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UNDERSTANDING
THE BUSINESS CULTURE IN MEXICO:
THE KEY TO SUCCESS



Team Canada • Equipe Canada



Department of Foreign Affairs / Ministère des Affaires étrangères
and International Trade / et du Commerce international
Latin America & Caribbean Branch

EXPORT PREPARATION MATERIALS

Understanding the Business Culture in Mexico: The Key to Success

This material was developed by the Department of Foreign Affairs and International Trade (DFAIT) with collaboration from the Canadian International Promotion Centre and Mercadex International, and published by Prospectus Inc.

This information is designed to provide an overview of the cultural issues involved in negotiating and closing a business deal in Mexico. It is not intended to be the only source of information on this subject. All efforts have been made to avoid errors and inaccuracies in this information. We encourage the reader to use this publication as one of several resources for commercial dealings with Mexico.

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Catalogue No. E74-81/1-1996E
ISBN 0-662-24510-5

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Published by Prospectus Inc.

Printed in Canada.

Version français disponible.

Dept. of Foreign Affairs
Min. des Affaires étrangères

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Understanding the Business Culture in Mexico:

The Key to Success

April, 1997

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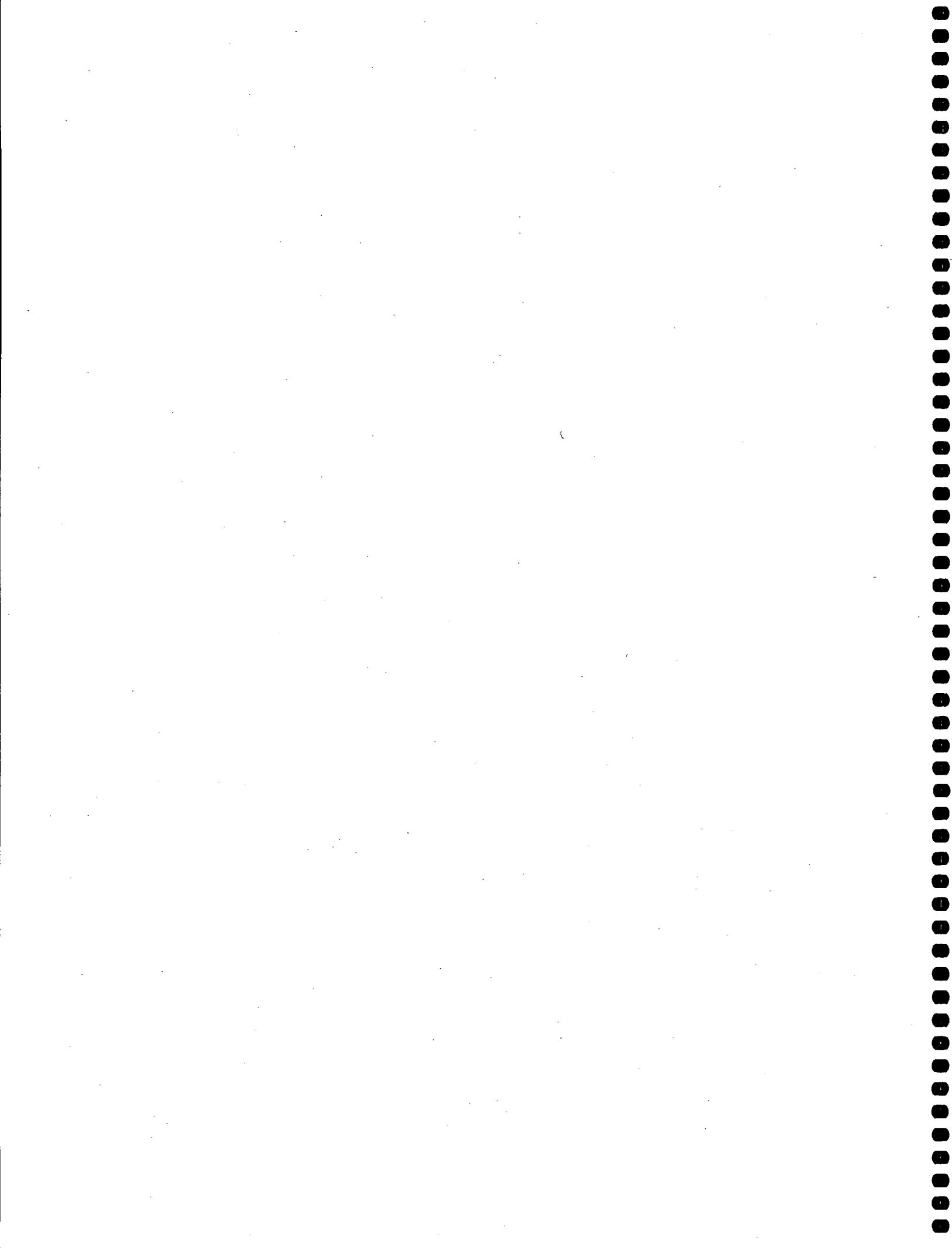


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Section 1: Introduction

The Mexican Business Culture



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The subject of Mexican culture is too broad to be adequately treated in a single program or workbook. This three-part training program concentrates on the specific needs of Canadian companies conducting business in Mexico. To be successful, Canadians operating in Mexico must anticipate differences in the way people behave and express themselves. They must adapt their personal and corporate behaviour to fit into this cultural environment. And they must be able to predict, or at least understand, the reactions of Mexicans to business proposals and product offerings.

Values vs. Behaviours

The essential elements of the Mexican business culture cannot be understood by simply cataloguing the characteristics and behaviours that Mexicans display. Not only would it be a long list, the characteristics are really just symptoms of an underlying value system. Especially in today's climate of rapid change, it is much more important to understand the fundamental values involved than the specific behaviours they generate. Culture, by definition, is always changing, but fundamental values change much more slowly than specific behaviours. Understanding the values that underlie a culture also help us to develop true cultural sensitivity and prompt us to look behind the stereotypes.

An example will help to stress the importance of the values-oriented approach used in this program. A well-known behaviour of Mexican executives is that they tend to arrive late for meetings. This is part of the stereotype, but it is not universal and it is gradually changing. This behaviour is a symptom of the underlying values of respect and trust. As part of the trust-building process, there is a lot of time spent on personal discussions at the end of meetings. This tends to make the meetings long, yet it would be a sign of disrespect to cut off the conversation. Arriving late to the next meeting is not regarded as being disrespectful because it is common practice — and the tardy party can always save face with an excuse about traffic.

Clearly, understanding the values involved is much more useful to the Canadian executive than simply noting the set of behaviours exhibited. This is all the more true because individual behaviours are linked to more than one underlying value. There is considerable interaction between trust, respect, heritage and the value of putting the family first.

Overview of the Program

Overview of the Program

- Challenges facing Canadian business
- Key elements of the Mexican business culture
 - ⇒ family
 - ⇒ trust
 - ⇒ respect
 - ⇒ heritage
 - ⇒ regional influences
- Practical strategies



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The objective of this program is to equip the participant with an understanding of the fundamental values of Mexican culture. Equipped with a knowledge of these values, Canadian executives can build their own understandings of the specific cultural nuances that percolate through their interactions with Mexicans. In other words, this program seeks to provide the Canadian executive with tools that he or she will need in order to develop their own style for doing business in Mexico.

Challenges Facing Canadian Business

The first step in developing these business tools is to fully understand why culture is so important to doing business in Mexico. This leads to the question of which aspects of the overall Mexican culture are most important to the business person. Section 2 discusses these issues in terms of the challenges facing Canadian businesses that move into the Mexican market. It also sets out a framework for understanding the business implications of the cultural information discussed on the later sections.

Key Elements of the Mexican Business Culture

Section 3 examines the overall cultural picture as a preamble to an in-depth treatment of individual values. Five key elements are identified:

1. Family
2. Trust
3. Respect
4. Heritage
5. Regional Influences

Each of these elements of Mexican culture is separately in Sections 4 through 8.

Practical Strategies

When the cultural challenge and the key elements of Mexican business culture are fully understood, the last step is to consider the practical consequences. Section 9 presents suggestions about how this cultural knowledge can be put to work by Canadian companies operating in Mexico.

Notes:

Section 2: The Cultural Challenge

The Cultural Challenge

- Risks of ignoring cultural differences
- Benefits of anticipating cultural differences
- Dimensions of the cultural challenge



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Canadian businesses contemplating entry into the Mexican market face an array of cultural challenges. In developing their market entry strategy, companies must consider such issues as financial risk, marketing strategy, staffing, supplier agreements, legal structure, the regulatory environment, and contract negotiations. All of these business matters are strongly influenced by cultural factors. To be successful, Canadian executives must learn to adapt to and compensate for differences between the Mexican and Canadian cultures.

Cultural factors are important in any international venture, as well as in some within Canada. But they play a larger role in Mexico than in most other markets. This is partly because many years of economic isolation have delayed the adoption of international business methods in Mexico. Also, even though Mexico incorporates a mix of aboriginal and European cultures, it is not nearly as multicultural as Canada. This means that Mexicans are not generally aware of the strong effect of culture on their behaviour.

Mexico's culture has only recently begun to adapt to liberalized trade and the globalization of business. The Canadian business person is therefore confronted with elements of both the "Old Mexico" and the "New Mexico". This compounds the challenge of understanding the culture and adapting to it.

In Canada and the United States, as well as many other parts of the world, the business environment has become less personal, which dilutes the impact of culture. Canadian companies tend to be sensitive to cultural issues. But the drive for efficiency has fostered indirect and impersonal contact with clients, business associates, suppliers, and the overall business infrastructure. Fax machines, electronic mail (e-mail), voice mail, conference calls, automated reordering and mass advertising are only a few examples of devices that reduce the need to deal personally with partners and clients.

Mexico is very different. Mexicans rely heavily on personal interaction to conduct business. Most companies have had access to fax machines since this technology was deregulated in the early 1990s. The Internet has been available to business users in Mexico City since late 1994, and it has since spread to the rest of the country. In general, Mexicans are very reluctant to use these communications methods until after a personal relationship has been established and an atmosphere of trust is in place.

For all of these reasons, culture plays a far more important role in business in Mexico than it does in Canada.

Risks of Ignoring Cultural Differences

Risks of Ignoring Cultural Differences

- Sending the wrong message
- Misinterpreting received messages



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A cultural error in Mexico can be very costly, especially if it goes unexplained or uncorrected. Mexicans are not always fully aware of their own cultural peculiarities or the fact that visitors come from a much different environment. In business communications, this increases the risks of sending unintended messages and misinterpreting received messages.

Sending the wrong messages

Sending the wrong message is a major risk if the parties are not aware of their cultural differences. A minor cultural gaffe can easily be interpreted as a sign of rudeness or untrustworthiness.

Consider the following example. A potential business associate in Mexico introduces a visiting Canadian to an important contact. At the end of the encounter, the Canadian instinctively hands over a business card. The potential Mexican associate would interpret this as an attempted “end run”. This simple error could scuttle a promising relationship.

Most Canadians who do business abroad are aware of the differences in the way that business cards are used. For example, in parts of Asia, cards are handed out to everyone present at the beginning of a meeting and lined up on the table, so that the participants can be readily identified. Failure to follow this practice represents an inconvenience to the host, but it would be interpreted as merely a sign of ignorance of the local culture. On the other hand, in Mexico, neglecting to follow the local custom of giving cards only to direct contacts is likely to be interpreted at best as rude and at worst as dishonourable.

Misinterpreting received messages

A failure to understand Mexican business culture can also lead to serious misinterpretations of received messages. For example, a Canadian engaged in a discussion during a business lunch with a Mexican associate might find that there was little talk of business. The talk might concentrate on the subject of golf, or vacations in Florence. The Canadian could easily assume that there was no interest in business and move on to other prospects. Even worse, he or she might express frustration that the purpose of the meeting was being avoided. This would be a serious mistake. This kind of personal talk is most likely a sign that the counterpart wants to establish personal trust before getting down to business.

Benefits of Anticipating Cultural Differences

Benefits of Anticipating Cultural Differences

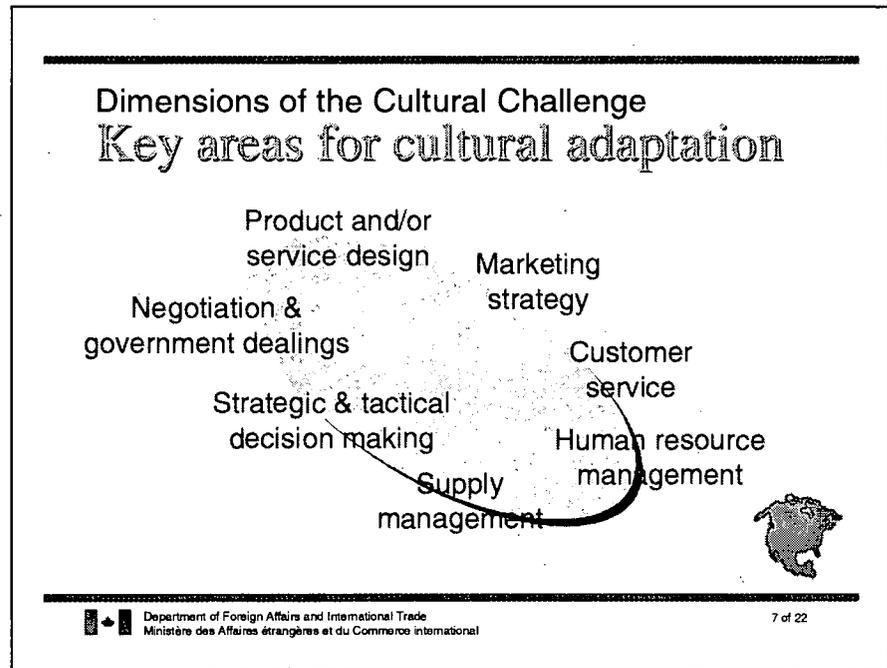
<input checked="" type="checkbox"/> Meeting customer needs	<input checked="" type="checkbox"/> Charting plans & schedules
<input checked="" type="checkbox"/> More effective partnering	<input checked="" type="checkbox"/> Getting results from agencies
<input checked="" type="checkbox"/> Good employee relations	<input checked="" type="checkbox"/> Targetting training plans
<input checked="" type="checkbox"/> Understanding associates	<input checked="" type="checkbox"/> Achieving respect & trust
<input checked="" type="checkbox"/> Defining achievable goals	

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There is more to cultural sensitivity than simply avoiding serious errors. A Canadian executive who takes the time to study Mexico's cultural nuances stands to benefit greatly from several positive outcomes.

