

# Understanding Mexican Business Culture



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## Introduction

### **Business Culture: The Need for a Pragmatic Focus**

With the continued integration of the global economy, questions related to culture and its impact on business should be on your screen. They are growing and becoming more perplexing. For Canadians, the push for diversification in export markets presents a plethora of practical business questions related to culture that many executives haven't fully faced before.

Is there a strategic way to prepare for cultural factors and key sources of market intelligence to rely on? Which international markets require a significant marketing adaptation and which ones will allow limited or marginal changes? How can I mitigate the risks deriving from business culture issues? To what extent can I apply the adaptations that successful firms have made and to what extent do I have to swim on my own?

Successes and failures in adapting to cross border business culture abound. Campbell's soup has been a hit in Mexico partly because the size of its cans was adapted to Mexico's larger family size. The Chevy Nova scenario is often cited as a blunder because the Spanish translation of "no va" means "no go"

### **Discounting the Importance of Culture**

In my view, Canadian businesspeople are not in the forefront in identifying and appreciating the extent to which culture impacts trade with Mexico.

Some of had success in the US and have the preconception that business will not be all that different in Mexico. Others assume that cultural factors will naturally erode and that we are on the road to "global products and processes". Some think that their products and services speak for themselves. Canadian executives venturing out for the first time see cultural factors in the context of "nice to know" factors rather than "need to know." They haven't experienced the consequences of cultural faux pas and are not inclined to spend precious time on them.

Moving forward we can expect that business culture will continue to be front and center in the Mexican market. Mexican business culture is strong and vibrant and over 25 years of NAFTA integration has not erased the need for Canadian suppliers to consider it carefully. The glocalization process of global products with local adaptations is playing out in Mexico just as it is all major strategic markets.

Globally, one can see a simultaneous convergence and divergence of national cultures taking place as countries participate in the global marketplace. On the one hand, they are adapting to global products and practices while taking steps to maintain and heighten

their own cultures and identities. Stronger national pride and specific policies in these markets supporting local products, brands and solutions will continue.

## **Understanding your Mexican counterpart**

The premise that the cultural file can be absorbed as the firm moves along or handled by a “local representative” should be dismissed. After all, what you put into preparing for your business in Mexico is often equally reflected in what you come away with.

As EDC’s Chief Representative for Mexico based in Mexico City in the early 2000s, I saw the interplay between Canadian executives and their Mexican counterparts first-hand. There was often a “disconnect” despite interest on both sides in working together. Canadians were thinking contract and short term, Mexicans were thinking relationship and long term.

Understanding your Mexican counterparts - their motivations, the processes, the timelines, the decision-making, and how Mexican culture weaves through all of this, can be hugely daunting, particularly to those who may have limited exposure. Many don’t know where to turn for help.

The cultural diversity within Mexico is also significantly under recognized. I still see businesspeople looking for a one size fits all cultural approach to conducting business in the country. Like it or not, preparation on the cross-cultural side is not a quick fix and needs to be viewed from a holistic perspective — one that goes beyond geography, and incorporates the culture within the business sector, the organization and the individual counterpart.

## **Practical Business Impacts of Culture**

This guide delves into the direct impacts of culture on the key pillars and functions of conducting business in Mexico. We present an overview of the Mexican business environment, what you need to know about Mexican business culture, case scenarios and key tactics and strategies for success from the business culture perspective. We also draw on discussions with executives with direct experiences in doing business to capture the nuances seen from the ground.

It is my hope that this guide, will provide you and your firm with useful insights and “inside information” to avoid the potential pitfalls and bottlenecks due to a lack of cultural awareness.

## Chapter 1

### Overview of the Business Environment in Mexico<sup>i</sup>

With a population of almost 130 million, a rich cultural history and diversity, and abundant natural resources, Mexico has the 11<sup>th</sup> largest economy in the world. The country has strong macroeconomic institutions and it is open to trade and private investment. The authorities have implemented stable and sustainable monetary and fiscal policies, which have made the Mexican peso the most highly traded emerging market currency.

