

Cross-cultural Management

Unit 5. Culture and business in Latin America



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5. Culture and business in Latin America

- 1.1. Introduction
- 1.2. Culture and Business in Venezuela
- 1.3. Culture and Business in Argentina
- 1.4. Culture and Business in Brazil
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**CULTURE AND BUSINESS IN
LATIN AMERICA**



IMAGE
HERE

A period of widespread growth existed until 2014 but with differences. Recent years have seen stagnation.

Spanish multinationals are strongly present in some countries.

Strong social inequalities exist in most countries.

Influence from the United States coexists with anti-American alignment.

Serious corruption problems exist in some countries.

A love-hate relationship with Spain exists in some cases.

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**Corruption Perception
Index (TI 2019)**



IMAGE
HERE

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Cultural dimensions (Hofstede, 2001)



Power distance		Uncertainty avoidance		Masculinity		Individualism	
Guatemala	95	Guatemala	101	Venezuela	73	Spain	51
Panama	95	Uruguay	100	Mexico	69	Argentina	46
Mexico	81	El Salvador	94	Colombia	64	Brazil	38
Venezuela	81	Peru	87	Ecuador	63	Uruguay	36
Ecuador	78	Spain	86	Argentina	56	Mexico	30
Brazil	69	Argentina	86	Brazil	49	Chile	23
Colombia	67	Panama	86	Panamá	44	El Salvador	19
El Salvador	66	Chile	86	Spain	42	Peru	16
Peru	64	Costa Rica	86	Peru	42	Costa Rica	15
Chile	63	Mexico	82	El Salvador	40	Colombia	13
Uruguay	61	Colombia	80	Uruguay	38	Venezuela	12
Spain	57	Venezuela	76	Guatemala	37	Panama	11
Argentina	49	Brazil	76	Chile	28	Ecuador	8
Costa Rica	35	Ecuador	67	Costa Rica	21	Guatemala	6

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Gesteland's model



Basic dimensions

Deal-focused – relationship-focused cultures

Formal cultures – informal cultures

Monochronic cultures – Polychronic cultures

Expressive cultures – reserved cultures

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BUSINESS AND CULTURE IN VENEZUELA

Hofstede

PD	AI	IDV	MAS
81	76	12	73



Economic activity is concentrated in the north (Caracas, Valencia, Maracay) and northwest (Maracaibo) of the country.

Venezuela has an abundance of natural resources. Its economy depends strongly on oil exports (PDVSA) and imports of other goods (Colombia).

There is strong social and political polarization (between pro- and anti-Chavezism).

There is increasing governmental intervention in business and the economy (exchange controls, price controls, nationalization, etc.).

Cooperatives and micro-cooperatives are encouraged.

Levels of poverty and inequality declined during Chavez's mandate.

The government controls most of the media.

Venezuela exerts an ideological influence over other Latin American countries. Cuban representatives are present in the army and public administrations, etc.

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BUSINESS AND CULTURE IN VENEZUELA



Evolution of exchange rate US \$ / Bs

1983	4.29 Bs
1984	9.90 Bs
1994	107.29 Bs
2003	1,853 Bs (1.85 BsF)
2011	4,300 Bs (4.3 BsF)
2013	6.3 BsF (6,300 Bs)
2014	51.86 BsF (51,860 Bs)
2015	188.0 BsF (188,000 Bs)
2016	3,164.31 BsF (3,164,310 Bs)
2017	111,413 BsF (111,413,000 Bs)
2018	730.29 NBs (730,290 BsF)
2019	54,702.82 NBs (54,702,260 BsF)
2020 March	75,184.81 NBs (75,184,810 BsF)
2020 Nov.	540,023.64 NBs (540,023,640 BsF)

Highly pronounced economic cycles.

Strong inflation/black market.

Polarized distribution system.

IMAGE
HERE

Shortage of basic goods.

Poor infrastructure/public services.

Full member of Mercosur since 2012

(suspended since 2017).

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Venezuela

Legal uncertainty and corruption exists (Johnson).

The price of fuel is extremely low (smuggling).

Expropriations and 'invasions' take place.

Style

Appearance is very important, especially for women.

The beauty industry is strong.

Behaviour

Posture is important when sitting.

Unlike lunch, dinner is for socializing, not for business.



IMAGE
HERE

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Venezuela

Business

Friendship is important in business. However, unlike in other cultures one can start doing business shortly after meeting someone.

Margins and profits tend to be higher than in other countries, partly because of the country risk and partly for cultural reasons:

"In Venezuela there is a local phenomenon that is not repeated in other markets: the higher the price, the more the consumption." Ana K. Gil, Merisant Financial.