1. Meeting the needs and expectations of Mexican customers.
2. Working more effectively with Mexican partners.
3. Maintaining good relations with Mexican employees.
4. Understanding the expectations of Mexican associates.
5. Defining achievable goals and objectives.
6. Charting more accurate plans and schedules.
7. Getting results from government and regulatory agencies.
8. Targetting training plans to recognize Mexican strengths and weaknesses.
9. Achieving respect and trust within the Mexican business community.

Dimensions of the Cultural Challenge

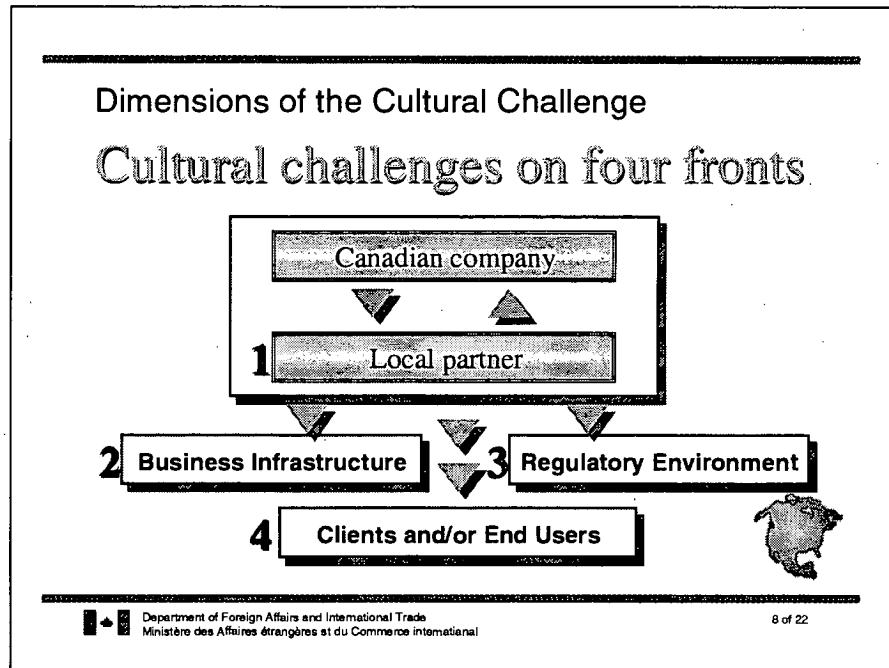


Canadian exporters of products or services face a myriad of cultural challenges. But each company is unique and must deal with its own set of issues. An early priority is to identify the main impact of cultural factors on the company's products, strategies and management methods. This is a complex task that can be done only after company executives have achieved a reasonable understanding of the cultural environment.

It will be useful at the outset, however, for the participant to consider some of the major aspects of the company's business that will need to be adapted to the Mexican culture.

Key Areas for Cultural Adaptation	
Business Function	Typical Adaptation Activities
Product and/or service design	Redesign products to match Mexican needs and standards Recalibrate equipment for Mexican conditions Adapt services to meet Mexican expectations
Negotiation and government dealings	Adapt normal timelines for protracted delays Learn to deal with bureaucracy Confront corruption issues Obtain permits and certificates
Marketing strategy	Identify your core markets Examine how Mexicans buy the product or service Define a strategy suitable for Mexican conditions that does not compromise key corporate goals Develop local distribution or service delivery channels
Strategic and tactical decision making	Involve Mexican partners in strategic decisions Define chains of command by function Delegate decision-making responsibility on basis of expertise Identify the real decision makers in Mexico Cope with "yes-men" Encourage the delegation of authority
Customer service	Communicate service philosophies to local partners Adapt to Mexico's unique service needs Train Mexican service agents to handle Canadian technology Eliminate <i>mañana</i> attitude from service culture
Supply management	Build delays into the production cycle Gradually reduce delivery times Monitor quality and consistency Become a priority buyer, receive preferential treatment
Human resource management	Define management roles clearly Enroll Canadian managers in Spanish training Sensitize Canadians to Mexican culture Train Mexican employees, starting with the basics Identify special strengths and abilities of local work-force

Cultural Challenges on Four Fronts



Canadian exporters have to interact with Mexicans on four fronts. They include the Mexican partner, the local business support infrastructure, the regulatory environment, as well as customers and end users.

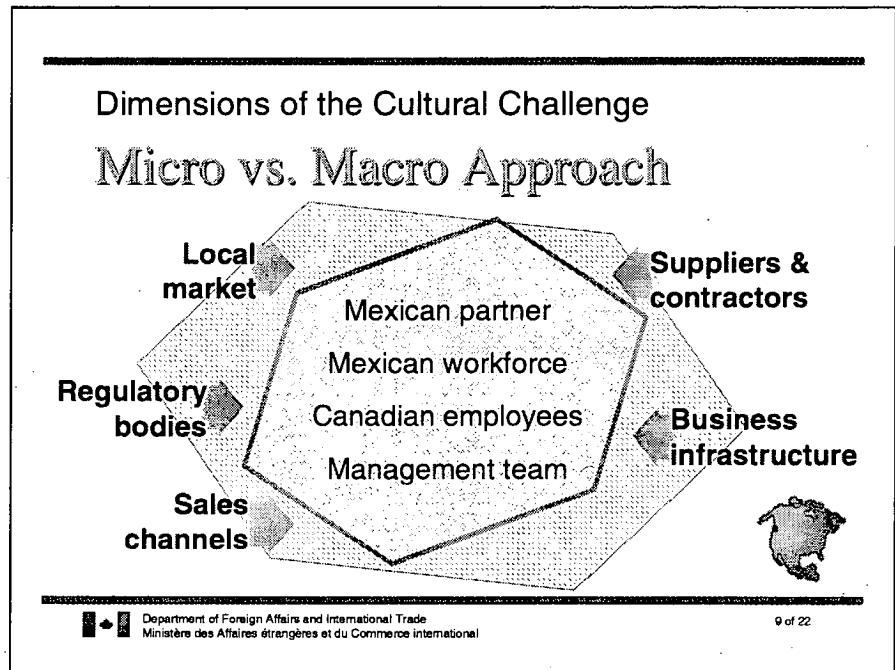
Relationships between the Canadian and Mexican partners are reasonably easy to define. They require that trust be built and that open communications be established between employees of both companies. They also require that the partners learn about each other's capabilities and ways of doing things.

The local business support infrastructure can be complex. Among others, it includes:

- subcontractors
- financial institutions
- insurance providers
- legal advisors
- trade unions
- advertising and communications providers
- lobby groups and the media.

The regulatory environment is more complex and usually involves interactions with several different government departments. As well, many products require testing and approval before they can be imported, and a few require special permits for each shipment. All consumer products must comply with a long list of labelling requirements, and every product must comply with customs regulations. Some activities are reserved for Mexicans. Each of these issues requires interaction with government agencies that are extremely bureaucratic by Canadian standards.

A Micro vs. Macro Approach to Cultural Challenges



Cultural interactions in Mexico can be quite complex. It is useful, therefore, to distinguish between two major categories of cultural challenge. Micro-cultural factors are those that occur entirely within the firm and which the company can control. Macro-cultural factors are those outside the company's control. This distinction helps to highlight those areas where the company can take action to blend the best of what Canada and Mexico have to offer. The two spheres of interaction help to identify those areas where the company can merely adapt to external cultural influences.

Micro-cultural Challenges

The Canadian company's Mexican venture involves interactions between its own management, its partner's management, and employees of both firms, in Canada and in Mexico. These interactions are subject to many cultural influences that can interfere with good communications. But the companies are in a position to control this micro-cultural environment. Most of the time, they can create a successful cultural integration, where the ideal outcome is a blend of the best of Canadian and Mexican strengths. The partners ought to be able to identify conflicts and problems quickly and deal with them from a position of control.

Macro-cultural Challenges

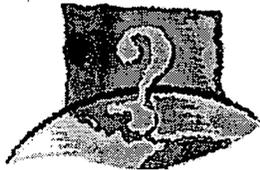
Macro-cultural challenges are those that are beyond the control of the partners because they involve interactions with customers, distributors, competitors, government agencies, infrastructure providers and subcontractors. These are all parties that are dealt with at arms length; therefore, they cannot be influenced in the same way as a partner. This means that it is up to the Canadian company to adapt to the Mexican environment.

A well-adapted micro-culture can be very effective in creating a successfully-operating macro-cultural environment. The Mexican partner can take full account of Canadian needs and concerns while serving as an interface with the demands of the macro-culture.

Sources of Cultural Information

Dimensions of the Cultural Challenge

Sources of Cultural Information



- ◀ Research
- ◀ Direct experience in Mexico
- ◀ Experience of others
- ◀ Books and guides
- ◀ Mexican partners
- ◀ Consultants



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Becoming a fully-fledged member of the Mexican business community is not a realistic objective for most Canadian executives. But those who take the time to learn about and understand the Mexican culture will earn the appreciation and respect of their Mexican associates. This is a long-term process that might involve some or all of the following elements:

- research
- direct experience in Mexico
- the experience of others
- books and guides
- Mexican partners
- consultants

Research

It is usually a good practice to conduct research in Canada before venturing into Mexico. The Canadian executive needs to understand the environment in the particular industry where products or services will be offered. A good start is to read Mexican business magazines and trade journals. Research libraries have the facilities to identify articles relevant to the Canadian company's specific products. The Department of External Affairs and International Trade (DFAIT) publishes a wide range of studies on the Mexican business environment. Another approach is to interview Canadian executives who have worked in Mexico, or Mexican managers who have done business with Canadians. Trade commissioners at the Canadian Embassy in Mexico City, as well as the Consulates at Monterrey and Guadalajara, are also excellent sources of information.

Experience

There is no substitute for personal experience when trying to learn how and why people interact the way they do. Useful personal experience can come from business trips or vacations to Mexico. A typical vacation in Cancún or Acapulco, however, is more likely to expose the visitor to other tourists than Mexican business people. It is best to travel to the major business centres to see the Mexican psyche at work. Many Canadians make their first visits to Mexico to attend trade shows. It is also possible to make arrangements with companies in Mexico for a plant tour or a casual "company profile" meeting. Mexicans are very friendly and proud of their accomplishments, and usually welcome the opportunity to showcase their operations.

Experience of Others

Learning from the experience of others is by far the most cost-effective method of learning about Mexican culture. This could be done by interviewing companies that have either succeeded or failed in Mexico. An individual company may have an overly narrow perspective, especially if they have failed because of choosing the wrong partner or because of cultural errors. This disadvantage can be overcome by speaking to people in a number of companies. The key question is why they succeeded or failed. Attending seminars on Mexican culture and related subjects should provide participants with useful insights of firms that have had varied experiences in the Mexican market.

Books and Guides

Books and guides provide a good introduction to the subject of Mexican culture because they are based on the experiences of others. However, much printed information is out of date, especially since the devaluation of the peso in December 1994 and the resulting economic crisis. In any event, no source of information should be considered absolutely definitive.

A Mexican Partner

A Mexican partner is probably the most useful, long-term source of information about Mexican culture. The behaviour of the partners themselves provides an inside look at Mexican business culture. Once a comfortable and open relationship is developed, the partner can be a valuable source of ongoing information. It is especially useful to be able to ask questions about areas of uncertainty. Mexicans are generally open to talking about their country's culture, but a partner will usually be more willing to give a frank reply.

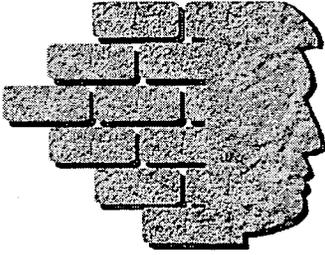
Consultants

Consultants can conduct specialized research that is beyond the company's own expertise. They can also often work very quickly because they have established contacts in Mexico. But consultants should work closely with the company to ensure that there is no duplication or wasted effort. A consultant might be seen as a coach, hired to help the company's own employees give their best performances.

Notes:

Section 3: Elements of Mexican Culture

Elements of Mexican Culture



- Importance of family
- Prerequisite of trust
- Need to respect and be respected
- Role of history and heritage
- Regional differences



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Mexicans, like Canadians, have as many differences between them as they have characteristics in common. We often use the word culture to describe such common characteristics. Studying these requires that a number of generalizations are made. Some are offered in this training program — but business people who travel to Mexico will arrive at others independently. As fundamental as these generalizations are to the learning process, it must never be forgotten that each individual is a distinct character. Moreover, Mexico is a rapidly-changing society, where young, foreign-educated executives are increasingly taking over decision-making positions from a more traditional, older generation.

No matter how accurate or insightful a generalization might be, if it is assumed to apply to an individual, it becomes prejudice. Assuming that any individual will exhibit a particular characteristic is just as wrong in Mexico as it is in Canada. In contrast, cultural sensitivity involves no assumptions. It means understanding the values that are likely to underlie someone's behaviour and their perceptions of us.

The generalizations in this workbook are the opinions of Canadians with direct experience in Mexico. But it does not describe one Mexican, and it does not describe all Mexicans. It is only intended as a guide for interpreting Mexican business practices that will be most useful when supplemented with personal experience.