Currently, Mexico is the world's 15th largest exporter due to the strengthening of its productive capacities, diversifying away from raw materials such as oil, and deepening its production complexity on manufactured products that are integrated into regional and global value chains.

However, despite all this progress, over the last three decades Mexico has underperformed in terms of growth, inclusion and poverty reduction compared to similar countries. Its economic growth averaged just above 2 percent a year between 1980 and 2018, limiting progress in convergence relative to high income economies. On a per capita basis, average growth was close to just 1.0 percent.

The country's per capita GDP today stands at 34.0 percent of U.S. per capita GDP, compared with 49.0 percent in 1980. In this context, progress towards poverty reduction has been moderate. The total share of the population living below the monetary poverty line in 2018 was 48.8 percent, close to the level observed in 2008. The median per capita income (MePCI) has recently recovered slightly after several years of decline. After a decline between 2010 and 2014, the annualized growth rate of MePCI in Mexico was 1.8 percent between 2016 and 2018, still well below the average for the Latin American region.

Low growth rates and significant inequalities continued to raise the question of how Mexico can grow more rapidly and become more inclusive?

But Mexico is a country with significant opportunities and potential. Its macroeconomic stability is the cornerstone to foster investments and a growing private sector. Improvements in productivity growth, stronger institutions, and quality of service delivery and infrastructure, coupled with attention to reducing regional and household income inequalities, would bring shared prosperity. Its trade agreements, enviable geographic position, and growing domestic market, make Mexico a prime destination for investment.

## Priority Sectors

Priority sectors identified by Export Development Canada (EDC) include oil, gas and electricity; automotive; mining; aerospace; information and communications technology; light manufacturing and infrastructure.<sup>ii</sup>

## Accelerators and Ongoing Issues

The Mexican business environment offers exciting opportunities and the following table identifies both accelerators and ongoing issues that you should be mindful of as you develop your approach and consider your strategies.

<b>Accelerators</b>	<b>Ongoing Issues</b>
<b>Large and open economy</b>	<b>Uncertainty related to AMLO's policies</b>
<b>Links to global supply chains</b>	<b>Uncertainty related to AMLO's relationship with the Trump administration</b>
<b>USMCA and North American economic integration</b>	<b>Business Culture issues for Canadians</b>
<b>Free trade agreements</b>	<b>Relatively poor logistics and infrastructure</b>
<b>Relatively young population</b>	<b>Institutionalized corruption</b>
<b>Relatively solid banking system</b>	<b>Negative perceptions related to narco related violence</b>
<b>Cost competitiveness in manufacturing</b>	<b>Security issues for businesses</b>
<b>Rapidly growing middle class</b>	<b>Language barriers</b>
<b>Pact of Mexico and reforms (now some uncertainty)</b>	<b>Inconsistent legal system amongst the various States</b>
<b>Opening of Energy sector (now some uncertainty)</b>	<b>Labor laws and practices</b>

## Chapter 2

### What You Need to Know About Business Culture in Mexico

Although the USA has a large influence, both economically and politically, on the development of Mexico it is a very good idea to do some research into the ingredients that make the country so radically different from the other two North American countries before trying to do business there.<sup>iii</sup>

The biggest influence US business culture has on Mexico is probably in the large number of US multi-nationals who operate in the country and the business processes which follow in their wake. When working in Mexico, it is essential to find out which type of company you will be working with. Are you liaising with the subsidiary of a foreign-owned multinational or with a locally owned and controlled firm? This will obviously impact on such areas as business structures and decision making — but less so on issues such as team working and communication styles.

It is also probably true to say that the biggest single significant difference in approach to business between Mexico and the USA or Canada would be the much greater emphasis placed on the **value of personal relationships** within the business cycle. Mexico is definitely a country where relationships need to be firmly in place before significant business will follow.

#### Mexican Business Structures

As has already been stated, many foreign-owned, multi-nationals operate out of Mexico and the business structures of these organizations will probably be heavily influenced by the corporate culture of the parent company. Therefore, it may be possible to interact with an operation which works in a flat, matrix-style.

However, indigenous Mexican culture tends very much towards the hierarchical in both personal interactivity and the way in which business is structured. It is best to expect that the organization you are dealing with will have a very centralized decision-making approach with all decisions of any importance being made by a few key individuals at the top of the company.

