

Doing Business in Mexico

By Lothar Katz



Ahhh, Mexico: Chichén Itzá and Popocatepetl, Cancún and San José del Cabo, Yucatán and Baja California! Our neighbor to the south is close to us in more than one way, not only as a popular vacation destination, but also as a major business partner. After all, 86 percent of its exports go to the U.S., which in turn provides 53 percent of Mexican imports, making the country our number two trade partner. As Mexico's trade of goods and services with the United States has tripled since the implementation of NAFTA in 1994, businesspeople on both sides have figured out how to work together smoothly and efficiently.

Or have they?

Many businesspeople in Mexico are familiar with doing business with Americans. However, that does not always mean that they will be open-minded. Business cultures differ somewhat between the north and the south of the country. While people in the north tend to be more business-focused and often have a high sense of urgency, this may be more relaxed in southern Mexico, where the stereotypical 'mañana' attitude of conducting business at a leisurely pace can still be found. Experiencing such attitudes can be challenging for people from this side of the border. Nevertheless, as an American dealing with Mexican partners, it is important to keep your stereotypes in check. Instead, you might find that striving to understand, and occasionally emulate, your counterparts' practices and behaviors is the only way to gain their acceptance and make your business interactions effective. Here are some suggestions that may prove helpful:

Building lasting and trusting personal relationships is very important to most Mexicans, who often find it essential to establish strong bonds prior to closing any deals. If your counterparts initially seem suspicious and non-committal, you may be able to overcome this with consistent friendliness and goodwill. Establishing productive business cooperation requires keeping a long-term perspective and commitment. Proceed with serious business discussions only after your Mexican contacts have become very comfortable with you. This can be a time-consuming process that may require several trips to strengthen the bonds. Mexicans tend to distrust people who

appear unwilling to spend the time or whose motives for relationship building are unclear.

Business relationships in this country exist between people, not necessarily between companies. Even when you have won your local business partners' friendship and trust, they will not necessarily trust others from your company. That makes it very important to keep company interfaces unchanged. Changing a key contact may require the relationship building process to start over.

Families play a dominant role in Mexican society and business life. Many companies are family-owned or controlled. Mexican families can be large and may extend into powerful networks that not only include extended family but also friends, business partners, and others. Becoming integrated into such networks through personal relationships is vital to doing business in the country. Who you know may determine whether people want to get to know you. Similarly, whether people think you are worth knowing and trusting often weighs much more strongly than how competent you are or what proposals you may have to make. Personal networks may open doors and solve problems that would otherwise be very difficult to master. Third party introductions can be very helpful as a starting point to building a trusting relationship with a potential partner, especially since people may initially not trust outsiders who are neither part of their family nor of their circle of friends.

While Mexicans are usually warm and friendly, most of them, especially males, are also very proud and may be easily offended by comments that leave room for misunderstandings. 'Saving face' and respecting everyone's honor and personal pride are crucial requirements for doing business in the country. Openly criticizing someone in front of others can have a devastating effect. Avoid open conflict and remain polite at all times. In addition, showing genuine interest and compassion will win people's hearts.

In Mexico's business culture, the respect a person enjoys depends primarily on his or her status, connections, and education. Communication is expected to take place across similar levels in the hierarchy; it could actually damage the respect you enjoy if you spent much time and attention on someone

you clearly outrank. Age, while respected, does not necessarily determine the seniority of a person. Formal attire is very important, so male business visitors should wear dark suits with neckties on most occasions as first impressions can have a significant impact on how people view you. Admired personal traits include sincerity, integrity, charisma, and sociability. You will earn your counterparts' respect by maintaining a positive, persistent attitude throughout your interactions.

Although most Mexican businesspeople are at least somewhat fluent in English, being able to speak Spanish with them is a clear advantage. With older managers, it may otherwise be useful to engage an interpreter. To avoid offending the other side, ask beforehand whether an interpreter should be present at a meeting. When communicating in English, speak in short, simple sentences and avoid using jargon and slang. It will help people with a limited command of English if you speak slowly, summarize your key points often, and pause frequently to allow for interpretation. Mexicans may not admit it if they do not understand parts of the conversation. Even when the main meeting language is English, your counterparts may frequently speak Spanish among themselves. This is usually not to shut you out from the discussion, but to reduce their discomfort and ensure a common understanding among them.