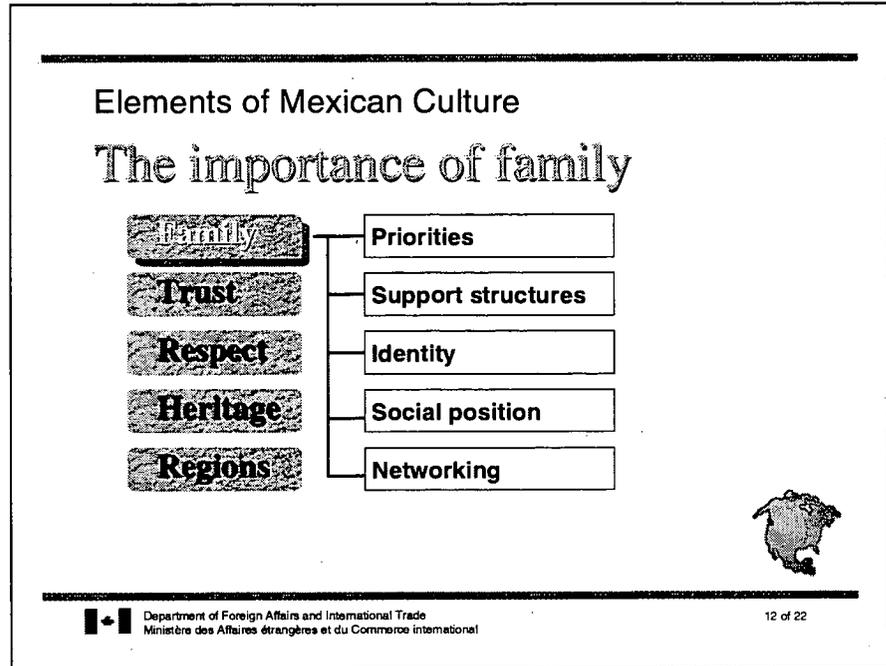
With those caveats, a number of common characteristics of the Mexican people are noteworthy:

- They are friendly, positive and outgoing.
- They are respectful and loyal, especially to family and friends.
- They like to socialize and discuss issues that are personal to them, but at the same time they are often guarded and selective with their trust.
- They hold the mother figure in extremely high regard in the context of the family, but often discriminate against women in the workplace.
- They have respect for authority, often to the extent that they cannot make a decision without first consulting their superiors.
- They often rely on social networks and political contacts to further their businesses.
- They place great emphasis on honour, respect, and trust. Yet corruption is widespread and often accepted as a normal part of doing business.

These characteristics do not define the Mexican culture. They are reflections of its underlying cultural values. Different people will handle these underlying forces differently, but almost all Mexicans are influenced by them to some extent. They are, therefore, much more important than individual characteristics as firms wanting to do business in Mexico make the effort to understand the changing Mexican business environment.

Section 4 deals with the topic of the family, which is paramount in Mexican life, often displacing business priorities. Section 5 explains the role of trust, which is a virtual prerequisite for conducting business with Mexicans. Section 6 discusses the concept of respect and the need of most Mexicans to be respected. Section 7 outlines the influence of history and heritage on Mexican society. Finally, Section 8 provides a broad overview of regional cultural influences. While these elements are all interrelated to some extent, this division is a convenient way of focussing on the factors that affect the business climate. They cannot be expected to cover every facet of the culture. But they provide an excellent base for Canadians who want to do business in Mexico.

Section 4: The Family



The family is the single most important entity in Mexican life. It is central to the individual's identity, as well as to his or her attitudes and behaviour. In addition, the family unit commands a Mexican person's highest level of priority.

Priorities

Family activities and obligations usually take precedence over business or personal matters. This does not suggest that business is considered unimportant. But business success plays less of a defining role in Mexican society than it does in many Western and Asian cultures. Mexicans tend to see people who give too much priority to business as lacking in perspective. They may admire such outwardly focussed people because of their success, but they are unlikely to identify with them or truly trust them.

Canadian executives doing business in Mexico should be prepared to accept absences and missed appointments for family reasons. This may be a practical as well as a cultural issue for their associates. Mexico does not have advanced social programs. The burden for care of children, the sick and the elderly falls almost entirely on the family unit.

A misunderstanding of the family priority is one of the reasons that foreigners have a negative perception of the Mexican work ethic. Mexicans like to work and to learn. But they generally adopt an attitude of "work to

live” not “live to work”. This attitude is less pronounced in the northern part of Mexico, where American influences have taken hold.

In return for this high priority for their attention, time and resources, the family provides a number of important benefits. They can be grouped into four main areas:

1. support structure
2. identity
3. social positioning
4. networking

Support Structures

In Mexico, social and economic support mechanisms such as welfare, education, health care, and unemployment benefits are not nearly as developed as they are in Canada. The family takes up the slack. The family is a source of security, stability and refuge. In return, Mexicans exhibit a sincere and unquestioned loyalty towards their family, especially their parents. The cycle is repeated with each generation, so that children become the security net of their parents in later years. Grandchildren see the way their parents treat their own parents, and the family priority is reinforced and perpetuated.

The prominence of the family in Mexican life has created a powerful role for the mother. She is the central figure who makes most of the decisions relating to the household and the children. Even if the primary breadwinner in the family is the father, it is usually the mother who manages the household income and makes purchasing decisions. The mother is also usually in charge of decisions involving education, discipline, family entertainment, and the reinforcement of values.

It is not uncommon for an unmarried man in his thirties to live in his parents home even if he is economically self-supporting. It is strongly frowned upon for an unmarried women to reside in her own apartment. “For what purpose?” would be the usual question. Even after marriage, it is not uncommon for couples to take up residence in part of the house of one set of parents. This depends on the economic situation of the family and is no longer as common as it once was.

Mexicans find it odd that business people from Canada typically live on their own before marriage. They might ask: “Why did you move out? Did you have a fight with your parents?” Regardless of the answer, the question itself may surprise Canadians who are unaccustomed to hearing such personal questions in a business context. Mexicans assume that the family is supremely important to everyone, and perceive it as appropriate to ask questions about one’s family because it indicates a natural concern and interest. The appropriate response is to answer the question frankly and to feel free to ask similar questions.

Canadian visitors usually find that taking an avid and genuine interest in the families of their Mexican associates is important in establishing business relationships. Such interest is an effective and acceptable means of extending a relationship.

Identity

In Mexico, a person's roots often define his or her identity. The importance of family lineage is illustrated by the way Mexicans choose their children's names. A Mexican normally retains both the father's and mother's last names, in that order, in his or her own formal name. For example, the formal name of Mexico's President is Ernesto Zedillo Ponce de León, but most government press releases only refer to him as President Ernesto Zedillo.

Attention to family information can be helpful in understanding power relationships. Although this is beginning to change, Mexico still has many family controlled businesses and nepotism is an accepted fact of life.

Social Position

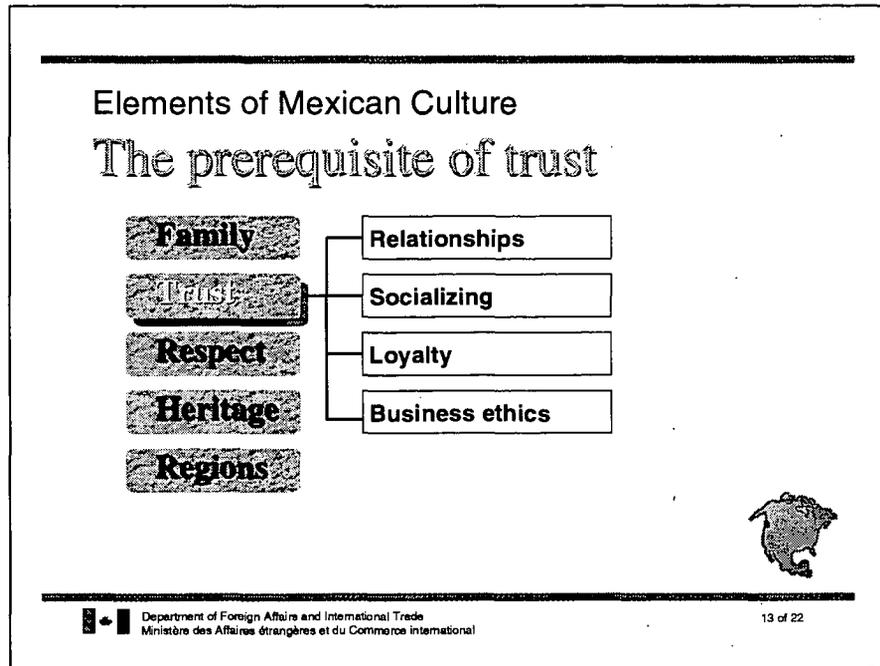
In most instances, a Mexican's social status is determined at birth and the individual's name will often open or close doors in social and business settings. Mexicans know that there is an entire family that stands behind every person. If the family is powerful or wealthy, the benefit is assumed to flow to all its members. Coming from a "good" family in Mexico has important business benefits because it allows access to other people who are also from good families. For this reason, social networks quickly become business networks.

Networking

Mexican families are highly extended. Cousins are regarded as brothers, second and third cousins are regarded as first cousins. Uncles, aunts, and godparents (*compadres*) form the "immediate family". Close friends effectively become part of each others families. It is common for someone to refer to their best friend as "cousin" (*mi primo* or *mi prima*), and for old friends to address one another as "brother" or "sister" (*mi hermano* or *mi hermana*). This makes families even more extended and expands the resources they can collectively rely on. The family may also provide employment and be a prime source of contacts and opportunities.

Notes:

Section 5: The Prerequisite of Trust



To trust and to be trusted is extremely important to Mexicans. Trust is crucial in a society where there is little faith in the legal system. In this environment, confidence in the honesty and personal reliability of individuals is a prerequisite for most business relationships.

Trust is another reason why Mexicans tend to rely so strongly on family connections. A person who betrays a trust disgraces their whole family. Therefore, it is safer to do business with members of trusted families. This situation partly explains the rampant nepotism found in Mexican business.

Relationships, Contacts, Networks and Influence

Trust is easier to establish within the family network, but it is expected of all relationships. The value of a business person as an associate is heavily affected by the relationships he or she holds. Name dropping is a national pastime among Mexico's business class. An individual who is trusted by influential people acquires greater influence in their own right because they appear to be more trustworthy. Thus, having a network of friendships based on trust is very good for business.

Mexican business people depend on levels of business and social networks that subsequently serve to determine the success of their companies. These tight circles of confidence are usually accessed through family linkages, business connections, or government positions.

The "Old-boys Club"

In Mexico, as in most Latin cultures, a person is either in or out of the business elite that wields most of the economic power. Exclusion from this circle of influence can have a detrimental impact on any business. A Canadian can rarely gain entrance into this clique as a fully fledged participant. But Mexican partners can help to ensure that the business is not entirely excluded. The partner can provide important liaisons to give Canadian executives a degree of access to the power elite.

Social Networks as Business Networks

While Canadians strive to keep work separate from their personal lives, Mexicans try to achieve the opposite. It is considered good business to become personal friends with business associates, because this reduces the possibility of being wronged and opens the possibility of increased business opportunities because of favourable treatment.

Mixing business with pleasure is a very efficient way of winning trust and developing business relationships. But this does not suggest that Mexicans are at all cynical in their pursuit of personal relationships. They are sincere about their friendships and are as eager to have you trust them as they are to trust you.

Socializing

Canadians making business trips to Mexico usually comment that Mexican executives spend much of their work day at meals and other functions that appear to provide little commercial opportunity. On the surface, it might appear that they never work. But in reality, these activities serve important business purposes. Most importantly, they help to build friendship and trust before getting down to business. This kind of activity occurs before and during meetings, at business meals, and even before and after negotiations.

Friendship, business and trust all work interdependently in Mexican business culture. A Mexican cannot fully trust a business partner until they are friends. For this reason, it is common during first encounters to talk about everything except business. This can continue for quite a long time, often frustrating the Canadian executives who are usually eager to get down to business. But what may appear to be a waste of time to a Canadian serves an essential business function for the Mexican counterpart. It is an opportunity to:

- determine who you are
- show who they are
- determine if you could be trusted
- become your friend
- convince you that they can be trusted

Because these factors play an essential business role, it is inappropriate to begin talking business immediately when you first meet with Mexican counterparts. Your first encounter will likely be over lunch or dinner. Your Mexican counterpart will show great interest in your personal life, family, the places you have visited, whether you have been to Mexico before, and what you think about the country. They will undoubtedly offer their own stories and anecdotes. The exchange may last though a three-hour dinner, with no mention of business. If your flight arrives in the evening and you have dinner that night, the following morning would be an appropriate time to get down to business. As time goes on, and as you begin to establish a reasonable comfort level, the social talk will diminish and you will be able to get down to business.

Mexicans are somewhat suspicious by nature, sometimes of each other and, for historical reasons, particularly of Americans. This benefits Canadians, but it must be reciprocated by offering trust in the other direction. An invitation into a Mexican home is an honour and a sincere offer of friendship. It is probably not an appropriate time to discuss business. If Mexican associates have the opportunity to visit Canada, inviting them home will be considered an important gesture of friendship and respect.

Loyalty

Loyalty is expected both in business enterprises and within the family. This is one of the reasons why nepotism is so widespread and so widely accepted. Therefore, a family member working for the business has two reasons to be trusted. As well, trust builds loyalty, which is why Mexican business people strive to win the trust of business counterparts.

Loyalty in Mexico is expressed in a number of ways:

- an employee will stand by (usually behind) his or her *patrón*
- companies will stay with their suppliers
- contracts are adhered to
- business contacts are preserved
- political parties are supported consistently
- personal promises are kept
- sons and daughters will obey their parents

Business Ethics and Corruption

Mexico is gradually ridding itself of the corruption that was once one of its most prominent features. Nonetheless, requests for pay-offs and bribes are still an obstacle to international business. Many companies participate in such arrangements only because they think it is necessary for survival.

The prevalence of bribery depends on the industry involved. Corruption is highest in industries that involve government departments or government corporations, either as customers or regulators.

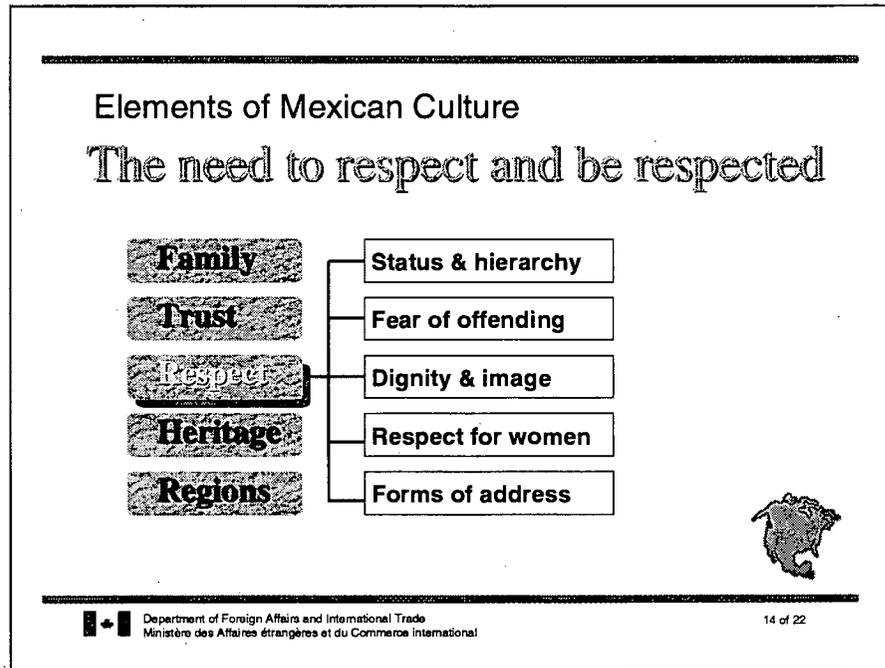
Ironically, trust plays an important role in corruption in Mexican business. Favours — such as kickbacks for special treatment or the disclosure of secret information — involve a prerequisite of trust. When a Mexican associate brags of a relationship with a government official, it may be intended to imply a level of trust that will allow open discussion of a corrupt arrangement.