Take the time to understand the structure of the business to ensure that you are dealing with the right people. Time can be wasted negotiating with people who have little or no authority.

Ensure that you do not insult Mexican senior management by sending your junior employees to deal with them. It is always best to match levels of seniority during any interactions. (If a Mexican contact sends their junior people to deal with you, it is probably a good sign of lack of genuine interest on their part.)

## **Mexican Business Management Style**

Management style tends towards the paternalistic as is often found in strongly hierarchical cultures. However, this does not mean that instructions can be given to subordinates with no concern being shown for their well-developed sense of honor. A good manager combines an authoritarian approach with a concern for the well-being and dignity of employees. Managers should be authoritative but never authoritarian. It is important to show that you are in control but at the same time have a warm, human touch.

It is considered to be poor behavior to criticize another in public, as this is an insult. To be openly criticized in public results in a loss of esteem and personal dignity. Instructions should be given clearly and precisely and subordinates will be expected to follow those instructions with little or no discussion.

As relationship bonds run deep in Mexican culture, the manager expects loyalty. In return for this loyalty, the boss will look after the interests of subordinates. The manager-subordinate relationship is viewed as reciprocal.

## **Mexican Business Meeting Etiquette**

Punctuality is less rigid than in certain other cultures and it is not unusual for meetings to start late and run over the allotted time.

This level of uncertainty can make it difficult when scheduling a number of meetings on one day (especially if you need to travel around Mexico City between meetings.) Probably the best time to schedule meetings is between 10:00am and 1:00pm – as lunch usually begins around 2:00pm and can be quite lengthy.

If agendas are produced there would be little expectation that they would be followed systematically. Meetings are seen as opportunities for the free flow of ideas and information — although it is best to avoid very open disagreements with the most senior Mexican present as this could be construed as disrespectful and confrontational.

Open signs of emotion, through the use of interruptions and speaking loudly, are seen as a sign of active engagement rather than an unnecessary loss of control. Do not assume that, if a Mexican becomes highly emotional during a meeting, they have lost their sense of professionalism — they are probably conveying their sense of commitment and interest. It is not uncommon for small side-meetings to occur during a larger meeting or for people to interrupt colleagues in mid-sentence.

## **Mexican Business Communication Styles**

Although English is increasingly widely spoken in Mexico, it would be dangerous to assume that all business acquaintances will be fluent in the language.

English language levels vary widely and it is best to check in advance that translators will not be necessary. It goes without saying that you will be at a great advantage if you speak good Spanish.

It is common for colleagues to address each other through the use of family names, moving on to first name terms only when the relationship is very well established. If in doubt about which name to use, it is probably safest to err on the side of caution by starting with the family name. In addition, titles such as Licenciado/a (a professional such as a lawyer) or Ingeniero/a (an engineer) are also commonly used terms of respect.

Mexican body language differs from North American and Northern European body language. People stand much closer to each other and have far stronger eye contact than in many other cultures. It is important that you are not intimidated by these issues, as lack of strong eye contact or maintaining too great a distance could be misconstrued as standoffishness or untrustworthiness. Try to mirror the Mexican approach in these matters.

## **Women in Business in Mexico**

Although Mexico is often viewed as a machismo culture where a strong separation is made between the roles of men and women, visiting female executives will encounter few if any problems when doing business with Mexican male colleagues or clients.

Having said that, it is probably best for visiting women executives to maintain a professional distance in their business dealings with men and be wary of offering any social invitations unless as part of a larger group function.

## **Business Dress Code in Mexico**

Mexicans are quite status conscious and successful people are expected to look successful. Dress is, therefore, of great importance and is vital to look smart in both business and social situations.

Business dress in Mexico City tends to be somewhat more formal than in other parts of the country. Suits are often worn in the capital whereas smart shirts and slacks are sufficient in the states. If in doubt, check in advance and consider the temperature in the city that you are visiting.

## **Business Entertaining in Mexico**

As in many relationship – oriented cultures, business entertaining is crucial. A lot of business meetings take place at breakfast meetings and, more commonly, at lunch. Both breakfast and lunch meetings can be lengthy, lasting in excess of two hours.

