the actors involved, it would be naive and inappropriate to dismiss the potential influence of culture on determining the related practices, decision-making processes, and, ultimately, the outcomes within any business relationship or negotiation.

In that sense, the study of sociocultural phenomena and their incidence on economic activities has attracted the attention of academics. One of these expressions is the intertwining of social relations and businesses, or networking, which has been found to be culturally embedded in societies such as the Chinese and the Arab world. For example, *guanxi*, which literally means connection or relationship in the Chinese language (Yang, 1994), has become a topic for research in the fields of organizational behavior and business studies, notably from the decade of the 1990s onward (Farh, Tsui, Xin, & Cheng, 1998;

Tsang, 1998; Tsui & Farh, 1997; Vanhonacker, 1997; Xin & Pearce, 1996). This has occurred along with the progressive and resolute rise of China as a global economic power and as a leader in the forefront of the international business arena.

Also, in the case of the Arab world, the concept of *wasta* makes reference to social connections and its influence on decision making (Cunningham & Sarayrah, 1993, 1994). Its study at the academic level has not been as extensive as the study of *guanxi*, but both concepts hold similar features such as the exchange of favors and gifts and the expectation of reciprocity (Hutchings & Weir, 2006b).

Even though it is clear that terms such as *guanxi* and *wasta* make reference to the setting of social networks with potential business purposes (i.e., *networking*), they can be approached from multiple and different perspectives. There are at least four perspectives from which the study of these kinds of networking has been developed: as corruption, as an alternative to a weak institutionalism, as a form of social capital, or as derived from certain cultural dimensions.

The first of those perspectives regards these practices as a form of corruption or nepotism (Luo, 2008) in which decisions are made based on emotions rather than reason—a fact that might generate economic inefficiencies such as inappropriate allocation of resources and/or choice of inadequate partners (Ho & Redfern, 2010). This classification, which is generally formulated in a Western ethnocentric perspective, often describes the practice of networking as the result of a particularistic/relativistic ethical system (Tan & Snell, 2002).

The second perspective, instead, focuses on a descriptive explanation of networking as a means to overcome the barriers to businesses that arise when the level of institutionalization is weak in a determined country (Xin & Pearce, 1996). When there is scant formal support from official institutions and no stable legal framework, companies might eventually end up establishing connections with peer private actors and/or with personnel in the public sector in order to facilitate the operation of their businesses.

The third perspective regards this kind of practices as a form of social capital (Routledge & von Amsberg, 2003). Under this perspective, the development of business opportunities based on personal connections is not exclusive to one or another society; it is a widespread practice all around the world, though the underlying motivations may vary from one culture to another (Chua, Morris, & Ingram, 2009). For example, in the specific case of China, it has been pointed out that *guanxi* is a kind of social capital that seeks to forge businesses in a relational and

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collectivistic way in order to ensure their continuity in the long term (Herrmann-Pillath, 2009).

Finally, there is the perspective that presents networking as the product of certain cultural dimensions. For example, the Chinese *guanxi* has been identified to be strongly related to the Hofstede's dimensions of collectivism and high power distance (Dunning & Kim, 2007). Likewise, Richard Gesteland's dimension *deal focus vs. relationship focus* identifies a set of societies that show highly collectivistic patterns, in which the focal point within business is on the creation and strengthening of relationships rather than on simply closing a deal; included among those relationship-oriented societies are China, the Arab world, and Latin America (Gesteland, 2005).

In line with this last perspective, the intertwining of business and social relations in Latin America can also be analyzed and interpreted from the perspective of cultural dimensions. The phenomenon has been studied in China where it is known as *guanxi* (for a thorough review on *guanxi*, see Chen, Chen, & Huang, 2013), and in the Arab world as *wasta*. We suggest that in the Latin American case this phenomenon can be related to the concept of *compadrazgo*, which has already been studied from different disciplines within the cluster of social sciences, including history, sociology, and anthropology.

Compadrazgo or Co-parenthood in Latin America

Fictive kinship ties are voluntary, and through them new network members are subject to increased resources but also obligations. Even though they can be refused or disbanded, there may be consequences (Gill-Hopple & Brage-Hudson, 2012). In the particular case of Hispanic cultures, such ties have been defined as *compadrazgo*, which could literally be translated into co-parenthood (Carlos, 1973).