In Mexico a bribe is known as *la mordida*, which literally means “a little bite”. Sometimes the demand is surprisingly explicit, at other times it is so subtle that it can easily be misunderstood.

This is often the most difficult cultural difference for Canadian executives. Mexican companies value their political contacts very highly and a Mexican partner may consider a payoff essential. Canadian companies confronted with this kind of inflexible demand may have to seek another partner.

Corruption is becoming less prevalent as the economy modernizes. A new business venture, therefore, should stand on a sound commercial foundation. Contacts may help to get the business going, but they cannot be relied upon to make the venture profitable in the long run. This is one area of business culture where Mexican partners should be expected to adopt Canadian values.

Section 6: Respect



Consciously or subconsciously, Mexicans are influenced by an exaggerated need for respect. They feel a strong requirement to protect their dignity, uphold their honour, and defend themselves from any assault on their character or good name. The reverse is also true. Because they place so much weight on their own honour, dignity and image, they are very careful not to slight others, including foreigners. This aversion to the possibly of offending someone underlies some behaviours that can appear peculiar and confusing to Canadians.

Status and Hierarchy

In Mexican business, decision-making authority is concentrated at the top levels of management, which may include the company's owners. Decision making at those levels is quite rapid, because of the concentration of authority. This contrasts with the Canadian corporate culture, which normally strives for consensus. Another factor is that trust at the senior level has probably already been established long before the decision comes up. At that point, the outcome is most likely to hang entirely on objective business criteria.

On the other hand, middle management has relatively little decision-making power. Protracted discussions with subordinates may be needed before they refer the matter to *el jefe*, the boss. The relationship between levels of management in Mexico is based on strong vertical authority, which is not usually delegated. Respect is expressed through absolute

subordination. The best way around this problem is to discuss business decisions only with the most senior manager or the owner of the company. This will require that a Canadian of similar rank participate in missions to Mexico.

Loyalty to the boss is very strong in Mexico and this can have negative consequences from the Canadian point of view. Loyalty often implies always agreeing with superiors. Unfortunately this attitude fosters middle managers who take orders but do not make decisions. This is an area where a Canadian company can provide a positive influence by empowering key Mexican employees to make decisions and take action.

Fear of Offending

An important element of the Mexican need to respect and be respected is an extreme desire to avoid offending anyone. This is a very strong value and is reflected both in the language and in the Mexican concept of time.

The Meaning of “Yes”

The Mexican use of the word “yes” is the source of much confusion in cross-cultural business relationships. “Yes” can mean “maybe” or even “no”. This is an area where Mexican obsession with politeness and saving face can be counterproductive. Mexicans are very reluctant to offend anyone, especially someone they do not know well. So they will often say “yes” to a question to which they actually wish to say “no”. Sometimes a “yes” or other positive reaction may reflect nothing more than polite optimism that never materializes into action. Misunderstandings can be costly and time-consuming.

For example, if you proposed a sales approach that works in Canada, and then asked your Mexican partner if he or she agreed with it, “yes” would be the most likely answer. If you asked whether your explanation was clearly understood, the answer would be “yes” again. By this time you might think that your meeting had gone very well. But deeper digging might well reveal that the proposed strategy was not understood, or that there were reservations about its potential effectiveness. In other cases, a “yes” or a positive reaction could stem from polite optimism that never leads to action. The Canadian executive might return home with a feeling of success that would fade only when the promised call or fax from Mexico did not arrive.

Thus, from the Mexican point of view, the need to show respect outweighs the need for clear communication. This makes it critical to learn how to distinguish the true “yes” from the polite “yes”.

Time

It is often said that “time has its own rhythm in Mexico”, and that Mexicans have a different concept of time than other North Americans. This is true to some extent. It is not uncommon for a Mexican executive to be as much as one hour late for a meeting. Canadian managers should not interpret this as a slight or lack of respect. Indeed, this tendency is another consequence of the need to avoid offending and show respect. The delay is most likely to have resulted from a previous meeting going overtime. Mexicans consider it more offensive to cut a meeting short, than to be late for the next one. This is true even though most meetings end with a protracted discussion of non-business matters. To save face, the late arrival can always be blamed on traffic, since Mexico’s congested streets provide a ready excuse.

Arrival for meetings

It is quite common that a meeting might begin half an hour behind schedule and finish one hour behind schedule. Thus, the delay accumulates throughout the day. Since the Mexican culture does not place great value on punctuality, this happens easily, especially when government officials or traditional managers are involved. In the Mexican business culture, no one is surprised or offended by delays because they are anticipated. Mexicans often forget that such delays are not the norm for foreigners.

Canadians may see such delays as a waste of valuable time. But it is best to accept them as a deeply ingrained cultural trait, and plan for them accordingly. Canadians should demonstrate their own cultural values by showing up on time. If the tardiness persists, reschedule meetings if you have to wait more than 30 minutes. Mexicans are not insulted by this practice. They will come to appreciate the value of your time and will eventually adopt more punctual habits.

The tendency towards tardiness is less pronounced in the northern part of the country. Also, a Mexican executive is unlikely to be late for the first meeting with a new contact.

The mañana syndrome

Another aspect of the Mexican concept of time is the flexible deadline. Mexicans hate deadlines, and are often late in delivering time-sensitive work. This is a reflection of the easy-going Mexican business culture, and not a sign of laziness or lack of interest. Canadians should be cautious not to jump to the wrong conclusion when important work is delayed. This infamous *mañana* attitude is no more casual than in any other developing country. Moreover, failure to meet a deadline is not seen as a broken promise. “Tomorrow” does not necessarily mean tomorrow: it could merely mean “later”. Business delays are also often a consequence of the Mexican priority that family and social obligations come before business.

The *mañana* syndrome also has its roots in the value placed on respect in Mexican culture. The idea of disappointing someone, especially a person in authority, is uncomfortable for most Mexicans. Therefore, rather than say no, they prefer to say *mañana*. This usually means “later”, and there is no expectation that it will be interpreted literally as “tomorrow”. For some Mexicans *mañana* is a respectful way of saying “No, not now”, or “It would be nice if could happen tomorrow, but don’t get your hopes up”.

Dignity and Image

Preserving and bolstering his or her dignity and image can be almost a full-time job for a Mexican executive, which can prove very costly. One of the ways Mexicans build respect is to display the importance they attribute to themselves. In Mexico, a little display of wealth can go a long way. Mexicans can be very materialistic when they feel they are in a “positioning” situation. The way they dress, the car they drive, the watch they wear, the pen they use, and even the schools their children attend all contribute to Mexican executives’ image and, therefore, to the respect they attract.

Over-staffing at the office and at the home is another method used by some Mexican executives to bolster their image in the eyes of business associates. On the other hand, Mexico’s economic situation has curtailed over-staffing to some extent, since there is now much more pressure to control costs.

For the visiting Canadian, dressing well and staying in a good hotel is an effective way of making a good impression. But Mexicans are tasteful. An excessive display of material possessions can result in the visitor being regarded as a *naco* (a “tacky” person).

Gifts play an important role at first meetings or at formal invitations at an associate’s house. When visiting someone’s home it is normal to bring a gift only for the lady of the house. To Mexicans, recognizing her stature makes the guest appear more cultured and refined.

Respect for Women

Women are well-respected in their role as mothers within the Mexican family. The worst possible insult to a Mexican man is to question his mother’s honour. On the other hand, Mexican women have traditionally played subservient roles outside the family, and they are paid much less than men for the same work. Attitudes towards women are also reflected in the language and in the phenomenon of *machismo*.

In many Mexican colloquialisms, the word for father, *padre*, is associated with things and events that are positive or good, whereas the word for mother, *madre*, is associated with things or events that are negative. There are so many examples of this in Mexican speech that it becomes readily apparent to a foreign observer. Few Mexicans realize the sexist overtones of these expressions, and they are used by women as much as by men. But

they indicate how deeply the subservient position of women has permeated Mexican society.

Machismo is an exaggerated masculinity, probably a manifestation of self-pride and family-pride. It is seen among males during informal occasions and is aimed at impressing other males rather than women. Mexican *machismo* is best described as an underestimation of the ability of women to care for themselves, and an overestimation of their need to be protected. This leads to chivalrous, yet sometimes condescending, treatment of women. In many instances, this type of behaviour is expected by Mexican women and is perceived to be polite and masculine.

Machismo is gradually disappearing from Mexican society and foreigners should not try to emulate this attitude as a means of fitting in. Women are playing more important roles in business, and foreign influences are starting to cause upper-class men to play at least lip service to women's liberation. While a sexual double standard persists, Canadian visitors should avoid making assumptions about the role of any particular woman.

Doing Business as a Woman

Mexico is a male dominated society with a long tradition of paternalistic attitudes. But the men who run Mexican businesses and government entities are gentlemen in the classic sense. Respect is essential to business in Mexico and women have the advantage in this regard. A woman will rarely be denied a request for a meeting and will usually be treated with the utmost courtesy.

On the other hand, women doing business in Mexico may have to demonstrate their credentials to a larger extent than their male counterparts. They may have difficulty gaining access to informal information networks. Regardless of gender, however, there is great respect for demonstrated expertise and knowledge.

In spite of the politeness of Mexican men, patronizing and even condescending comments can be expected on occasion. The presence of a male associate will reduce this problem, even if he is a subordinate. A Canadian woman can take the lead role in discussions, but the presence of a male seems to reduce the discomfort felt by more traditional Mexican businessmen.

Forms of Address

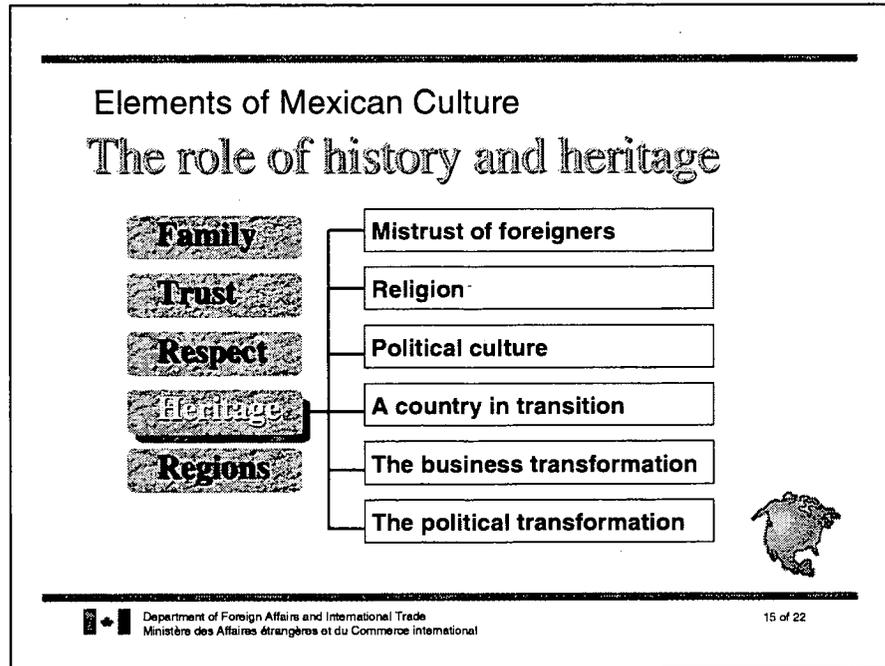
Spanish speakers use both familiar and formal forms of address, just as French speakers do. In the singular, *usted* is the formal form of “you”, much like the French *vous*. It is a sign of respect to use *usted* when first meeting someone and gradually switch to *tú* as you become more familiar. It is good to get to *tú* because it indicates that you are establishing a familiarity that could develop into a trust relationship. In Latin America, the familiar plural *vosotros* is hardly, if ever, used and groups should be always addressed as *ustedes*.

Titles are another way that Mexicans show respect for each other. Even a bachelor’s degree carries the title *licenciado*. It is normal to refer to someone by the title associated with their highest degree. If the degree held is not known, the person can be addressed as *Señor* or *Señora*, at the risk of underestimating their education. Most Mexicans would prefer to preserve dignity and respect by wrongly over-estimating a person’s education, rather than to risk being seen as disrespectful. It is always safe to assume at least *Licenciado* when referring to someone in a business setting, and in some cases *Ingeniero*. If a foreigner is addressed by a degree that he or she does not hold, it is not considered dishonest to let the reference go uncorrected, as it would be in Canada. As a foreigner, if you appear to be a high ranking executive, you will likely be addressed as *Ingeniero* or *Ingeniera* and a technical professional may be called *Doctor*. These forms should be interpreted as signs of respect and not a literal assumption of a particular degree.

When addressing women who are subordinates, it is acceptable to use *Señorita* unless you know for a fact that she is married, in which case *Señora* is appropriate.

Professional Titles		
Degree	Title	Abbreviation
Bachelor	Licenciado, Licenciada	Lic., Lda.
Master	Licenciado, Licenciada	Lic., Lda.
Ph.D.	Doctor, Doctora	Dr., Dra.
Architect	Arquitecto, Arquitecta	Arq., Arqta.
Engineer	Ingeniero, Ingeniera	Ing., Ing.

Section 7: Heritage



Mexico's turbulent history, which has been punctuated by both internal revolution and foreign interference, has a substantial influence on the nation's culture. Mexicans are very proud of their history and are influenced in many ways by their cultural heritage. Modern Mexico is a mixture of descendants of the pre-Colombian "Indian" people, and those of the European invaders. *Mestizos* are a mixture of the two.