There is no hard and fast rule concerning conversational topics over business meals. Sometimes business issues will be discussed other times they will not. Try not to be the first to raise the topic unless it is essential. Use this time as an opportunity to develop personal relationships and show interest in their families and their favorite sports.

Meals are often hearty affairs (even breakfast) with large amounts of food being served at each meal. Alcohol will likely be offered with both lunch and dinner. Follow the lead of your Mexican host if possible.

It is usual for the person who issues the invitation to pick up the bill although this rule is sometimes overlooked in a supplier-client situation. If you are the client it is probably best to offer to pay even if you have been invited. Never split the bill as this will be seen as poor protocol.

Tips are not always included in the bill. You should leave a tip of at least 10% which should preferably be given directly to the waiter in cash.

## **Business Negotiation**

As noted below<sup>iv</sup>, the perspectives of Mexican and Canadian/US counterparts in negotiation are quite divergent and careful consideration of these factors should be undertaken as you engage in negotiations.

You should prepare thoroughly for negotiations drawing on all of the usual facts and data but also realize that your Mexican counterpart will place considerable weight on personal relationship factors.

Your patience may be tested at the pace, backtracking on issues but keeping your cool in the face of frustrations is the best advice.

<b>Negotiation Variable</b>	<b>Mexican</b>	<b>US /Canada</b>
<b>Basis of Trust</b>	<b>Friendship, then legal contract</b>	<b>Legal contract, then experience</b>
<b>Role of Personal Involvement</b>	<b>Primary</b>	<b>To be avoided</b>
<b>Negotiator Selection Criteria</b>	<b>Title, family or social ties</b>	<b>Technical expertise, function</b>
<b>Role of face-saving in making decisions</b>	<b>Great. Preserving personal dignity is paramount.</b>	<b>Slight. Decisions are based on cost-benefit analysis.</b>
<b>Decision-making process</b>	<b>Spontaneous, impulsive</b>	<b>Systematic</b>
<b>Negotiation agenda</b>	<b>Slow paced</b>	<b>Fast paced</b>
<b>Interpretation of manana</b>	<b>Not today</b>	<b>Tomorrow</b>
<b>Extent, type of pre-negotiation preparation</b>	<b>Slight, limited to awareness of company or brand name</b>	<b>Medium-high. Financial and Technical analysis</b>
<b>Focus of negotiating goal</b>	<b>Best bargain</b>	<b>Cost-benefit ratio</b>
<b>Negotiation perspective</b>	<b>Win - lose</b>	<b>Win-win</b>
<b>Time perspective for deal under negotiation</b>	<b>Short – term</b>	<b>Medium Term</b>
<b>Time perspective for business relationship</b>	<b>Long-term</b>	<b>Medium Term</b>
<b>Adherence to agenda and timelines</b>	<b>Casual</b>	<b>Strict</b>
<b>View of opposite party</b>	<b>Friend, social equal</b>	<b>Neutral</b>
<b>Emotional sensitivity</b>	<b>Highly valued</b>	<b>Not highly valued</b>
<b>Emotional display</b>	<b>Passionate</b>	<b>Impersonal</b>
<b>Protocol</b>	<b>Formal</b>	<b>Informal</b>
<b>Risk Tolerance</b>	<b>Low</b>	<b>Medium-high if justified</b>
<b>Opening bid</b>	<b>Extreme</b>	<b>Reasonable</b>
<b>Type of arguments to defend position</b>	<b>Vague, emotional</b>	<b>Concrete, rational</b>
<b>Power tactics</b>	<b>Threat of withdrawal</b>	<b>Legal enforcement</b>
<b>Taking a settlement position</b>	<b>Re-opening previously closed issues</b>	<b>Making a final offer</b>
<b>Form of final agreement</b>	<b>Word of honor supplemented by brief written agreement</b>	<b>Formal legal contract</b>

## Chapter 3

### Case Scenarios: Successful Adaptations by International Firms

Real life scenarios can go a long way in providing a deeper understanding of Mexican business culture and help to demonstrate some of the local nuances. The following case scenarios serve to illustrate factors which can arise for international firms as they conduct business and partner with local Mexican firms as well as some of the adaptations that may be needed.