Compadrazgo is the ritual kinship system that refers to fictive ties developed outside the biological family. Through this practice, interpersonal relationships become as tight as family ties; therefore, members are bound to the same rights and obligations as parents and children, and reciprocity is expected (Gill-Hopple & Brage-Hudson, 2012). *Compadrazgo* and its implicit complex web of interpersonal connections are key for understanding Latin American culture. First, it is important to address one of its most relevant institutions, the family. It influences individuals like no other group and plays not only a social function but also has an impact on the economic and political development of the region (Edelmann, 1965). Latin American interpersonal connections are composed of a kinship network that begins with the nuclear family, goes on to the extended family and then to *compadrazgo* ties; however, these last ties are not kin, and therefore they are identified as fictive kinship (Carlos & Sellers, 1972).

The Catholic religious rituals in which a *compadre* or co-parent is named have been mainly reduced to four: baptism, first communion, confirmation and marriage. For the particular case of baptism, sponsors acquire the obligation of encouraging the religious education of the child (Mintz & Wolf, 1950), providing resources the parents lacked, giving special gifts on important dates and even assuming full responsibility for the care of the child in the case of the death of both parents, acting as a second parent (Gill-Hopple & Brage-Hudson, 2012). Nevertheless, as proposed by Nutini and White (1977), *compadrazgo* ties are no longer exclusively related to religious rituals, as they can also be established through nonsacramental means,³ which may also have utilitarian ends. Further on, it has become a social and economic network of relationships that are not necessarily linked to kinship, friendship, or religion. These interpersonal connections often have an intrinsic utilitarian objective (Osborn, 1968). *Compadrazgo* ties may vary depending on socioeconomic levels and even different countries, but the core of the relationship, which is a dyadic one, is the same throughout Latin America (Carlos & Sellers, 1972).

Regarding the selection mechanism, stratified societies have been found to seek a *compadre* that is wealthier or more powerful (Mintz & Wolf, 1950), in order to be able to reach the privileges available to another group, also known as vertical *compadrazgo*. In any case, reliable and previously known individuals would be preferred (Carlos, 1973), resulting in a family unit that is composed not only by nuclear and extended family, but also by those people the individual deems to be important for his/her life (Gill-Hopple & Brage-Hudson, 2012), in order to strengthen preexisting relationships (Institute for Latino

Studies, University of Notre Dame, 2010); this is linked to the idea that individuals prefer to rely on someone who is known (Aimar & Stough, 2007). Other selection criteria may include reputation, affection, trustworthiness, and religious, economic, social, or political position (Carlos, 1973). Referring to the first origins of *compadrazgo*, when a Catholic child is baptized, a bond is created between the child and the godparents⁴ and also between the parents and godparents. The latter is called *compadrazgo* or co-parenthood because the godparents accept to assume the parenthood responsibility of the baptized child, especially if the natural parents are ever unavailable through death or some other reason. Therefore, the birth parents and the co-parents become *compadres* (Mintz & Wolf, 1950). The social importance of *compadrazgo* lies in the relationship not only between the godparent and child but also between the godparent and parent (Carlos & Sellers, 1972), since godparents acquire rights and obligations not only toward the child but toward the parents becoming their *compadres* or co-parents (Gill-Hopple & Brage-Hudson, 2012). This way, individuals use *compadrazgo* to create a network of personal connections, which results in increased social capital.

As the network grows, the individual will have access to material or symbolic exchanges with other members, depending on the network size and the capital volume (economic, social, politic, etc.) possessed through his/her connections (Bordieu, 1986). Further on, for the specific case of Latin America, the creation of networks of relationships through kinship ties sets the basis for a continuous exchange of services and favors, enabling the poor to survive and the middle and upper classes to maintain their status (Lomnitz & Sheinbaum, 2004).

Implicit in the mutual exchanges is the reciprocity aspect of *compadrazgo*, where mutual aid is expected in the form of social, economic, and political favors (Carlos, 1973). Though future returns are always expected they may be not immediate and material payment in return of a favor may be considered a graft (Lomnitz & Sheinbaum, 2004).