This mixed heritage sometimes leads to a conflict of pride. Whereas Mexicans are very proud of their Indian roots, they can be very sensitive if their Indian features are pointed out. The large economic disparities between people of Indian and European origin is partly the result of racism. There is a strong correlation between skin colour and social and economic status. Mexicans are not openly racist but there is a definite polarity among the cultures. Canadians doing business in Mexico should avoid making any references to a person's racial background or features.

Mistrust of Foreigners

Mexicans believe that their country has been treated badly by foreigners throughout its history. The result is a mistrust of foreigners, particularly Americans. Canadians enjoy an important advantage in that Mexicans perceive them as different from Americans.

This mistrust of foreigners fostered strong nationalism and economic protectionism. These policies led to the creation of a fully-integrated industrial infrastructure. On the other hand, a diminished appreciation for quality evolved from Mexico's inability to meet international standards within this protected environment. In spite of the liberalization of the economy over the past several years, Mexicans are still fiercely nationalistic. This history has severely limited the government's actions in privatizing the nation's principal government-owned corporations, especially *PEMEX*, the national oil company.

Perception of Canada and Canadians

Canadians enjoy a reputation as reasonable and trusting people. They are well-accepted by Mexicans as cultural equals with similar values and objectives. They are seen as more willing than Americans to adapt to Mexican ways of doing things. Moreover, the fact that both Canada and Mexico have histories of resisting strong American influences gives the two countries something in common.

The flexibility and adaptability of Canadians in Mexico is noticed and appreciated by Mexico's business people. Even though Canada still has only a small market share, its exports to Mexico have grown faster than those of the US over the past few years. This suggests that the perceived advantage has some real benefit. On the other hand, the less-aggressive style of most Canadian executives is sometimes seen by Mexicans as a lack of business acumen. Mexican buyers often comment that Canadians they have met did not follow up after creating good initial impressions.

Religion

About 95 percent of Mexico's population are Roman Catholic. Some believe that religion is the most important influence on Mexican culture. This is becoming less and less true as Mexico modernizes its economy and integrates into western culture. As in Canada, many young people are less religious than their parents.

Some Mexicans are devout Catholics and place a high value on church attendance on Sundays. Those who are not as observant of church practices are still heavily influenced by the effect religion has had on their families. In general, religion tends to make them more traditional in their values, especially regarding relationships between men and women. Mexicans also enjoy a great number of religious holidays, which are considered vacations even for the non-religious.

Mexican Catholics are distinguished from those in other parts of the world by their veneration of certain saints, many of which have pre-Columbian models. Shrines to the *Virgen de Guadalupe*, the patron saint of Mexico, are widespread. References to *Dios* (God) are often heard in Mexican speech, even among the non-religious. They are especially common when explaining good or bad luck as in *Así lo quiso Dios* (It was God's will) and *Si Dios quiere* (God willing). These should be interpreted as linguistic artifacts rather than expressions of religious faith.

Political Culture

Mexico's politics are characterized by strong central control. Mexico's present political system evolved in an environment where power-brokers effectively controlled the country. They distributed land, organized labour to support the government and limited the power of business interests. They also reduced the influence of foreigners by nationalizing the rail and oil industries.

It was natural for people with such great economic influence to grant favours to parties that would reciprocate with favours. Over time, these practices led to the huge, slow and sometimes corrupt bureaucracy that governs Mexico today. President Zedillo has promised to reform and decentralize this system, and move towards a new federalism. But there is presently no culture of democracy, and most observers believe that this will take many years to achieve.

A Country in Transition

Mexico's protected economy established independence and fostered national pride. But the reliance on domestic suppliers denied Mexican producers access to world-class technologies. This made it difficult for them to compete in an increasingly globalized economy and to provide for the needs of Mexico's growing population. When oil prices collapsed in the early 1980s, it became more difficult to subsidize domestic consumption from natural resource exports. The government responded with a series of sweeping economic reforms that deregulated the economy, liberalized trade and privatized more than one thousand public corporations. The North American Free Trade Agreement (NAFTA) has continued this process of liberalization.

The changes resulting from these reforms have become known in Mexico as "the restructuring". This process was further accelerated by the abrupt devaluation of the peso in December 1994. Important changes in the way that Mexicans do business have been driven by these forces and the Mexican business culture is now in a state of transition. Elements of the "Old Mexico" co-exist with the emerging "New Mexico". The impact is seen in both the public and private sectors. Mexicans who consider themselves part of this "New Mexico" are most likely to discuss these changes, but to some extent everyone is influenced by the evolving business and political environments.

The Business Transformation

Business dynasties that enjoyed virtual monopolies and lucrative government contracts now have to face global competition for the first time. Efficiency is becoming an important objective because sales are increasingly dependent on efficiency rather than family and political contacts. The need to meet international standards of product quality has also broken up many established lines of supply. Many family firms have been bought out by large Mexican *Grupos*, and others have formed partnerships with foreign firms, mainly from the United States. The old ways persist in many industries, but they are increasingly under attack from competitive pressures, both from a growing middle class and multinational corporations.

Most Mexican executives like to boast about their political and business connections, or those of their colleagues, family or friends. Such claims are often true, but the value of the contacts is usually not as high as might be suggested. If a prospective partner makes such claims it does not necessarily mean that they are a part of the “Old Mexico”. It may be that they simply think that connections are important to the business. They may be right, but as time goes on, personal contacts will become less and less important to long-run profitability.

If a Canadian company is considering a long-term partnership, it would probably be best for it to seek out Mexican firms that adhere to the new business culture. Executives of these companies tend to be younger and better-educated, often with foreign university degrees. Significantly, they are likely to have a global outlook. The new business culture is also less hierarchical than the old, although there are still many ingrained tendencies from the traditional corporate culture.

One way to evaluate how far a Mexican company has evolved is to see how many layers of management it has. It has traditionally been considered an indication of status to have many employees at lower levels, even if they have nothing to do. The economic crisis has caused the more adaptable firms to place greater emphasis on efficiency at the expense of status.

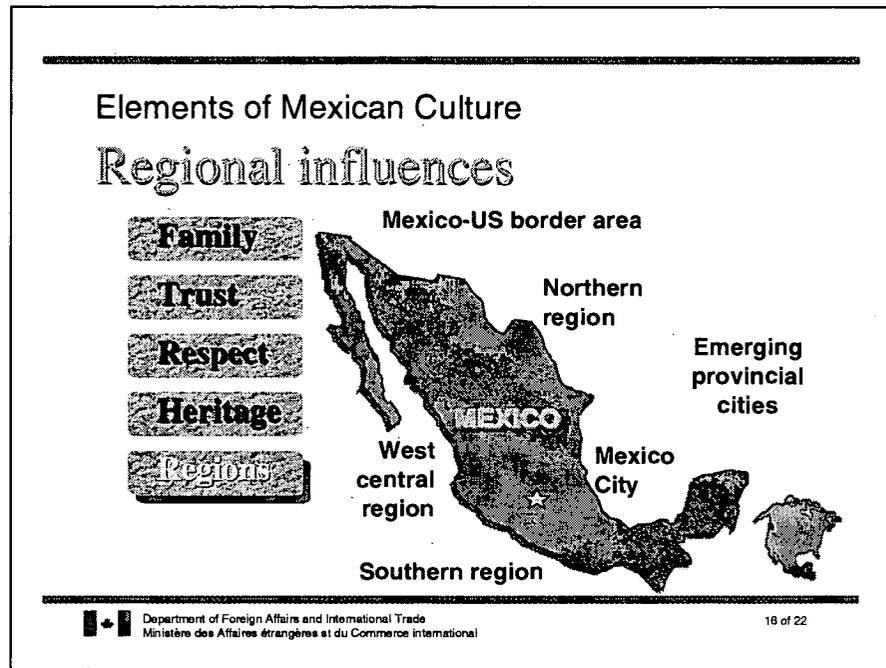
The Political Transformation

The “New Mexico” also includes the beginnings of a political transformation. President Zedillo has initiated important reforms that will gradually reduce the culture of dominance, control, and corruption that has been perpetuated by the *Partido Revolucionario Institucional (PRI)*, Institutional Revolutionary Party, government for almost 70 years. The *PRI* is now split into at least two major segments. The *Dinosaurios* represent the old guard that has refused to relinquish its control. The reformers are pressing for a more open and honest model of how the party and government should be run.

Two of Mexico’s other political parties have gained much support over the past few years and have achieved important victories on a state level. Opposition politicians have also been appointed to important posts by President Zedillo. But the status quo has been fiercely defended by the *Dinosaurios*. Many believe that the assassination of *PRI* presidential candidate Luis Colosio was arranged by the old guard because he was a vocal and progressive reformer.

A first glance at Mexico’s current political situation would lead any Canadians to conclude that the political climate, especially since the economic crisis, is not a healthy one for new businesses. It is difficult to sell a change to new products and services on the basis of their cost-effectiveness if market forces are not allowed to prevail throughout the economy. There has, however, been a profound change in the underlying political culture. The unquestioned respect for authority and power are things of the past. The unprecedented attacks against outgoing President Carlos Salinas illustrate that point. Over time, the private sector will react to this change and the bribes will become much less effective.

Section 8: Regional Influences



The previous sections of this workbook have discussed Mexican culture as if it were homogeneous. Not surprisingly, there are a number of important regional influences that affect the business environment. Mexico's cultural diversity can be felt, seen, heard and even tasted. Each region in Mexico has its own distinctive mind-set, cuisine, music, customs, priorities and economic influences. The country can be divided into six regions:

1. Northern region
2. West Central region
3. Southern region
4. Mexico City
5. Mexico-US border area
6. Emerging provincial cities

Northern Region

The Northern region is centred on the modern industrialized city of Monterrey. The *Norteños* are known for their strong work ethic and penny-pinching frugality. They are also relatively aggressive and use a straightforward approach to problem-solving. The region is rich in mineral resources, although rough terrain and harsh climate have demanded that its settlers be tough and industrious. *Norteños* see themselves as the heirs to this hardy pioneer tradition.

Monterrey has benefitted from its proximity to the United States by having access to the amenities and technologies that are not readily available in the rest of Mexico. This American influence has also made the Monterrey business ambiance closely resemble that of an American city. Business people in Monterrey in most cases do not share the relaxed business culture of the rest of the country. The American influence is illustrated by the growing popularity of baseball, including the establishment of professional teams in a number of northern cities.

West Central Region

The city of Guadalajara represents the center of the west central area. This is the land of the *mariachi*, the best and the worst of the Mexican stereotype as understood by many outsiders. The business environment has traditionally been dominated by family enterprises and agriculture. But in recent years, the area has seen substantial industrial growth that has changed it profoundly. Guadalajara, Mexico's second largest city, bustles with activity. Growth has been driven mainly by dynamic, medium-sized Mexican firms and the subsidiaries of multinational companies. The growing influence of modern, sophisticated managers has transformed the traditional *siesta* ambiance. Nevertheless, the business atmosphere remains relatively relaxed, and the *tapatíos* — as the locals are known — are still regarded as easy-going, fun-loving characters.

Southern Region

The southern region of Mexico seems to be caught in a time warp in comparison with the rest of the country. Conservative landowners in Oaxaca, Yucatán, and Chiapas still maintain an almost colonial mind-set, bolstered by archaic social, political and economic institutions. Business is based on paternalistic ties and entrenched, class-influenced relationships. There is relatively little modern business infrastructure or activity. The people of the region tend to be much more relaxed and easygoing than those elsewhere in Mexico. Nevertheless, class tensions and an especially skewed distribution of wealth and income mar what otherwise appears to be an idyllic setting. The outbreak of violence in Chiapas in January 1994, and the continuing difficulties in settling that dispute underscores this point. The isolated mountainous jungles have allowed the survival of indigenous communities, and many inhabitants speak only their native language. They venture into the mainstream economy only to sell coffee, maize, and crafts in local markets.

Mexico City

The highly urbanized zone in and around Mexico City is the traditional centre of business, industry and government. Business tends to be modern, dynamic, and internationally oriented. This is where the exercise of power is most visible and tangible, and where the extremes of rich and poor are the most blatant. The business mentality of *la Capital* is increasingly in tune with Mexico's neighbours to the north. Although Mexico City is quintessentially Mexican, it has much in common with New York, London, and Tokyo in terms of international business ambiance. It is here in the *Distrito Federal, (el DF)*, federal district, that the most traditional nodes of business, politics, and culture are found. And although Mexico's economy is increasingly decentralized, many decisions must still be cleared one way or another through *la Ciudad de Mexico*.

Mexico-US Border

The Mexico-US border has a number of distinguishing characteristics. This is where the Mexican and American cultures and economies have had most direct interaction. The major cities of the zone, *Ciudad Juárez* and *Tehuacan*, have grown as the number of foreign-owned *maquiladoras* has risen. Much of the population consists of migrant labourers from elsewhere in Mexico. The concentration of displaced and transient persons reinforces American economic and cultural influences. As a result, the border area has undergone a much more rapid cultural change than the rest of Mexico. The business style is strongly influenced by American executives. The business ambiance is reminiscent of the mix of sophistication and down-home horse-trading that is found in Houston.

Emerging Provincial Cities

In addition to the five major regions, there are several emerging cities that are of interest to Canadian businesses, even though they do not constitute an actual region. These include such cities as Puebla, Veracruz, Tampico, León, Aguascalientes, Zacatecas, Durango, and Culiacán. Each of these centres is part of one of the geographic cultures discussed in this section. But in addition, they share similarities with each other that cut across regional lines. All are comparatively large and rapidly growing centres that serve the people in the surrounding hinterlands. Because they have been overshadowed by the larger centres so far, they remain relatively underdeveloped. They have achieved their current levels of development largely through their own efforts. Their traditional isolation has kept them in a secondary position, and their business infrastructures are rather poorly developed. Nevertheless, they are eager to move forward and to participate in the economic transformation sweeping Mexico.

Notes:

Section 9: Practical Strategies for Managing Cultural Barriers

Practical Strategies

- Consider cultural differences in the initial decision
- Use your partner as a cultural screen
- Use casual communications to avoid culture clash
- Design a management structure that takes account of cultural barriers
- Socialize your way to success
- Use creative questioning to eliminate communications barriers
- Capitalize on being Canadian



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Consider Cultural Differences in the Initial Decision

Canadian companies that fail in Mexico almost always blame partnering problems for the failures. Many of them point to “poor partner selection” as the root problem. Usually that is just a way of saying that cultural factors were not fully evaluated before the deal was made.