#### Business Case Scenarios

##### a) Vitro / Corning Joint Venture <sup>v</sup>

Vitro is a Mexican glass manufacturer located in Monterrey, Mexico. Vitro's product line concentrates on drinkware but includes dozens of products, from automobile windshields to washing machines. Vitro has a long history of successful joint ventures and is globally oriented.

In the US, Corning Inc. is most famous for its oven-ready glassware but has diversified into fiber optics, environmental products and laboratory services. Like Vitro, Corning has a long history of successful joint ventures and globalization. Vitro and Corning share similar corporate cultures and customer-oriented philosophies.

After realizing such similarities and looking to capitalize on NAFTA by accessing the Mexican market, Corning Inc. established a joint venture with Vitro in the fall of 1992. The similarities in history, philosophy, culture, goals, and objectives of both companies led to the logical conclusion that this alliance should be an instant success. However, as Francisco Chevez, an analyst with Smith Barney Shearson in New York said, "The cultures did not match – it was a marriage made in hell." As history reveals, Corning and Vitro dissolved the joint venture 25 months after the agreement.

Although both companies appeared so similar on the surface, they really were quite different. Cultural clashes erupted from the very beginning of the venture because of differing approaches to work.

Vitro's sales approach was less aggressive than the Americans at Corning thought necessary; the slower, deliberate approach to sales in Mexico stemmed from the previously higher controlled Mexican economy. Corning's more quick-action oriented and aggressive sales approach had developed from decades of competition. Once in the venture, the Mexicans thought the Americans were too forward, and the Americans believed their Mexican partners wasted time being too polite. The Americans perceived

the Mexican characteristics to include an unwillingness to acknowledge problems and faults.

Another obvious cultural difference was the conflicting styles and time allotment for decision making. Vitro is bureaucratic and hierarchical and loyalty is to family members and patrons in the ranks of the company. Decisions were often left to a member of the controlling family or to top executives, while middle managers seldom were asked for opinions, let alone to make important decisions.

Mr. Loose ( Corning's Chief executive of the joint venture) observed, " if we were looking at a distribution decision, or a customer decision, we would have a group of people in a room, they would do an assessment, figure alternatives and make a decision, and I as chief executives would never know about it. My experience on the Mexican side is that someone in the organization would have a solution in mind but then the decision had to be kicked up a few levels."

Corning felt that the cross-cultural differences were depriving both companies of the flexibility to take the fast management action that is necessary in the dynamic business climate of both countries. Vitro basically agreed. Corning gave Vitro back its \$130 million investment and the joint venture was called off. The companies still recognized the opportunity to continue to do business with each other. However, they have changed their relationship into a mutual distribution of each other's products.

In the aftermath of the breakup, Vitro and Corning each responded publicly to the dissolution of their alliance, and each indicated the strong differences in culture.

Corning wanted to discuss the problems and learn from them, while Vitro was hesitant to criticize anyone, especially a visible US partner like Corning. The Mexicans preferred to concentrate on continuation of the marketing arrangement between the companies.

Houghton, the Corning CEO, openly spoke of the alliance as one that stopped making sense. He stated that the cross-cultural differences inhibited the potential of the alliance. Corning's chief executive of the venture, Mr. Loose, openly acknowledged the different decision-making styles between the two cultures.

Vitro executives were defensive and disappointed that Mr. Loose had expressed his views so frankly in public. The president of Vitro, Eduardo Martens, flatly denied that the cultural differences were any greater than in other alliances. In an interview with the Harvard Business Review, however, he admitted, "Business in Mexico is done on a consensus basis, very genteel and sometimes slow by US Standards"

Corning felt that they learned a lesson in the failed Vitro alliance; both foreign and domestic alliances require additional skills and more management time. CEO Houghton

says that alliances carry a lot of risk and misunderstandings, but they can be significantly beneficial to the operations of the company if they are done carefully and selectively.