IMAGE
HERE

Appropriate topics

Business, art, literature, history

Topics to avoid

Politics, inflation, local instability, oil
Mercosur

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BUSINESS AND CULTURE IN ARGENTINA

Hofstede

PD	AI	IDV	MAS
49	86	46	56



Business culture in Argentina

Argentina has abundant natural resources. However, it can be difficult to do business because of economic crises, political instability, external debt problems, inflation, etc.

Foreign investments have been nationalized (Repsol YPF).

It is the most European of Latin American countries. Most Argentines descend from Spanish and Italian immigrants and there is great admiration for European culture. The stereotype goes: "Argentines are Spanish that behave as Italians and want to be British".

Argentina is a country of **connections**. A network of family, politics and corporate relationships dominates the business world.

Because of the Argentines' optimistic and talkative personality, it may appear that business deals are easily closed and agreements fulfilled to the letter. Nothing is further from the real Argentina.

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BUSINESS AND CULTURE IN ARGENTINA



Business culture in Argentina

Anyone wishing to conduct foreign trade operations is required to enroll in the Register of Importers and Exporters of the National Customs Administration. This agency provides information about possible contacts.

The atmosphere of negotiation is formal. Attitudes must be polite and courteous, especially at the first meetings.

Negotiations begin with informal discussions about general topics. The time it takes to start talking business depends on the partner, but this does not usually go beyond thirty minutes.

The negotiation style is **relaxed**. Argentines hate commercial relationships under pressure. Aggressive tactics and pressure are counterproductive.

Argentines have a **subjective approach** to issues. Facts are accepted only if they do not contradict their ideas: "No sos vos soy yo".

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BUSINESS AND CULTURE IN ARGENTINA



Business culture in Argentina

You have to spend **time cultivating personal relationships**. Social activities are key to doing business.

It is important to know what international experience the company or directors you are dealing with have. The greater their experience with foreign relations, the greater are the chances of reaching an agreement.

The organizational structure of companies is usually very **hierarchical**. Most decisions are made at the top of the pyramid. Dealing with middle managers does not usually bear fruit.

You must be punctual. The other party may arrive up to thirty minutes late, which is considered "normal".

Argentines are **tough negotiators**. Every aspect of a proposal is analysed **separately** and will be subject to calls for improvement. Concessions are made slowly and reluctantly even if they begin from a weak position. Be prepared for long discussions.

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BUSINESS AND CULTURE IN ARGENTINA



Business culture in Argentina

The
EurAsian
Times

It is advisable to translate agreements into contracts that clearly establish the parties' roles and responsibilities. In Argentina no specific legislation governs trade relations between companies, so in case of conflict jurisprudence is applied.

The FA-50 is a light combat aircraft produced by the South Korean company KAI (Korea Aerospace Industries) in conjunction with Lockheed Martin.

Argentina was looking to procure it when a letter dated 28th October surfaced on the internet showing the South Korean manufacturer informing Buenos Aires that it was unable to supply the fighter jet because it had British-made parts.

After the Falklands War in the summer of 1982, the British government came out victorious and imposed economic sanctions and an arms embargo on Argentina that extended to procurements with minimum components of British origin – like the South Korean FA 50, which had six parts made in the UK.

"It is our regret to inform you that the UK export license issue is not resolved to date. Although KAI did not yet find a solution, KAI is making a reasonable endeavour to resolve this UK export license issue," said the letter posted online.

The Argentine Defense Minister, Augustin Rossi, confirmed the news and admitted that the British government had indeed barred the sale of the FA-50. He described it as another act of "imperial arrogance" by the UK.

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Useful websites in Argentina

- www.mrecic.gov.ar (Ministry of Foreign Relations and Trade)
- www.mecon.gov.ar (Ministry of Economics)
- www.exportar.prg.ar (Exports promotion)
- www.invertir.com (Foreign investment promotion)
- www.afip.gov.ar/dga/sin_cargo.ar (Customs)
- www.cac.com.ar (Chamber of Commerce)
- www.portalindustria.com (Business directory)
- www.feriasycongresos.com.ar (Trade fairs)
- www.clarin.com.ar (Clarín)
- www.lanacion.com.ar (La Nación)

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BUSINESS AND CULTURE IN BRAZIL

Hofstede

PD	AI	IDV	MAS
68	76	38	49

Business culture in Brazil

Brazil is the largest market in Latin America and the sixth largest economy in the world.

It is currently improving two of its main barriers – **strong trade protectionism** and high uncertainty in payments.

Brazilian companies generally have high levels of **professionalism** and responsibility that do not match the country's stereotypical image.

The pace of work and decision-making varies from one region to another: Paulistas (São Paulo is the main business centre) are closer to Anglo-Americans, while those from Rio de Janeiro are more like Latin Americans.

When working in the Brazilian market it is advisable to have **local contacts** (known as 'despachantes' in Portuguese) to help resolve bureaucratic problems and report on the solvency of companies.