Clearly, careful partner selection is an essential success factor. But Canadian companies must also consider the possibility that their product or service might not be viable in the Mexican market.

The initial analysis of the feasibility of the venture should clearly identify cultural factors:

- Are the Canadian company’s strengths transferable to the Mexican market?
- Are both the Canadian and Mexican participants aware of the cultural differences? Are they able and willing to adapt?
- Do the Mexican staff have the skills needed to handle Canadian products or services? If not, can they be trained?
- Is the level of commitment strong enough on both sides to ensure the allocation of adequate time and financial resources to the venture?
- Have the project timelines accounted for the slow pace of business in Mexico?

Assessing these factors demands a first-hand look at the prospective partner's operations. If the analysis suggests that the answer to any of these questions is "no", the Canadian company may need to look for another partner. Or, it may decide not to enter Mexico at all. Most Canadian companies that failed believe that their product would be viable with the right Mexican partner.

Use your Partner as a Cultural Screen

Understanding and adapting to a Mexican partner can seem complex and time-consuming. But it is much easier than doing the same with customers, regulators and local suppliers. This is precisely why so many Canadian companies take on Mexican partners in the first place. In most Canadian-Mexican partnerships, local-market access is the principal offering of the Mexican partner, usually in exchange for technology and management know-how. Even if they do not do it systematically, Mexican and Canadian companies that work together as partners, soon enter into a two-way cultural adaptation process. For them, this is a matter of survival for the venture. In the process, both parties will become more adept at using the Mexican partner as a cultural screen for the Canadian partner.

The Mexican partner is usually responsible for presenting the Canadian product in the local marketplace in its best possible light. This will be most effective if both parties understand the expectations and constraints of the other. Inevitably, this has cultural aspects. The difference is that the Mexican partner is operating in its own environment. Canadians must learn to assess the performance of their partners within the context of the Mexican culture. The objective should be to use the Mexican partner as a sounding board for assessing new ideas and avoiding costly cultural mistakes.

Use Casual Communications to avoid Culture Clash

Culture clash occurs when the differences between Canadian and Mexican cultures result in a serious breakdown of the relationship. In extreme cases, this can mean the end of the venture.

Typically, problems are triggered by individual reactions to cultural differences rather than the differences themselves. Executives who know what to expect are less likely to act in a way that will be interpreted negatively. While the onus is on both parties to overcome cultural obstacles, a Canadian seller who is visiting Mexico must assume a greater part of the responsibility. At least at first, doing business "the Mexican way" is a good strategy. As the relationship matures, ongoing informal communications will help both parties to understand how cultural differences come into play.

Culture clash is avoided where both sides accept that there are differences between the cultures and that neither one of them is necessarily better. This attitude leads to the kind of thinking that allows the best aspects of both cultures to be combined. In many cases, it is the reaction to cultural differences that leads to problems, not the differences themselves. This

happens, for example, when Canadian expectations are applied to Mexican situations. At the same time, Mexicans cannot expect to take on a foreign partner and expect to conduct business in the usual way.

Casual communications with a Mexican partner is a practical way of avoiding surprises. Informal conversations about how the two cultures differ, and how this affects business, can draw out potential conflict before it becomes a problem. It is wise to avoid observations about Mexican culture that might be interpreted as condescending or offensive. The best approach is to talk about the way things are done at home, and let your Mexican associate volunteer an opinion about his or her own culture.

Design a Management Structure that Recognizes Cultural Barriers

The management structure of a Canadian-Mexican joint venture will necessarily be different than one that is all-Canadian. In a typical Canadian joint venture, most of the communication between parent firms is at the senior management level. Some kind of senior joint-committee structure will also be necessary in a Mexican partnership. Its primary function is to provide strategic direction and major tactical decisions.

In a Canadian joint venture, daily decisions are usually delegated by the joint committee to a senior manager who is in charge of the joint operations. He or she then delegates authority as needed. However, this is unlikely to be an appropriate structure for a Canadian-Mexican venture.

One of the difficulties with the traditional Mexican management style is that it does not encourage either initiative or decision making at lower levels. The management style of joint ventures depends greatly on the relative contributions of the partners. Regardless of the specific arrangement, however, it is essential to anticipate cultural differences when designing this management structure.

One solution is to establish horizontal communications links at functional levels between staff of the Canadian firm and the Mexican staff who are assigned to the joint venture. This gives them direct access to Canadian expertise without working their way through a vertical hierarchy. This kind of structure only works if the joint-venture manager can adapt to a more horizontal organizational structure than is usually found in Mexico.

Socialize Your Way to Success

In Mexico, a lot can be accomplished over food. Once you have become familiar with your Mexican colleague, it is not considered impolite to discuss business over meals. In fact, it is expected. Canadians should take advantage of this characteristic of Mexican culture by inviting business associates for meals.

The most productive meal is breakfast because the chance of lateness is minimized and there is a predetermined end to the meeting. Lunches tend to be less formal and can be protracted. In addition, lunch is a big meal that is usually eaten in groups, making a one-on-one contact less feasible. Dinner is the most social meal and can last for a long time. This meal is often the platform used to convince someone of something, or to win a favour. Dinner is often relatively formal and it is common for the bill to be paid by the person who initiated the engagement. Otherwise, a friendly argument over who has the honour of paying the bill is quite acceptable at any meal.

Handshakes are very important, even among friends and business associates. When the relationship is closer, the *abrazo* (hug) is common. As well, Mexicans like to give gifts on many occasions: the appropriate response is a return gift of smaller or equal value on an appropriate occasion.

**Use Creative Questioning
to Eliminate
Communications Barriers**

One of the negative aspects of cultural differences between Canadians and Mexicans is that differences of style can create serious communications barriers. In particular, the desire of Mexican executives to show respect often makes them reluctant to be direct. This is especially true if they do not understand part of a presentation or if they disagree with it. The word “yes” can mean “yes”, “no” or “maybe”.

Here are some practical ways to identify understanding, agreement, acceptance and interest:

- Ask open-ended questions rather than “yes” or “no” questions. Judge the level of understanding by the substance of the reply.
- Ask questions frequently. If the discussion has gone too far, the Mexican participants may be embarrassed to admit that they do not understand some of its basic elements.
- Encourage a dialogue, even when making a presentation. This will help to detect real interest and understanding.
- If it appears that the recipient of an explanation does not understand, repeat it in a different way to avoid the possibility of misunderstanding.
- If you receive indications of interest and willingness to proceed to the next stage of doing business, draft a series of next steps with your Mexican contact. Get an agreement that an action from the Mexican party, such as a fax to you in Canada, represents the first step. No action from them will indicate a lack of interest.
- Ask your Mexican contact to volunteer his or her own suggestions on how to structure the business strategy.
- Give Mexican contacts the opportunity to ask questions later, after they have had time to think about it.
- Give explanations on an individual basis rather than to a group. Groups are more likely to say “yes”, especially if subordinates are in the presence of their superiors.

Capitalize on Being Canadian

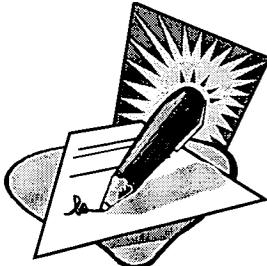
Canadians have an advantage in Mexico because they have a reputation of being easy-going and flexible. They are accurately perceived as being willing to adapt their ways of doing things to Mexican conditions. Americans and Asians, in comparison, are known for importing production and marketing systems without adaptation. As a result, Mexicans who deal with them are wary from the outset.

Flexibility is important, but it is essential to preserve elements of the Canadian style that are essential for success. In exchange for respecting differences between the cultures, Canadians should expect flexibility in return. The fact that Canadians enter the situation without a prior record of inflexibility makes this outcome more likely. Canada's reputation for technical expertise will also enhance the ability of Canadians to sell their ideas to Mexican associates.

Section 10: Making a Deal

Making a Deal

- The Approach
- Negotiations
- Strategies
- Closing the Deal



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Understanding the cultural issues discussed in this program is a prerequisite for doing business in Mexico. The Canadian company can then proceed with its Mexican venture by making a deal with a customer or joint venture partner from that country.

The Approach

The Approach

- Who to contact
- The initial contact
- When to make contact
- Gathering information
- Knowing your contact
- Introducing your business



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Who to Contact

Who makes the decisions in the Mexican business environment? There is no point in singing the praises of your products or services to someone who has no role in the decision-making process.

- In a small- or medium-sized Mexican business, you will generally have to contact the head of the company who, in most instances, will be one of the principal shareholders, if not the owner. Power is exercised by a very small number of individuals in Mexican businesses.
- The head of the Mexican company may refer the Canadian business person to another executive to continue the discussion. An employee who has been assigned this task by senior management will take it very seriously. But ensure that the more senior executive is informed of the progress of the talks, because he or she will undoubtedly make the final decision.
- In large organizations, the most appropriate first contact depends on your objective. You would not seek out the same individual to discuss a strategic alliance as you would to sell a product. You must identify the real decision maker right from the start. If you approach the wrong person, they may show interest merely to be polite. If they subsequently refer you to the real “target,” that individual may be reluctant to receive you, being offended at not being the first contact. This mistake may be seen as a sign that you know very little about the target business.
- In a public sector enterprise, it will take longer to get to the right person because of bureaucratic red tape.

In Mexico, corporate titles can be misleading. The purchasing manager may not necessarily have final say over the selection of a new product. The decision may actually rest with the president or plant manager. A preliminary analysis of the target business can usually identify the true decision maker.

This is why it is important to find the name and title of the real decision maker, and seek that person out. To do so, contact customers, suppliers of non-competitive products, consultants and even employees of the target organization.

The Initial Contact

Avoid using faxes, postal mail and e-mail when making initial contact with Mexicans. Human contact is essential in attracting their interest and earning their trust.

One Canadian door and window manufacturer decided to find a Mexican distributor to handle its products to Mexico. After spending a week looking for the names, addresses and phone numbers of potential distributors, it sent faxes in English to approximately 30 distributors. The message explained the firm's intentions and enquired about their services. The only answer came nearly two months later and contained no reference to the products the firm was offering.

In small- and medium-sized Mexican businesses, fax machines are a poor substitute for oral communications. In many instances, secretaries and receptionists manage the fax machine and screen faxes sent to their supervisors. The message may never reach its intended recipient. A telephone call or a personal visit is definitely a better approach, particularly if the Canadian can mention recommendations from Mexicans of good reputation who are known to the Mexican contact.

Canadian executives making initial contacts with Mexican business people should mention their nationality. Canadians have a good reputation in Mexico. Moreover, the fact that they come from a foreign country other than the United States and speak Spanish with a certain accent often piques Mexicans' curiosity. You can introduce yourself as follows:

Buenos dias (or buenas tardes), habla el Sr. Daniel Martin de la compañía XYZ de Canada...
(Hello, this is Daniel Martin with XYZ Corporation in Canada...)

Because they know you are Canadian, the individual who answers will very likely forward your call directly to the right person.

In Mexico, as in Canada, executive secretaries and receptionists screen calls to enable executives to focus on corporate priorities. They should not be perceived as an obstacle, but rather as an aid in reaching the right individual and gathering information. It should also be kept in mind that they are much more sensitive to signs of courtesy and respect than their Canadian counterparts.

Therefore, you should try to establish a friendly relationship with secretaries and receptionists. Strike up a conversation by mentioning your nationality and the nature of your activities. As well, express your interest in the company and its products or services. Then try to obtain information about the best person to contact. If the receptionist insists on more detail about the purpose of your call, remain very courteous and give a general answer followed by a question. For example:

Canadian — Good morning, Señora (or Señor). May I please speak to Licenciado Pérez Unda?

Receptionist — May I ask on what matter?

Canadian — We want to establish a type of strategic alliance in Mexico. I would like to know if your company markets software package manufacturing licences.

First of all, answer any questions in a general way, then continue with a more technical question that may induce the receptionist to forward your call to the right person.

In dealing with a government bureaucracy, try to draw on your network of contacts, or those of your Mexican partner, to make an appointment more quickly. It is also a good idea to know an influential member of the civil service and to state specifically that they suggested you call them.

When to Make Contact

The next step is to know when the Mexican contact can be most easily reached. The ideal time for initial contact depends on the habits of each executive. Mexican business people are often more accessible and better disposed early in the week during the morning. If the Canadian representative establishes a good rapport with the receptionist, he or she may offer advice.

Gathering Information

The more you know about the executive you wish to meet and about his or her society, the better chance you have of achieving your goals. This kind of knowledge makes it easier to hold that person's attention and interest.

Canadians making initial contact with a prospective Mexican associate must promote themselves before they can promote their products or business.

An off-the-cuff sales pitch has very little chance of succeeding in Mexico. The major cultural differences, both personal and business, also require the Canadian business to make an extra effort to seek out key information and to prepare solid selling points. Chances of success are always greater when you have a balanced strategy than when you leave matters to chance.

Knowing Your Contact

In Mexico, business decisions are often made on the basis of different criteria than those used by Canadians. It is not rare, for example, for Mexican employees to refuse promotions for fear they will not have enough time for their families. But some business executives attach greater importance to their families than to their business.

By this time, you will have already conducted a preliminary market study. You will have identified your target market segment, potential target businesses and potential contacts in those businesses. But this is not enough. You must also examine the decision-making processes that are involved because they will influence the outcome of the negotiations.

Remember that Mexicans try to begin business relationships by forming an opinion of a new business acquaintance. This reduces their risks of future difficulties and possible litigation.

Make every possible effort to provide your Mexican contact with documentation in Spanish. This includes fact sheets, offers of service, letters, faxes, contracts and so on. This will set you apart from representatives from other countries who speak only English. Canadians taking part in discussions should acquire a vocabulary of some thirty words in Spanish: twenty or so technical terms and ten polite phrases.

The contact must not get the impression that the Canadian representative has come Mexico as a colonizer or conquistador. Any superior or condescending attitude or any allusion that the Canadian comes from a more highly industrialized country may bring negotiations to an abrupt end.

You must gradually develop a relationship of trust with your Mexican counterparts. This means opening up to them. You will probably ask what are quite personal questions, but in a way which does not make them feel they are being interrogated. Canadians must try to understand the needs of their Mexican contacts, their problems, concerns and the criteria they use when negotiating or making business decisions. Throughout this familiarization phase, Canadian representatives must always show interest and pay respect to Mexican prospects.