Mexicans tend to converse in close proximity, standing only two feet or less apart. This is less pronounced in business situations, but in any case, never back away even if your personal comfort zone calls for more space. Doing so could be read as a sign that you are uncomfortable around your business partners.

Communication in Mexico is somewhat indirect. People may prefer to be careful about what they say and how they say it, or they might tell you what they think you want to hear rather than what they really think. 'Yes' may only mean that they understood what you said, not that they agree with it. It may take extensive and unmistakable questioning to find out whether you indeed have agreement. However, some Mexicans may get straight to the point when delivering a message. Avoid being too direct yourself, as your Mexican counterparts may otherwise perceive you as rude and pushy. The

communication often becomes more direct and frank once a strong relationship has been established.

While discussions may get very lively and people may show their emotions openly, Mexicans generally dislike loud and boisterous behavior. It is crucial that you never lose your temper or appear impatient, as doing so risks hurting someone's pride. Silence is rare and usually signals a serious problem. Gestures and body language are extensive and lively. There may be frequent physical contact with others, though not across genders. The American 'OK' sign, with thumb and index finger forming a circle, can be read as an obscene gesture in Mexico. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust.

While initial meetings in Mexico may appear very formal, the atmosphere usually gets a bit more relaxed down the road. If possible, schedule meetings at least one to two weeks in advance. Since Mexicans want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Given the strong emphasis on hierarchy in the country's business culture, a senior executive should attend the initial meeting for your company. There will not be an expectation that the executive attends future meetings. Similarly, the top executive on the Mexican side may attend only initially. An agenda is usually set upfront, but this is only a formality which may have little to do with the way the actual meeting flows.

Meetings may start considerably late. Nevertheless, Mexicans generally expect foreign visitors to be punctual. Avoid being more than 10 to 15 minutes late, and call ahead if you will be. At the same time, important people will likely make you wait. Displaying anger because of that will reflect very poorly on you.

Names are usually given in the order of first name, family names. Most Mexicans have two family names, the first one from their father, and the second one from their mother. Use 'Mr./Mrs./Miss' or Señor/Señora/Señorita,' plus the father's family name, which is always the first one of the two family names given. If a person has an academic title, such as 'Doctor' or 'Professor,' or a professional title such as 'Ingeniero,' 'Licenciado,' or 'Arquitecto,' use it instead, followed by the father's family name. You may also hear someone addressed by the titles 'Don' or 'Dona.' This is a show of respect. Before calling Mexicans by their first names, it is usually

better to wait until they offer it. Introduce or greet the most senior person first. Thereafter, greet everyone else individually. Introductions are accompanied by handshakes. Men should wait for women to initiate handshakes. If a woman does not seem to want to shake hands, it is best just to bow slightly.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. When presenting your card, ensure that the Spanish side is facing the recipient. Smile and keep eye contact while accepting someone else's card, then carefully examine it. Next, place the card on the table in front of you. High-ranking people may not hand out their card, which signals their importance.

Business meetings usually start with some small talk intended to establish personal rapport. This may include personal questions about your background and family, allowing participants to become acquainted. It is important to remain patient and let the other side set the pace. People appreciate a sense of humor, but keep it light and friendly, and be careful not to overdo it. Business is a serious matter in Mexico. Nevertheless, meetings may appear somewhat chaotic, with frequent interruptions and several parallel conversations. Do not take this personally; it does not indicate a lack of interest. Most Mexicans prefer what is referred to as a 'polychronic' work style: they are used to doing things and pursuing goals in parallel. When negotiating, they often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order.

The purpose of the first meeting, maybe also subsequent ones, is to become acquainted and build relationships. Business will be discussed, but try not to hurry along with your agenda. Some Mexicans dislike people who try to get to the point too quickly. The goal should be to establish respect and trust between yourself and your counterparts. It is unrealistic to expect initial meetings to lead to straight decisions. In addition, it is rare to get open opinions at the conference table, so watch for subtle clues and use other opportunities such as one-on-one conversations or business dinners to learn more.

Presentations should be short and concise. Mexicans prefer oral communication to data exchanges, so avoid overburdening your material with many facts and details. Presentation materials should be attractive, with excellent and clear visuals.