More flexible and informal than kinship, *compadrazgo* allows the creation of social and economic alliances that do not necessarily constitute friendship. Colleagues, neighbors, employees, employers and acquaintances can become *compadres*, either through a catholic ritual or just by custom. This generates a network that can be either horizontal or vertical and provides mutual help, protection, companionship, trust, and so on (Kemper, 1982).

The kinship ties created through *compadrazgo* contribute to the accumulation of social capital, and even though every relationship results in multiple bonds that tend to be lifelong, such bonds are of an individual, not

corporate, nature (Eisenstadt & Roniger, 1984). This way, interpersonal ties are considered to be an asset to individuals who are willing to work in order to maintain them as a determinant of their well-being (Institute for Latino Studies, University of Notre Dame, 2010). Therefore, it is the individual's ability to become an active member of local networks that will influence his performance and consequently the organization's results.

Guanxi, Wasta, and Compadrazgo

This article aims at establishing a link between the bases for the creation of interpersonal networks in three different cultures: China, the Arab world, and Latin America. Therefore, introducing the key aspects of the three kinship systems, *guanxi*, *wasta*, and *compadrazgo*, is required (see Table 1).

When using Hofstede's cultural dimensions (Hofstede, 2001), it is evident that China, the Arab world, and Latin America have much in common. Starting with the dimensions that Dunning & Kim (2007) associated with *guanxi*—Power Distance and Collectivism—the similarity in scores is clear (see Figure 1).

Power distance is defined as the “extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, Hofstede, & Minkov, 2010, p. 61). The respect for hierarchies inherited by the Chinese from Confucianism has created an interdependence between individuals from different social classes, which allows people from lower social status to gain access to higher ones (Dunning & Kim, 2007). In the case of the Arab world, not only is the score the same as in China, but it is also close to that of Latin America. In Arab culture, power is often unequally distributed and encourages the use of *wasta* as a tool to gain access to upper levels of society (Hutchings & Weir, 2006b). Latin America follows the same pattern as a region with enormous differences in social class. Here, too, like *wasta*, *compadrazgo* allows members from lower classes to reach for some of the privileges of higher classes by naming a *compadre* of higher social position (Mintz & Wolf, 1950).