## **b) Wal-Mart – Glocalization in Mexico<sup>vi</sup>**

Wal-Mart ventured into Mexico in 1991 – its first international venture. It signed a joint venture with Cifra, a Mexican chain. Wal-Mart essentially capitalized on Mexico as soon as the nation opened to global trade. In 1997, Wal-Mart acquired majority ownership of Cifra and in 2000, became Wal-Mart de Mexico (also called WalMex). Around that time, it also became the largest retailer in that country. In 2007, Wal-Mart de Mexico had already more than 1,045 stores and 155,000 employees (in fact, Wal-Mart accounted for 60% of food sales there).

### **Glocalization Practices of Wal-Mart de Mexico**

When Wal-Mart first entered the Mexican market, a string of management missteps and cultural conflicts caused it to incur significant net losses. Some of Wal-Mart's problems had to do with hubris – a uniquely powerful US behemoth trying to impose its blueprint worldwide.

Put simply, Wal-Mart failed to glocalize and wanted to have an exact copy of its corporate culture in Mexico. At Wal-Mart's headquarters in Bentonville, Arkansas, the message from the performance in Mexico and other mishaps in other countries due to lack of appropriate adaptation to local cultures had been heard loud and clear.

In response to the problems in Mexico, Wal-Mart adopted five glocalization strategies in order to improve performance, expand and become the largest private employer. Those glocalization strategies were (1) indigenous customs, (2) shopping practices (3) store formats (4) Mexican logistics and (5) employee practices. Combined they demonstrate a strategic and holistic approach to adapting to local culture.

### **Glocalizing Indigenous Customs**

An example of Wal-Mart's approach in this area, was their efforts in the southwestern-central highlands of Mexico. In this case, the company used the Zapotec language – a Mesoamerican language – in its stores to connect with local consumers. It hired Zapotec-speaking interviewers to make local applicants comfortable. Advertisements were broadcast in Zapotec by female speakers in traditional flowing skirts and ornate blouses.

### **Glocalizing Shopping Practices**

A shopper walking into a Wal-Mart store in Monterrey would notice that he or she has to first pass through rows of random goods (eg oranges, salad crackers, and flour) heavily

promoted as cheaper than those of rival Soriana. In Mexico, Wal-Mart has applied a precios bajos todos los dias ( Every Day Low Price) campaign whereby prices for many products are much lower than those in the US and those of other stores in the US and those of other stores in Mexico.

### **Glocalizing Store Formats**

In recent years, Wal-Mart's strategy for growth has been to promote the "no-frills" Bodega Aurrera format. Rather than rivaling with upscale supermarkets, Bodega Aurrera is intended to penetrate low-income and working class communities and compete with small stores, urban markets and informal retail. It is an austere, lower-end grocery chain, which Wal-Mart adapted from its partnership with Cifra to reach out to consumers in middle-size and smaller cities of southern and central Mexico.

While there were instances of resistance in some locales as the Wal-Mart stores impacted local merchants and culture, the protests petered out because most inhabitants wanted the store and the prices were very appealing.

On the other hand, its Superama supercenters found in residential areas of Mexico City and suburbs concentrate on quality and convenience. Also, Wal-Mart's Suburbia apparel stores are designed for middle -income shoppers.

### **Glocalizing Mexican Logistics**

With the help of its computerized inventory and sales tracking system, Wal-Mart employees and suppliers can gain access to everyday sales and inventory figures. With the system, they can decrease the transaction costs of many products that local consumers desire to purchase in convenient locations.

In terms of logistics, Wal-Mart de Mexico has made other cultural adjustments. For example, in Juchitan, a small town in the southeast of Mexico, consumer goods usually cost more than in the cities, partly due to transport costs. Yet, Wal-Mart's massive convoy of trucks and computerized logistics make it easy for the company to sell a microwave in Juchitan as in Mexico City for the same price.

### **Glocalizing Employee Practices**

Wal-Mart de Mexico has glocalized local employee practices in several important ways. For example, it has provided employee benefits like share and bonus plans, helping decrease turnover. In a nation where family connections tend to be more important than skill, Wal-Mart de Mexico trains floor workers to walk up the ladder and become managers

Another traditional Mexican employee practice adopted by Wal-Mart is union organizing. In Mexico, Wal-Mart employees work generally full time and are unionized, with, on average better wages in comparison with other retail chains and rather typical benefits.