Any materials you bring, such as letters, presentation handouts, and promotional literature, should be immaculately designed and presented since initial appearances matter a lot in this country. Never throw documents or collateral on the business table, as this is considered highly offensive. Instead, show respect by individually handing them out to each recipient.

Gift giving in business settings is not necessary, but it is often welcome. However, it is best not to bring a significant gift to an initial meeting in order to avoid raising suspicions about your motives. Small gifts such as pens or notebooks with your company logo are much more appropriate. For bigger occasions, such as the end of a negotiation, tasteful gifts of somewhat greater value may be exchanged. This is where things may get a bit delicate: corruption and bribery are somewhat common in Mexico's public and private sectors. Laws pertaining to bribery are also less stringent than in many other countries. People may draw the line differently, viewing minor payments as rewards for getting a job done or 'unofficial service charges,' rather than as bribes. Keep in mind that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Mexican may view as only a nice gift.

Mexicans can be very shrewd and tough negotiators. They are used to hard bargaining and often haggle a lot. Surprisingly strong emotions and many exaggerations may accompany the bargaining exchange, which can be extensive. Concessions never come easily, and although Mexicans may show interest in new ideas and concepts, they tend to find it difficult to change their position. Requesting a compromise may become an issue of pride if presented in the wrong way. Be respectful throughout the bargaining exchange. Rather than pushing for concessions, it may be better to re-address disagreements in follow-up

meetings, which gives your counterparts the opportunity to reconsider their position without overtly losing face. Throughout the process, remain cool and respectful, avoid confrontation, and frequently reaffirm the business relationship.

Expect negotiations to be slow and protracted. Attempts to rush the negotiation process are unlikely to produce better results and may be viewed as offensive. Instead, be patient, control your emotions, and accept the inevitable delays. Be prepared to make several trips if necessary to achieve your objectives. Relationship building, information gathering, bargaining, and decision making may take considerable time. Even when personal relationships are strong, your counterparts may be reluctant to share information, so you may have to work hard and spend considerable time to find out what you need to know. In addition, figures and numbers can be unreliable in this dialog-driven culture.

When it comes to decision making, most Mexican companies tend to be very hierarchical. Decision makers are senior executives who are often autocratic but will consider the best interest of the group or organization. They usually consider the specific situation rather than applying universal principles. Since Mexicans highly value intuition, personal feelings and experiences usually weigh more strongly than empirical evidence and other objective facts do, even though both will be considered. Consider also that Mexicans are often uneasy with change and may be reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

Subordinates may be reluctant to accept responsibility. Decision makers also rarely

delegate their authority, so it is important to deal with senior executives. Gaining access to top managers can be difficult, though. You may have to deal with subordinates who could strongly influence the final decision, which may be made behind closed doors. Maintaining good relationships with these intermediaries is crucial to your success. Once a decision has been reached, your Mexican counterparts will be prepared to close the deal quickly.

Capturing discussions and agreements in writing is useful as oral commitments may sound stronger than what your Mexican counterparts may really be willing to see on record. Do not rely on interim agreements to be final, though. Any part of an agreement may still change significantly before both parties sign the final contract. Pay particular attention to payment terms, making sure both sides know what is expected. It is common practice to use Letters of Credit, bonds, and similar instruments. It is advisable to consult a local legal expert before signing a contract.

Many Mexicans believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation. Signed contracts may thus not always be honored. Payment terms are frequently violated, so expect to be paid late. Overall, the level of contract compliance depends to no small degree on the strength of the continuing relationship between the partners. It is strongly advisable to continue staying in touch and maintaining the trust of your Mexican business partner. Business partners may expect the other side to remain flexible if conditions change, which may include agreeing to modify contract terms.

Lastly, a word on evening entertainment: business dinners and all kinds of social events are frequent opportunities to deepen relationships, so use them for this purpose whenever you can. Refrain from discussing business over meals, though. Mexicans often invite visitors to their homes. 'Mi casa es su casa' (my home is your home) is still a common attitude in Mexico. Do not be surprised if someone invites you to visit 'your home' – they mean their own. Social events do not require strict punctuality. While it is best to arrive at dinners close to the agreed time, being late to a party by 15-30 minutes is usually acceptable. In Mexico City, where traffic delays are a common excuse for tardiness, arriving even later is rarely an issue. **N**

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