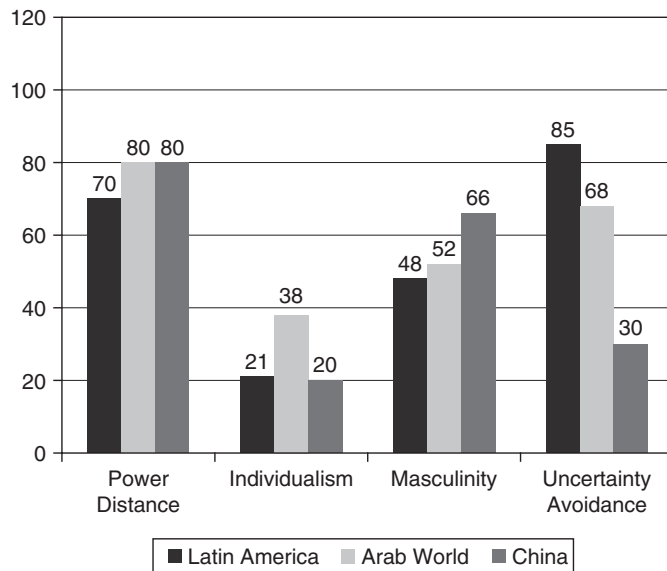
On the other hand,

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected

TABLE 1 Key Aspects of *Guanxi, Wasta, and Compadrazgo*

	China	Arab World	Latin America
Concept	<i>Guanxi</i>	<i>Wasta</i>	<i>Compadrazgo</i>
Countries	China.	Egypt, Iran, Jordan, Palestine, Saudi Arabia, Syria, GCC (Gulf Cooperation Council) of Bahrain, Kuwait, Oman, Qatar, United Arab Emirates, and Yemen.	Those countries of the American continent previously dominated by the Spanish and Portuguese empires.
Definition	Strong family networks/ Interpersonal connections (Yang, 1994).	Interpersonal connections based on family and kinship ties (Hutchings & Weir, 2006b).	Implicit complex web of interpersonal connections (Edelmann, 1965).
Religious base	Confucianism (Hutchings & Weir, 2006b).	Islam (Hutchings & Weir, 2006b).	Catholicism through four religious rituals: baptism, first communion, confirmation, and marriage (Carlos & Sellers, 1972).
Related concepts	Face, trust.	<i>Shura</i> (Consultation). Executives tend to rely on advice provided by friends and relatives, rather than experts (Rice, 2004).	<i>Confianza</i> (trust that is required toward a person in order to request a favor or service (Lomnitz & Sheinbaum, 2004).
Social unit	Family (Ho, 1998).	Family (Rice, 2004).	Family (Carlos & Sellers, 1972).
Influence on social practices	Family relations as the foundation for nonfamily relations (Ho, 1998).	Family is the most important force in society and is the base for job security and advancement (Rice, 2004).	Colleagues, neighbors, acquaintances become <i>compadres</i> and acquire same rights and obligations as family members (Gill-Hopple & Brage-Hudson, 2012). Kinship or rituals are not required anymore (Kemper, 1982).
Influence on business practices	Personal or organizational problems are solved through relationship networks (Hutchings & Weir, 2006b), as they facilitate working relations (Weir, 2003).	Extended family structure influences business behavior (Rice, 1999) and the exercise of power (Hutchings & Weir, 2006b).	Relationships have transcended the religious rituals with an intrinsic utilitarian objective (Osborn, 1968). <i>Compadrazgo</i> ties influence individuals at the social, economic, and political levels (Edelmann, 1965).

FIGURE 1 Cultural Comparison between Latin America, the Arab World,⁵ and China, Using Selected Cultural Dimensions



Source: Author's graph, data from Hofstede (2001).

to look after him- or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty. (Hofstede et al., 2010, p. 92)

In this regard, the three regions we have examined share similar scores that categorize them as collectivist cultures, matching the association of *wasta* and *compadrazgo* with *guanxi* (see Figure 1).

Latin American collectivism is reflected in the importance given to in-groups such as family and close friends and the influence they have in the individual's decision-making process regarding any aspect of their lives (Husted, 2002). The extended family in Latin America is so broad that it even includes the *compadres*, who are not related but become part of the family by participating as sponsors in a Catholic ritual. Even today the *compadrazgo* relationship goes beyond the family, and some informal—outside religious rituals—*compadres* are considered part of an in-group, which helps tie together the complex web of interpersonal relationships in Latin America (Ossio, 1984).

Just as in Latin America, the family is the main axis in the Chinese and Arab culture, from which other types of relationships derive. As in other collectivist cultures, there is an obligation to in-groups, and in these cases the family

is the most important one. This duty implies the need to save face for the family and its surroundings; the in-group is therefore not just limited to loyalty to the nuclear or extended family but also to its networks. In the case of Latin America, this is evident in that *compadrazgo* creates an extended network beyond blood ties (Hutchings & Weir, 2006a). This is also related to the preferences that these cultures have in terms of establishing a relationship of friendship before engaging in a business transaction (Ogliastri, 1997).

In addition to power distance and collectivism, which, according to Dunning and Kim (2007), relate to *guanxi*, authors like Hutchings & Weir (2006b) also mention the link between interpersonal connections and other dimensions, namely, masculinity and uncertainty avoidance. In the case of masculinity, even though there appears to be a similarity between the Arab world, China, and Latin America in terms of scores, no specific evidence ties this relationship with *guanxi*, *wasta*, and *compadrazgo*.

However, in terms of cultural dimensions there are also significant differences between the *guanxi*, *wasta*, and *compadrazgo*, which account for the particularities of each one (see Table 2).

Complementary to the aforementioned dimensions, the authors consider that *uncertainty avoidance* may play a crucial role in the decision of choosing to deal with relatives or closely known people rather than with strangers. This is shown to be the case for the Latin American countries studied in the GLOBE study of 25 selected societies, including three Latin American countries: Colombia (Ogliastri, 2007), Mexico (Howell et al., 2007), and Argentina (Altschul, Altschul, López, Preziosa, & Ruffolo, 2007). In all three cases, the respective authors come to similar conclusions in pointing out that local managers express their desire for greater control over unexpected events. In this context, the establishment of networks is given not only as a way to support each other but also as a means to avoid dealing with potentially unreliable people. This fact is perfectly illustrated in the widespread adage in Latin America, "*más vale malo conocido que bueno por conocer*" (which is equivalent to the English "better the devil you know than the devil you don't know"). In this aspect, one could argue that the Latin American *compadrazgo* is closer to *wasta*, since the Arab culture also tends to show high uncertainty avoidance. However, this element would be a distinctive feature from the Chinese *guanxi*, since China is rather tolerant toward ambiguity.