Moreover, Canadian executives must learn to decode and integrate implicit and expressly stated information, both of personal and professional nature. Canadians doing business in this market are often surprised by the informal and subjective nature of the decision-making process.

It is not enough to go straight to the decision maker. You must also know how that person makes decisions. You must be attentive during meetings. Note every aspect of internal policies and the decision-making process and observe all the hesitations of your Mexican contact.

Introducing Your Business

Your objective as a Canadian representative is to convince your Mexican contact to buy your products or to enter into an agreement with you. To do this, you need to develop a presentation that addresses potential objections, and convinces the Mexican contact that your offer is attractive. This is where market research will come into play. Pointing to statistics or characteristics of the Mexican market can support your case and show the Mexican contact both that you are serious and have done your homework.

As in any negotiation, you must try to respond to the needs of the person opposite you. That person will be wondering how and to what extent the Canadian supplier can help the Mexican company to be more competitive and increase profits. This means that it is essential to understand the business imperatives and objectives of your Mexican counterpart. The challenge is often to provide an original solution that will make the proposal convincing to the contact.

Canadians must anticipate potential objections of their Mexican opposites. But they should not necessarily assume them and attempt to answer them before they are expressed. The presentation should not become a monologue. Mexicans do not always state their objections explicitly, and it is sometimes difficult to assess the situation accurately. Mexicans who do not wish to give offense may seem to agree and appear favourable to proposals that they actually disagree with. The only remedy is to establish a climate of trust that will encourage Mexican counterparts to express opinions, questions and objections.

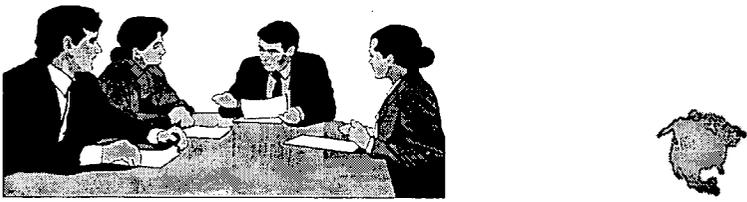
A common error made by Canadian businesses in presentations to Mexican companies is to state their position first, then to try and defend it. Consider the example of a Mexican importer of electrical components asking a Canadian supplier to give him credit. The supplier starts the conversation by stating that this is impossible — and then explains his decision.

The moment the Canadian refuses, the Mexican immediately loses interest. The opposite approach of first analyzing the situation and then concluding with a decision holds the contact's attention until the end of the presentation.

Negotiations

Negotiations

- Where to negotiate
- Who negotiates?
- Content of the agreement
- Exchanging proposals



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If the initial presentation is successful, the next step is detailed negotiation process. You will probably discuss product characteristics, your price structure, terms of credit, terms of payment, exclusivity, transportation costs, customs duties and technical support. Objections almost always focus on these issues. This is why Canadian representatives must know their subject thoroughly and have the flexibility to negotiate.

You must try to understand the expectations of your Mexican counterparts on these issues. One of the consequences of the financial crisis that recently shook Mexico is that business people now pay close attention to their suppliers' terms of credit. Some even attach greater importance to financing than to price. Payment should always be made in US dollars, even though Mexicans will often try to negotiate in pesos to protect themselves from further devaluation in their currency. As for price, the Canadian business will have to consider all its costs, including freight, insurance, customs duties and commissions, as well as the prices of competing products or services in Mexico.

It is usually best to adopt a long-term perspective of Mexican business arrangements as opposed to individual or occasional transactions.

Where to Negotiate

If only a few people participate in the negotiations, Mexican business people will appreciate your inviting them to continue discussions at a restaurant. This kind of invitation is all the more appropriate if you have already settled key issues. It will be perceived as a way of consolidating the deal and cementing the relationship. It shows your counterparts that you want more than just a signed contract and a flight back home. If there are more than four or five negotiators, talks will have to be held in an office or meeting room. This will enable individuals to express their views freely and to focus on the topic of discussion. In some instances, negotiations may continue on a golf course. This can provide the opportunity to try to convince the other party on a specific point.

The Mexican may invite the Canadian representative home to meet his or her family. This is a sign of significant interest. You should refrain from talking about business unless your host initiates the discussion. Even then, the discussion should be brief.

The Canadian representative may invite one or more Mexicans to tour company facilities in Canada. This assumes that the Canadian company will pay all or a portion of the costs involved. Such a trip provides an opportunity to show Mexicans the Canadian business, and to introduce them to the staff. This is a good way to promote the company's products or services, while developing a friendship with the Mexican partner. Such friendships are a key element of successful business relationships in Mexico and can help to close the deal.

Who Negotiates?

The makeup of the Mexican negotiating team will vary with the type of organization and the type of issue under negotiation. The Canadian company may be represented by one or more persons from Canada as well as Mexican professional advisors. For a relatively simple sales transaction, there may be only one executive on each side. Regardless of the approach, it is important that representatives on both sides of the table have the same level of responsibility or occupy comparable positions.

The Canadian lead negotiator must make sure that the Mexican counterpart is fully authorized to negotiate and sign an agreement on behalf of the company. Signing or even negotiating an agreement with an employee who is not empowered to do so may result in an invalid contract. It may also undermine future relations with the actual decision maker, who may be offended at not being contacted first. This could quickly end the negotiations.

Mexican business people are experienced and respectful negotiators. They do not readily give away their game plan, and their actual intentions and objectives must be discovered through detailed negotiations.

In the case of a simple sale of standard goods, it is not usually necessary to involve a lawyer or other professional advisor. But this becomes necessary if the negotiations concern a licensing agreement, a partnership or some other form of strategic alliance.

Content of the Agreement

Whatever the nature of the transaction or project, an agreement or contract must be drafted, specifically stating the rights and obligations of each party. For example, an agency contract may be based on the specimen contract of the International Chamber of Commerce which addresses the following points:

1. identity of parties;
2. definition of goods and territory;
3. definition of duties of agent and manufacturer;
4. obligations of intermediary:
 - compliance with requirements and protection of manufacturer's interests,
 - sales promotion and organization of distribution network,
 - advertising, trade shows and industrial events,
 - non-compete clause,
 - use of manufacturer's trademarks,
 - customer guarantee and technical support,
 - minimum inventory,
 - minimum turnover;
5. manufacturer's obligations:
 - order acceptance,
 - exclusivity (territories, customers, goods, sectors),
 - intermediary's information, advertising material,
 - agent's remuneration;
6. specific clauses:
 - business negotiations,
 - customer solvency, del credere,
 - commission.

Exchanging Proposals

When a Mexican executive agrees to review an initial business proposal, it can be seen as an expression of interest or at least of curiosity. If the executive subsequently makes a counter-proposal, the interest becomes clear. The negotiating process is underway and an agreement between the two parties becomes a possibility. On the other hand, a counter-proposal also means that the initial proposal has been rejected and that the party that made it is no longer bound by it. This is why it is important to carefully measure all the details of the proposals exchanged by the parties.

In Mexico, negotiations between business people might amount to a simple exchange of faxes containing information on the product, price, quantity required, terms of credit and so on. But Mexicans normally like to converse with people they deal with and they take pleasure in bargaining. A visit to the craft market at the *Ciudadela* or the *Central de Abastos* market in Mexico City demonstrates this fact. The parties exchange proposals, arguments and positions that may subsequently be abandoned, but are often revealing. Eventually the parties enter into an agreement or break off talks altogether.

In the context of a plan to export to or expand into Mexico, this kind of bargaining process could undermine the long-term business relationship the parties want to establish. Tourists likely will not return to the market the next day to buy at the same stand, and thus the dealer is more focused on making as much profit as possible than on developing a loyal clientele. Two businesses negotiating with each other tend to view matters from a different perspective.

Canadian business executives want to close a deal that will encourage their Mexican partners to maintain or expand their business or industrial activities. Therefore, they must be concerned about future relations with the other party. Nonetheless, the financial crisis that has rocked the country now forces many Mexican businesses to seek immediate profits.

With the constant give-and-take it entails, bargaining is a slow process and initial positions are far from the middle ground. Both negotiators are well aware that the idea is to minimize concessions and keep up appearances. There is a risk that relations may become adversarial in the process. The other party may be perceived as an enemy that must be beaten by ruse and threat. The larger the negotiating teams, the more laborious the process will be. The more flexible approach of striving at all costs to maintain cordial relations by making concessions does not necessarily improve the prospects for a deal. One of the parties may feel injured for having given up too much, even though the process has been smoother.

Strategies

Strategies

- Adopting objective bases for negotiation
- Seeking mutual benefits
- Distinguishing between the person and the negotiator
- Seeking original and practical solutions





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Successful negotiators with experience in Mexico point to four key strategies:

1. adopt objective bases for negotiation;
2. seek mutual benefits;
3. draw a distinction between the person and the negotiator; and
4. seek out original and practical solutions.

Adopting Objective Bases for Negotiation

Each the proposals and arguments put forward during negotiations must have a solid basis. If a Mexican customer claims that the price of the product is too high, you must clarify this claim by asking: “Higher than what?” Canadian negotiators cannot accept statements such as: “Your price is higher than that of the competition.” They have to know what competitor is involved so as to make a valid comparison which takes account of the differences in the products offered. They must take care to address all the relevant issues of the negotiation. If they try to avoid difficult issues by failing to clarify the underlying problems, they can easily create confusion or suspicion.

In negotiations towards a partnership or strategic alliance with a Mexican partner, it is a good idea to reach an interim agreement on the ground rules of negotiation. This sets out the general objectives of each party, the confidential nature of the talks and a timetable for negotiations.

Seeking Mutual Benefits

In certain instances, it is normal for the interests of the two parties to be opposed. For example, one party is seeking the lowest price and the other the highest. But, each party also wants something other than a price — and that is the essential aspect of the transaction. The Mexican's product choice is as much based on function as on price. Likewise, the Canadian representative is not selling a product just to earn revenue, but also to satisfy customers and to persuade them to buy again.

Negotiating positions sometimes conceal each party's basic motives. When the parties focus too closely on their positions, they sometimes forget their true objectives and those of their partner. Trying to strike a win-win deal means reconciling the interests of both parties. The more the parties focus on basic issues, the sooner they will come to an agreement.

Distinguishing Between the Person and the Negotiator

Mexican negotiators sit down at the bargaining table with their own perceptions, priorities, values and beliefs. They attach considerable importance to mutual respect and expect those they deal with to share the same values. The Mexican need for self-esteem must never be underestimated. When stating criticisms, make sure they are not aimed directly at individuals because they are likely to take it as a personal attack.

Whether or not it is justified, a criticism aimed at a Mexican negotiator will put that person on the defensive. You should not be surprised if the dialogue breaks off or the talks are suspended indefinitely. This may seem immature to the Canadian negotiator, but disregarding this fact could endanger the project and undermine all the efforts that have gone into the negotiation.

The Canadian must strive to reach an honourable agreement that enables the Mexican to keep up appearances. If a Canadian buyer opens negotiations with a Mexican supplier by demanding their "best price," the latter will likely make a good offer. But the supplier will then be reluctant to improve it because that would admit that the initial offer was not really the "best price." You should, therefore, leave your counterpart with plenty of room to improve the offer without losing face. Moreover, you should never lead your prospective partner to believe you suspect their intentions.

Drawing a distinction between the person and the negotiator calls for a sound understanding of the issues and needs of the parties, acute communication skills, good judgment and a focus on future relations.

To get along well with Mexicans, you must listen to them carefully and strive to understand their point of view. Mexicans must be sure that the Canadian understands their position before they offer their trust. If you are insincere, the Mexican may immediately have doubts about trusting you — and this could jeopardize your deal.

Seeking Original and Practical Solutions

The outcome of the negotiations must not be perceived as a victory or a defeat, but rather as an opportunity to establish a business relationship that offers mutual benefits. This assumes that you are, in fact, convinced that the negotiated deal provides benefits for both parties.

Although business ethics are improving in Mexico, stories of bribes are still heard in both the private and public sectors. Canadians are not required to adopt these Mexican customs in order to do business in Mexico. But, representatives of Canadian businesses must often use imagination and bargaining tactics suited to the situation.

Efforts to find an innovative solution are enhanced if the Canadian negotiator pays close attention to the hesitations of the Mexican negotiators. You must, therefore, open a dialogue that encourages the expression of objections as they come up.

The Mexican negotiator must be convinced from the start of negotiations that the proposal put forward by the Canadian business is genuine. This feeling must be maintained throughout the talks so as to establish and preserve a climate of trust. A Canadian negotiator who reduces the price several times without seeking anything in return would give Mexican counterparts the impression that the original proposal was unreasonable. The following dialogue between a Mexican buyer and a Canadian salesman of pharmaceutical packaging equipment shows one possible approach.

- Mexican — \$2,500 is really too much for this type of part.
- Canadian — Too expensive compared to exactly what products?
- Mexican — Compared to the parts my current supplier, USPAK, offers.
- Canadian — Oh, I see. But don't forget that my components will increase your machines' production capacity more than those of your present supplier, and I'm also offering options for increased automation of your packaging processes.
- Mexican — I don't need the automation options since we have a lot of cheap labour here.
- Canadian — Well, in that case, if I remove the automation component, I can subtract \$700 from the price, which would then be \$1,800.
- Mexican — But at \$1,800, your price is virtually identical to USPAK's. I don't see any reason to switch suppliers. Your price would have to be even lower.
- Canadian — I see your point. But what kind of terms of credit do you have with USPAK?
- Mexican — I pay by letter of credit at time of purchase.

Canadian — Here's what I can offer you: since I'm interested in having you as a customer, I'm offering you settlement by letter of credit with payment deferred for thirty days — if, of course, you agree to pay the equipment installation charges.

Mexican — That seems pretty good to me. I'll have to think about it.

Instead of yielding on price and selling a product that does not really meet the customer's needs, it is better to put forward a more suitable product and to hit on an original solution that satisfies both parties. Of course, a number of other factors may come into play in the negotiation. These include technical assistance, promotional support and spare parts, to mention only a few.

Remember that Mexican executives are very sensitive to price, terms of credit and opportunities for cost-cutting and increased revenue. The above example also shows how important it is for the Canadian to know the competition's products and strategy in order to be able to react to them.