## Summary

All five glocalization strategies adopted by Wal-Mart de Mexico have not only made it the largest retailer in Mexico; they have also allowed local communities to interact with Wal-Mart's hybridized culture. The result for Wal-Mart de Mexico is a corporation that is different from the US model. While Wal-Mart managers may not actually know the concept of "glocalization" they are fully aware of the importance of an MNC to be sensitive to local customs and take into account their local needs.

## Chapter 4

### **Navigating Mexican Business Culture: Tactics & Strategies for Success**

Culture underlies so much of the business process. Like most countries, Mexico has its own unique business culture and your company's success, regardless of its industry sector or the type of transaction being pursued, can be seriously curtailed if there is a lack understanding and sensitivity to cultural aspects and nuances.

Compiled from our research, experience on the ground in Mexico and interviews with both Canadian and Mexican business executives, here's a roundup of recommended tactics and strategies that will help you better navigate Mexican business culture. They are presented in alphabetical order for ease of reference. You should visit and revisit them as you plan and execute your strategy in Mexico.

#### **After Sales Service**

Mexican buyers are both service- and price-sensitive, but in many cases the most important factor in a successful sale is a supplier's ability to provide reliable after-sales service, maintenance programs and product training and support. Also important are uniform quality control, compliance with international standards and reliable delivery. If your company can meet these criteria, your chances of making a sale will increase considerably.

#### **Bureaucracy<sup>vii</sup>**

Negotiations or processes can sometimes be very slow. The government and even some large private enterprises can have extremely cumbersome bureaucratic processes. That is why it is important to have someone on the ground getting the information that you need.

## **Business Ethics**

On the Corruption Perception Index (2018), Mexico is ranked 138 out of 180 countries (Canada's ranking is 9). This perception suggests that the country's public sector has a relatively high level of corruption. Be mindful of this factor and take appropriate steps including setting out your company's ethical policies and procedures upfront.

## **Communications and First Contact**

English is widely spoken and many people speak it fluently. English is not, however, universally spoken and interpreters can be needed on occasion if you don't speak Spanish.

Mexicans prefer face to face communication and to do business with whom they know and trust. It is advisable to confirm the date and appointment several times in advance as it is regarded as an eagerness to meet. If face to face communication is not available, Mexican business contacts are more likely to talk over the phone rather than respond to emails. Mexicans tend to be status conscious and therefore it is recommended to book engagements in settings that reflect one's position and status. If the first meeting with high-level representatives is set to take place outside the office, first-class hotels and restaurants are appropriate.

## **Corporate Culture**

In general, business in Mexico is done in person, not over the phone or by email. Meetings usually start with small talk about family, weather etc.

You should be mindful to not refuse drinks (coffee or other) offered to you during the meeting. Also, put on your gracious and polite hat as being to direct and to the point may be perceived as rude.

Because relationships come first, negotiations tend to move slowly.

Appearances matter in business in Mexico and you should think about presenting the right image with your clothes, jewelry, hotel accommodation, vehicle etc.

## **Decision Making**

Key decisions are usually made by a small number of individuals at the top of the hierarchy. Ensure that you identify and deal with the decision makers. Make sure that you send people of the appropriate level of seniority to deal with Mexican counterparts. If you send very junior colleagues to work with older, more senior Mexican managers it will be insulting.

## **Dress**

Mexicans dress formally for business meetings with suits and ties, and will expect you to do the same in the major cities ( Mexico City, Guadalajara, Monterrey etc) The exception to this rule is if you are meeting in a very hot region, a port or beach resort.

## **Due Diligence**

As in any foreign market, you should carry out careful due diligence before committing to a sales agreement or other business relationship. Investigate the Mexican company's creditworthiness, its financial record, the quality of its management, its business history and its reputation in the local and international marketplace. Local legal or consulting firms can help you, and you may be able to obtain assistance from the local Canadian Trade Commissioner Service offices and from EDC.