Finally, it is worth noting that in terms of the so-called *long-term orientation of Confucian Dynamism*, there is another significant distinction between these kinds of networking. The rationale for Chinese *guanxi* has been

TABLE 2 Key Cultural Dimensions Related to the Creation of Interpersonal Networks

	China	Arab World	Latin America
Power Distance	Respect for hierarchies is related to Confucianism and allows individuals to move from a given social status to a higher one (Dunning & Kim, 2007).	Power is unequally distributed. The use of <i>wasta</i> is encouraged in order to gain access to upper levels of society (Hutchings & Weir, 2006b). Recognition of how to move within relevant networks is the key to working relationships (Metcalf, 2006).	<i>Compadrazgo</i> allows members from lower classes to reach the privileges of higher ones by having a <i>compadre</i> from a higher social position (Mintz & Wolf, 1950).
Individualism	Collectivistic culture: in-groups' work relationships are close. Personal relations prevail over work (Hofstede, 2001).	Individuals are part of group-based societies and have high need for affiliation (Hutchings & Weir, 2006b).	Collectivist culture: in-groups such as family and friends influence the individual's decision-making process regarding any aspect of their lives (Husted, 2002).
Masculinity	Highly masculine and oriented toward success (Hofstede, 2001).	Moderately masculine with strong sex-role distinctions (Hutchings & Weir, 2006b).	Masculine society highly oriented toward success, yet collectivist, which means that competition is directed toward out-groups (Hofstede, 2001).

closely related to the Confucianist values of continuity and sense of duty toward one's partners, even if there is absence of formal kinship with them (Dunning & Kim, 2007; Lee & Dawes, 2005). Instead, for the Latin American and Arab cultures, there is no evidence of such a rationale, which would imply that interpersonal relations rooted on a utilitarian basis do not have the same chances to endure in time as compared to those relations that are cemented by close familiarity or friendship.

Compadrazgo and Business Practices in Latin America

The book *Understanding Global Cultures* (Gannon & Rajnandini, 2013) refers to three Latin American countries: Mexico, Brazil, and Argentina. The metaphors make a strong reference to social networks based on family ties, something related to how *compadrazgo* works. Additionally, it is mentioned in the metaphors that business relationships must be preceded by a solid friendship, something we see in our explication of *compadrazgo*, *guanxi*, and *wasta*.

The creation of social networks through kinship ties such as *guanxi*, *wasta*, and *compadrazgo* gains importance in the context of multinational corporations (MNCs) and the increased mobility of individuals. As individuals are assigned to foreign environments and their biological family is no longer geographically close, there is a tendency to acquire new kinship ties and tap into local networks in order to adapt to the new environment (Institute for Latino Studies, University of Notre Dame, 2010).

MNCs aiming to expand into these regions, should, as mentioned by Metcalfe (2006) for the case of the Middle East, design training programs for international assignees

that include cultural training to highlight the importance of the connections between work-related values and religion. Furthermore, managers need to develop an understanding of different groups and cultures so as to perform effectively in a foreign environment (Rice, 1999).

Teegen and Doh (2002) affirmed that trust between companies is a strong determinant of their working relationship. Since companies are composed of individuals, it is important for firms to understand the way in which interpersonal networks are created in each region in order to build long-lasting relationships by tapping into local networks linked to *guanxi*, *wasta*, and *compadrazgo* in China, the Arab world, and Latin America, respectively.

Cultural differences may influence the performance of MNCs in several aspects ranging from legal contracts to establishing relationships (Teegen & Doh, 2002); therefore, that cultural distance may be perceived to be a cost of operating in certain markets (Rice, 2004). However, MNCs need to look into the opportunities resulting from operating in markets with cultural similarities, such as the ones addressed in this article and the potential advantages derived from using international assignees with previous experience in regions that share certain characteristics.