One of the most frequently cited reasons for the failure of negotiations in Mexico is the lack of follow-up by Canadian businesses. When negotiations drag on for weeks or months, you should make an effort to maintain relations with your Mexican counterpart. This means answering questions and providing information until the proposal is accepted or rejected. Starting discussions with a potential Mexican customer and then waiting for the customer to make the next move may undermine the project and compromise future attempts to penetrate the market.

Closing the Deal

Closing the Deal

Essential conditions:

- a climate of trust
- benefits for both parties







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The moment of truth has arrived. It is time to close the deal, which has been the purpose of all your efforts since the negotiations began. You must check to see that certain essential conditions have been met:

- there must be a climate of trust between the Canadian and Mexican negotiators; and
- both parties must be convinced that this deal will provide them with the benefits they expect.

If these conditions have not been met, either a step has been skipped or you have not been sufficiently attentive to the other party's concerns. You must resume the negotiation at that earlier stage. The key is to fully understand at what point a difference arose between your Mexican counterpart's actual reaction and your perception of it.

The importance of human relations and trust for Mexican business people cannot be overemphasized. These issues often determine the success or failure of negotiations. Waiting for the Mexican's express acceptance of the proposal is a risky business. At this stage, both parties have already spent considerable time negotiating a deal. Without precipitating matters, the Canadian must intervene. If the Canadian takes too much time to mull things over, the deal may be jeopardized. Success is much more likely when the individual who makes the initial offer takes the initiative of closing the deal. The following example shows one way to close the negotiations between a Canadian packaging equipment manufacturer and its Mexican customer.

- Canadian — You see, these parts will not only enable you to reduce your number of defective products, but will also help increase your production capacity by 15 percent.
- Mexican — Yes, I see.
- Canadian — As you also know, we offer technical assistance and the option of thirty days' deferred payment by letter of credit. You'll see very soon that you've done a good deal. So how many components would you like for your first order?

The Canadian representative tries to present a brief summary of the main benefits of the product. At the same time, he or she watches the reaction of the Mexican customer, then asks them to decide one way or the other on the agreement. Without being overconfident, the Canadian must act as though closing the deal is the natural and obvious conclusion to the talks.

Following the oral agreement, both parties must sign a written agreement stating the provisions on which the negotiators have agreed. This contract must be produced and signed within hours or days of closing the deal.

Finally, you must keep in mind that your best assurance of achieving your objectives in a business relationship in Mexico is to remember the cultural aspects. Establish a relationship of trust with your new partner and negotiate provisions that meet the main expectations of both parties. The contract is merely the written form of your agreement and nothing can compel a reluctant partner to display the good will that will make the difference between success and failure.

Section 11: Canada's Trade Action Plan for Mexico

Canadian companies that take the time to learn about the business culture in Mexico will find many opportunities there. But cultural differences are not the only obstacle to market entry. Business information is much more difficult to obtain in Mexico than it is in Canada. Many organizations have not yet fully adapted to the new market environment, and corporate disclosure and government accountability are still new concepts. Even when information is available, communications can be slow and unreliable.

Government procurement and regulatory practices can seem complex and arcane to a company that is new to the market. Products, services and promotional materials must be adapted to Mexican tastes. To compound these problems, business conditions are changing rapidly as Mexico's economic reforms take hold.

In this environment, careful preparation combined with the ability to adapt to constantly changing circumstances are key success factors. There is no substitute for first-hand market research in Mexico, combined with networking and contact-building. To make these efforts as productive as possible, the Department of Foreign Affairs and International Trade (DFAIT) provides assistance both in Canada and in Mexico through its Trade Action Plan for Mexico.

Export *i* Mexican Knowledge Base

Assistance to potential exporters starts with the Export *i* Mexican Knowledge Base. This is a continuously-updated collection of market summaries, market profiles, business guides and business tools. These publications are available through InfoCentre at 1-800-267-8376, or at International Trade Centres across Canada. A catalogue of Export *i* Mexican Knowledge Base publications is available from the InfoCentre or the Mexico Division, Tel.: (613) 996-5547; Fax: (613) 996-6142; or <http://www.dfait-maeci.gc.ca>.

Market Summaries

Market summaries are short overviews, generally less than ten pages in length. They are formatted for transmission by fax, but are also available in printed form. In most cases they are summaries of existing market profiles. In a few sectors, they are based on a review of published research reports that have been gathered to support forthcoming market profiles.

Market Profiles

Market profiles are comprehensive reports, usually in the 60-page range. They are printed and bound for distribution as printed handbooks. The profiles are based on a thorough review of published research reports combined with in-depth personal interviews with market players and government officials in Mexico. Each one targets a key industrial sector and includes a consistent package of practical business information:

- highlights of the unique aspects of the sector
- a sectoral overview
- details of the major subsectors
- a statistical review of Mexico's imports
- a review of recent market trends and emerging product opportunities
- profiles of major customers and competitors
- a summary of the regulatory environment
- suggested market entry strategies, including the role of intermediaries
- sources of assistance in Canada
- initial contacts in Mexico

Companies investigating Mexican opportunities can follow up on these reports by contacting the sources listed and requesting copies of more recent reports. Fully-verified contact information is provided.

Business Guides

Business guides are handbooks covering the broader issues of entering the Mexican market. Each one concentrates on an aspect of the business environment that Canadian companies have found to be an obstacle to market entry. They include such topics as export documents and regulations, government procurement, and export financing.

Business Tools

Business tool publications provide reference information about the North American Free Trade Agreement (NAFTA), the tariff structure, legal issues, promotion opportunities and Canadian government assistance programs. Also included is a general overview of the Mexican economic and business environments, and a variety of export market access tools.

Market Research

The market summaries and profiles included in the Export *i* Mexican Knowledge Base provide general market information, but they do not include market intelligence. The latter requires a detailed understanding of the company's products, expertise and strategic plans. Trade commissioners can help Canadian companies gather market intelligence by facilitating contacts with potential buyers and partners. They can also point to sources of more detailed market information and intelligence. In most cases, their objective will be to point the Canadian company in the right direction, rather than to collect detailed information themselves. They can be most productive in this effort if the company reviews the published reports relevant to its business before visiting Mexico. A written profile of the company, its products and services, and its expectations in the Mexican market can also get the consultation off to a quick start. (See *Exporter Checklist* on page 60).

Canada's Trade Commissioner Service is an important tool available to Canadian exporters. Its resources include trade commissioners in Mexico, as well as in the Mexico Division at the Department of Foreign Affairs and International Trade (DFAIT) in Ottawa. The Mexico Division is responsible for the overall management of the bilateral relationship with Mexico, in all its dimensions, including trade and investment promotion. To use these resources effectively, companies should consider them as an integral part of their overall trade strategy. This means providing them with the information they need to do their jobs effectively. It also means developing an overall market plan before asking for their help, and keeping them informed as the market entry strategy is implemented.

The first step is to select the target market. Some companies try to tackle too many at a time, and end up wasting their own resources as well as those of the trade commissioners. Canadian companies that have succeeded in Mexico invariably say that the best approach is to carefully select target markets on the basis of good match between the company's capabilities and well-defined Mexican needs. This targeting process involves a consideration of current Mexican trends. Moving into Mexico will take a year or more. So it is next year's market — not last year's — that matters. Registering with WIN Exports will facilitate access to information that can help to guide this initial decision. Information about WIN Exports is provided in the contacts section of this document.

The next step is for the company to conduct preliminary market research based on information available from the Export *i* Mexican Knowledge Base. Typically, a company might first read the relevant market summary, which is available by fax. If further action is warranted, it might read the market profile for any relevant sectors, and possibly some of the business guides.

If the company decides that it wants to pursue an opportunity in Mexico, it should contact a trade commissioner, who will need detailed information about the company and its expectations. A checklist of information needed is reproduced at the end of this section. If possible, promotional literature should also be provided, ideally in Spanish. This material will help the trade commissioner introduce the company to Mexican contacts. Additional information about the company and its goals in Mexico can help make the trade commissioner's efforts more productive. This might include copies of press releases, price lists and other information that will present the company in its best light. The trade commissioner should also be aware of any existing contacts or agents that the company may have in Mexico.

Communications with the trade commissioner should be by telephone, fax, electronic mail (e-mail) or courier. Mail service to Mexico can be slow, and months could pass before two or three two-way communications are completed by that means. In spite of recent improvements, Mexico's phone lines are still unreliable, and faxes are sometimes lost in transmission. This leaves e-mail and courier as the preferred methods of communication.

Companies making inquiries should also be aware that complex questions can take time to answer in the Mexican business environment. Trade commissioners do not have ready access to the type of information considered commonplace in Canada. Corporate disclosure and public accountability by government agencies are only vague concepts. Information is often considered proprietary and is jealously hoarded. Thus, personal contacts are a much more important research tool in Mexico than they are in Canada. Even then, Mexican executives are often out of their office for a large part of the day. For all of these reasons, it is best to do as much research as possible before leaving Canada and to allow ample time for information collection.

Visiting Mexico

Personal visits to Mexico are essential for a company to finalize its market entry strategy. Several trips are usually required. Before embarking on a move into Mexico, Canadian companies should be sure that they are prepared for the major investment of time and money that is required. Mexican business is conducted on a relatively formal basis and developing personal relationships can take time. Companies that have succeeded in Mexico almost always comment that the venture took longer and cost more than they expected. This kind of long-term commitment requires the full support of senior management. It also takes patience and perseverance to develop business relationships in Mexico's relatively formal business environment.

Canadians visiting Mexico are well-received, but some of them have ruined a good first impression by failing to follow up. This can cause serious harm to Canada's reputation in Mexico, and it can also hamper the progress of more serious exporters. Moreover, the failure to follow good business etiquette can reflect badly on the trade commissioner who arranged the contact, and can impair his or her ability to use personal contacts in the future. As the company proceeds with its Mexican market entry strategy, it should keep the trade commissioner informed of its progress.

Understanding the Mexican business culture and learning to operate in that environment is an important success factor for prospective exporters. When visiting Mexico, company representatives should be on time for appointments, and formally cancel any that they cannot keep. A follow-up letter to the Mexican contact is always appropriate, and a copy to the trade commissioner will help to promote a team relationship. Further information about the cultural aspects of doing business in Mexico is included in the Export *i* Mexican Knowledge Base.

Exporters' Checklist for Briefing Information for Overseas Trade Posts

NOTE: This faxable checklist is designed to help summarize the information that an exporting company must furnish to an overseas trade commissioner in order to enlist assistance in setting up overseas markets. When completed and sent to the Canadian trade post in the target area, the list will constitute a briefing document for the trade commissioner. For further information, see the brochure entitled "Working with your trade commissioner", published by DFAIT, and available through the InfoCentre: Tel.: 1-800-267-8376 or (613) 944-4000; Fax: (613) 996-9709.

Company name	
Address Street City Postal code	
Contact information Telephone Fax e-mail Company president Other agents or export contacts in Mexico	
Company profile Date established Number of employees Sales (optional) Export sales	
Products or services Describe the product or service and list two or three key selling points.	

<i>Exporters' Checklist (cont'd)</i>	
<p>Sample of key Canadian customers</p>	
<p>Company export experience</p> <p>List countries in which you are currently active and comment on your success. Also, where applicable, indicate the kind of agent you are seeking.</p>	
<p>Company sales pitch</p> <p>List five or six key points about your company that would be of interest to prospective agents (e.g. service support policy, agent training, etc.).</p>	
<p>Competitors</p> <p>List the brand names, company names, city and country of your main competitors.</p>	
<p>Market projections</p> <p>List your projected sales for the next three years. List key target industry sectors and potential customers in as much detail as possible.</p>	
<p>Page 2 of 3</p>	

<i>Exporters Checklist (cont'd)</i>	
<p>Method of distribution for products</p> <p>Describe how you would like to distribute your product (e.g. directly, or through agents or distributors, etc.).</p> <p>Indicate the price structure you have in mind.</p>	
<p>Characteristics of an effective agent for products</p> <p>Describe in detail the characteristics, experience and/or background that a good agent for your product should have.</p>	
<p>Comments</p> <p>List any additional information about your company you feel would be helpful in establishing overseas contacts.</p>	
<p>Page 3 of 3</p>	

Where to Go for Additional Assistance

Embassy of Canada in Mexico

Trade and Economic Division of the Embassy of Canada in Mexico and the Canadian consulates in Monterrey and Guadalajara can provide vital assistance to Canadians venturing into the Mexican market. The trade commissioners are well-informed about the market and will respond in whatever measure possible to support a Canadian firm's presence in Mexico.

Embassy of Canada

Trade and Economic Division
Schiller No. 529
Col. Polanco
Apartado Postal 105-05
11560 México, D.F.
México
Tel: (011-525) 724-7900
Fax: (011-525) 724-7982

Canadian Consulate

Edificio Kalos, Piso C-1
Local 108-A
Zaragoza y Constitución
64000 Monterrey, Nuevo León
México
Tel.: (011-528) 344-3200
Fax: (011-528) 344-3048

Canadian Consulate

Hotel Fiesta Americana
Local 30-A
Aurelio Aceves No. 225
Col. Vallarta Poniente
44110 Guadalajara, Jalisco
México
Tel.: (011-523) 616-6215
Fax: (011-523) 615-8665

Department of Foreign Affairs and International Trade (DFAIT)

DFAIT is the Canadian federal government department responsible for trade development abroad. The **InfoCentre** should be the first contact point for information on export markets. It provides literature on export-related programs and services, acts as an entry point to DFAIT's trade information network, and can provide copies of specialized export publications and market information to interested companies.

InfoCentre

Tel.: 1-800-267-8376 or (613) 944-4000

Fax: (613) 996-9709

FaxLink: (613) 944-4500

InfoCentre Bulletin Board (IBB):

1-800-628-1581 or (613) 944-1581

Internet: <http://www.dfait-maeci.gc.ca>

The Mexico Division, Latin America and Caribbean Branch promotes trade with Mexico. There are several trade commissioners at the Embassy of Canada in Mexico City, as well as in the consulates in Monterrey and Guadalajara. Trade commissioners can provide a range of services including introducing Canadian companies to potential customers in Mexico, advising on marketing channels, assisting those wishing to participate in trade fairs, helping to identify suitable Mexican firms to act as agents, and compiling strategic business intelligence on potential foreign customers.

Latin America and Caribbean Branch — Mexico Division (LMR)

Department of Foreign Affairs and International Trade

Lester B. Pearson Building

125 Sussex Drive

Ottawa, ON K1A 0G2

Tel: (613) 996-5547

Fax: (613) 996-6142

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