It is difficult to do business online or via catalogues and without personal contact. Brazilians prefer to personally assess the person they are doing business with and to physically see the products before deciding to purchase.

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BUSINESS AND CULTURE IN BRAZIL



Business culture in Brazil

It is not necessary to send a team to negotiate in Brazil. A manager, perhaps accompanied by a technician, will suffice.

At first interviews, Brazilians avoid offering too many details and may even provide biased information. They expect the other party to behave in the same way until a relationship of **trust is established**. The negotiation process is slow.

Avoid looking arrogant or adopting attitudes of superiority.

Do not use pressure tactics, since Brazilians feel uncomfortable in confrontational situations.

Brazilians are **not very keen on bargaining**. They generally make concessions at the end of negotiations.

The issue of payment is crucial. You must cover all commercial risks before committing to delivering a product.

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BUSINESS AND CULTURE IN BRAZIL



Business culture in Brazil

Agreements are negotiated **globally** rather than point by point or sequentially.

The Brazilian business culture is **individualistic and hierarchical**. Decisions are usually made by a single person.

Given the complexity of the Brazilian legal system, it is advisable to hire a local lawyer before signing a contract.

Contracts are not usually written in English or any other foreign language or in a currency other than the "Real".

In commercial agency contracts, Brazilian law is highly protective of the activity of agents and establishes high penalties applicable in cases of termination of contract.

Brazil is the Latin American country with the most women in the workplace. Partners are often women, especially in the case of SMEs.

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Useful websites in Brazil

- www.mre.gov.br (Foreign Affairs Ministry)
- www.apexbrasil.com.br (Exports promotion agency)
- www.receita.fazenda.gov.br (Customs)
- www.camint.com.br (International Chamber of Commerce)
- www.aeb.com.br (Foreign Trade Association)
- www.ipea.gov.br (Brazilian economic indicators)
- www.braziltradenet.gov.br (Investment opportunities)
- www.brazilbiz.com.br (Business directory)
- www.oglobo.com.br (O Globo)
- www.folha.com.br (Folha)
- www.gazetamercantil.com.br (Gazeta Mercantil)

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BUSINESS AND CULTURE IN CHILE

Hofstede

PD	AI	IDV	MAS
63	86	23	28

Business culture in Chile

Chile has one of the most stable and less risky economies in Latin America.

It has a high level of external openness (over 50%), oriented mainly to the US, the EU, Asia and Mercosur.

It has the strongest Anglo influence in business matters among Latin American countries. There is a strong presence of US multinationals.

Despite appearances, there are large economic differences with Argentina.

Economic activity is concentrated in Santiago (which has 30% of the population).

Intermediaries are important for establishing first business meetings. Banks, consultants and business associations are useful in this regard.

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BUSINESS AND CULTURE IN CHILE



Business culture in Chile

The ability to **interact professionally** is very important. Personal relationships help to start businesses and solve problems.

Decision-making is hierarchical. The first visit should take place at senior management level but negotiations are undertaken at the middle-management level.

Appointments should be set a couple of weeks in advance. Once you are in the country, confirm the date and time.

Secretaries play an important role in managing appointments. Maintain a cordial and polite attitude in relations with them.

Punctuality is appreciated but a delay of up to fifteen minutes may be considered normal.

At first meetings the parties do not usually go into details. They take this time to get to know each other.

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BUSINESS AND CULTURE IN CHILE



Business culture in Chile

Chileans are frank and **serious when making decisions**. The trading environment is more serious than it is in other Latin American countries. Occasionally they make use of a witty sense of humour.

In presentations subjective arguments should be used. It is more important to show enthusiasm than to overwhelm with data.

The emphasis is on providing a good service and committing to deadlines. This is hugely important for them given the country's remote geographical location and difficult terrain.

The Chilean business culture is **not as bureaucratic** as it is in other Latin American countries. Officials and senior managers act quickly and efficiently.

An **ethical attitude** is valued in the business world. Honesty and integrity are appreciated. It is a misconception that corrupt practices facilitate business.

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BUSINESS AND CULTURE IN CHILE



Business culture in Chile

Negotiations proceed **slowly**. Chileans are reluctant to change their position. It should be clear how far you can get.

They tend to negotiate item by item rather than seeking a global agreement that includes all the points raised.

Avoid using aggressive tactics and pushing for agreements. Kindness and respect for the decisions of the other party are valued.

When in a position of superiority you should show empathy with the other party. Showing interest in their needs is highly valued.

IMAGE
HERE

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Useful websites in Chile



- www.prochile.cl (Exports promotion)
- www.aduana.cl (Customs)
- www.ccs.cl (Santiago Chamber of Commerce)
- www.sofofa.cl (Chilean business directory)
- www.fisa.cl (Santiago trade fair)
- www.elmercurio.cl (El Mercurio)
- www.estrategia.cl (Estrategia)

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