Even though the increasing number of international transactions may lead to the convergence in management styles and cultural aspects among countries, differences still remain (Rice, 2004; Teegen & Doh, 2002). An understanding of such differences, as well as the similarities, while considering the difficulty of making valid generalizations about Latin America (Botero & Cavallo, 2010), is required in order to perform in such an environment.

When discussing leadership and management styles for the particular case of Latin American countries,

We recommend continued research on the concept of compadrazgo as it relates to international business practices in Latin America that may affect a company's or individual's ability to reach the proposed objectives (e.g., Latin Americans prefer to negotiate with friends, making it necessary to create kinship networks before engaging in business transactions).

executives need to understand that interpersonal relations need to be created in order for someone to become an active and effective member of society and the organization itself. This was confirmed by Ogliastri (1998) in the context of Colombian managers, where human relations-related factors ranked as the most important aspects of organizational leadership: human relations, team values, and family collectivism.

The potential implications of *compadrazgo* over business practices have been directly or indirectly addressed by several studies as presented in Table 3.

Conclusions

The impact of culture on business practices is evident and this topic has been broadly studied. One of the cultural elements that has caught the attention of both

scholars and businessmen is the dynamics of interpersonal connections, the understanding of which is key in order to work with some cultures that have been identified as relational oriented.

Guanxi and *wasta* are of paramount importance in order to understand the dynamics of the Chinese and Arab cultures, respectively. Until now, no term has been coined for the practice of networking that is also present in the relationship-oriented Latin American culture. This article identifies a cultural phenomenon, known as *compadrazgo*, which has been studied mainly in anthropology, and finds its relationship with *guanxi* and *wasta* to be significant. We conclude that *compadrazgo* has much in common with those concepts and could be useful in dealing with business in Latin American countries. We recommend continued research on the concept of *compadrazgo* as it relates to international business practices in Latin America that may affect a company's or individual's ability to reach the proposed objectives (e.g., Latin Americans prefer to negotiate with friends, making it necessary to create kinship networks before engaging in business transactions). (See Ogliastri, 1997.)

Interestingly, when using the selected dimensions from Hofstede's cultural model, the Arab world, China, and Latin America score at similar levels in Power Distance and Collectivism, which have been identified as critical dimensions in determining the propensity of some cultures toward networking (Dunning & Kim, 2007).

There are, however, differences such as in the duration of the relationships. While the Chinese *guanxi* is long-term oriented, the Arab *wasta* and Latin American *compadrazgo* are short term. This could lead to misunderstandings when generalizing about networking in each of these cultures. There is room for future research in terms of the specifics of each of these terms, especially in relation to the dimensions of masculinity, uncertainty avoidance, and long-term orientation. In addition, the authors also identified that *compadrazgo* seems to be closer to *wasta* and that understanding these concepts will help international managers identify this important aspect of Latin American and Arab cultures. Further research on the topic will contribute to bridging differences between these two geographically distant cultures.

Implications for Further Research

This article by no means assumes that Latin America is culturally homogeneous. There are enormous cultural differences between Latin American countries; however, there are also a great number of shared cultural values and artifacts (see Gupta & Hanges, 2004; Lenartowicz & Johnson, 2003). Through this study, *compadrazgo* has been

TABLE 3. Business Implications of *Compadrazgo*

Key Aspect	Description and Source	Context of the Study	Business Implications
Strengthened relationships	<i>Compadrazgo</i> allows turning weak relationships into strong ties (Aimar & Stough, 2007).	Argentina.	Weak ties serve as sources of information. When they are turned into stronger ties through <i>compadrazgo</i> , the new bond implies higher commitment and reciprocal services.
The role of family	Family is composed not only of nuclear family, but also extended family and close acquaintances (Ogliastri, 1998).	Colombia.	As individuals rely heavily on families, younger members and elder relatives receive care and financial and emotional support. This shapes consumption patterns of families and purchasing decisions.
Social Capital	Kinship networks enable the accumulation of social capital (Institute for Latino Studies, University of Notre Dame, 2010).	Mexico	Access to benefits derived from the membership of the network including: information, job opportunities, trade ties, introduction to key individuals, business contacts, etc.
Reciprocity	<i>Compadrazgo</i> creates a network to obtain mutual aid in order to exchange social, economic, and political benefits (Carlos, 1973; Lomnitz & Sheinbaum, 2004), in the form of a continuous exchange of favors (Lomnitz & Sheinbaum, 2004).	Chile, Mexico, Mexican-American communities.	Future returns are expected, even though they may be tangible or intangible, and not immediate. Material payment in return for a favor is not considered to be <i>compadrazgo</i> but a graft. <i>Compadres</i> are subject to preferential treatment and may obtain favors in the form of insider's information or simplified bureaucratic procedures and shortcuts to fulfill administrative demands.
Moral obligation	<i>Compadres</i> are obliged to provide emotional and material support (Institute for Latino Studies, University of Notre Dame, 2010).	Mexico.	In the business world, support may refer to professional advice, financial loans, or emotional aid.
Adaptation	As biological family is no longer geographically close, individuals seek new interpersonal relations (Institute for Latino Studies, University of Notre Dame, 2010).	Mexico.	Through <i>compadrazgo</i> , expatriates may successfully integrate into social networks. This will increase the chances of adapting to new foreign environments.
Recruitment and selection of new employees	Preference to hire new employees that are relatives or closely related to existent employees (Lomnitz & Sheinbaum, 2004).	Chile.	A job search starts by screening one's personal connections. Companies may prefer those candidates that are referees of actual employees.
Social stability	<i>Compadrazgo</i> tends to reinforce ties among community members (Nutini & White, 1977).	Mexico.	<i>Compadrazgo</i> creates increased expectations for support and assistance, and reduced social conflict among the members of a network.
Social escalation	Social networks are a means for the poor to survive and for the middle and upper class to maintain their privileges (Lomnitz & Sheinbaum, 2004). In unequal societies <i>compadres</i> are sought in higher status groups operating as a socially vertical and patron-client relationship (Carlos, 1973), in order to enable crossing socio-cultural status (Mintz & Wolf, 1950).	Chile and Mexico.	The lower status <i>compadre</i> expects to receive favors, services and benefits that otherwise are not available to him; preferred business treatment, privileged information, and access to job opportunities may be examples of this.
Political influence	<i>Compadrazgo</i> ties enable increased political influence and loyalty (Carlos, 1973).	Mexico.	Access to preferential treatment in business transactions and political affairs. Also, politicians may enjoy the benefits of being followed by those who "owe" them favors.
In-group vs. out-group behavior	In-groups may receive preferential treatment compared to out-groups, who may even suffer from hostility or distrust (Osland, De Franco, & Osland, 2008).	Latin America.	In-groups may be preferred for career promotions. Latin Americans form cohesive groups easily influencing positively a department's performance; however, they may regard nonmembers of the group with distrust or even superiority.

identified as the root of Latin American interpersonal relationships in general.

The findings of the present study allow the identification of the creation of interpersonal networks by means of *compadrazgo* as fictive kinship ties and of their potential business implications. Further research could focus on assessing how the existence of the concept may differ from the actual practice in Latin American countries, the differences within the region, and the particularities of *compadrazgo* bonds, given the increasing influence from foreign practices and the secularization of business practices.

Also, the ideal pattern for exchanges between *compadres* may differ from their actual behavior considering that the effectiveness of the ties may be influenced by pressures to establish *compadrazgo* bonds without the individual desiring to do so, or the appearance of

unanticipated or irreconcilable differences between two *compadres* (Carlos, 1973).

Notes

1. There are dozens of indigenous languages in Latin America but Spanish is widely spoken in all countries, with the exception of Brazil, where Portuguese is the official language. Still, both languages are closely related and have several similarities; in addition, Brazilians are aware of the importance of Spanish, and it's being broadly studied in the country.
2. *Mestizaje* is the racial and cultural mixing between Europeans and Native Americans.
3. Nonsacramental means may include key milestones in an individual's life such as birthdays and high school graduation, but also long-lasting friendships and partnerships for specific purposes.
4. Godparents (*padrinos* in Spanish) are the godfather and godmother (*padrino y madrina* in Spanish).
5. The Arab world countries included in Hofstede's study are Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, and United Arab Emirates.



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