## **Gift Policy<sup>viii</sup>**

Simple gifts may be exchanged after a first business meeting. Gifts are not required but may be viewed as a gesture of good will. Gifts from one's company ( ie a gift with the company's logo) are appropriate for an initial meeting. If invited to a Mexican partner's house, it is appropriate to bring wine, chocolate or flowers (avoid marigolds and red flowers).

## **Greetings**

When it comes to business greetings, the proper practice is a handshake, regardless of gender. If a relationship is already developed or among business associates of the opposite sex, a kiss on the cheek is acceptable or a hug is common between close male friends. Mexican men and women are warm and friendly and make a lot of physical contact. They often touch shoulders or hold another's arm. To withdraw from this touch is considered insulting.

Mexican's are generally more formal with names. Mexicans have three names – their first name, their father's last name and their mother's last name. Use the father's name when addressing your counterpart. Also note that titles are a big status symbol which should be used where appropriate before the name Lic. (Licenciado), Ing. (Ingeniero) Dr. ( Doctor) etc.<sup>ix</sup>

## **Holidays**

Remember that long delays can occur due to lengthy holiday periods which Mexico is accustomed to, especially during numerous religious off work periods like Christmas, Semana Santa ( Holy Week or the week before Easter), Our Lady of Guadalupe ( Dec

12), Mother's Day ( May 10<sup>th</sup> or Dia de las Madres), Day of the Dead ( Nov 2) Kings Day ( January 6 – Dia de Reyes).

In Mexico long weekends or long off work periods are called “puentes” (bridges) and there is a joke that the longest bridge in Mexico is the “ Puente Guadalupe Reyes”. This is because it runs from December 12, the Day of our Lady of Guadalupe, to King's Day on January 6. The fact is almost everything slows down over this holiday span.

### **Local Partner**

Almost all international companies intending to do business in Mexico will need a local partner. This could be a joint venture partner, a sales representative, a distributor or, if you are investing in Mexico, a suitable legal firm.

According to Lorena Patterson of TransCanada drawing on a key local partner when entering the market can make a huge difference. “It is fundamental for the international executive going to Mexico to understand the local processes for government approvals and in this context a local player who understands the system can be indispensable” she stated.

Selection of your partner or representative is one of the most important decisions that you will make and full due diligence is required. Draw on multiple sources, verify information provided and test your proposed partner's capabilities before committing.

### **Meals and Meetings**

A typical business lunch in Mexico starts at 2 pm, lasts two to three hours and includes a lot of casual talk, with little time devoted to business ( This is not necessarily the case in Monterrey where the business culture is more aligned with US practices)

Breakfasts tend to be more productive when conducting business. Supper, which usually starts at 8-9pm, is a light, minor affair and not a good time for business.

Your offer to pick up the tab will be appreciated, but since you are the guest, most Mexican businesspeople will insist on paying.

### **Negotiating**

You should prepare thoroughly for negotiations drawing on all of the usual facts and data but also realize that your Mexican counterpart will place considerable weight on personal relationship factors. Think through your approach by considering the perspectives on page 9.

## **Networking**

Mexicans have a great affinity for networking and their chatter, enthusiasm and energy for receptions and social gatherings generally surpasses their Canadian counterparts. Mexicans often arrive late and stay late. Your Mexican counterpart will take pleasure in inviting you for lunches, dinners or meetings at such receptions and quite often these events will not materialize.

## **Patience**

Patience is extremely important. In Mexico, time is not money; money is for enjoying life. There is a saying that Americans/Canadians live to work, but Mexicans work to live.

## **Personal Relationships**

Business relationships in Canada and the United States tend to be rather impersonal, but the same is not true in Mexico. Like their counterparts in other Latin American cultures, Mexicans do business on the basis of trusted personal relationships, and these must usually be established before any business can be carried out. Business decisions may often be based more on the Mexican participant's degree of comfort with the relationship than on purely objective criteria.

International companies making a serious commitment to Mexico need to invest their time, energy and money in making sure they have a strong and trusted relationship with their partner or collaborator. As indicated by Lorena Patterson, who spent twelve years with TransCanada Pipelines in Mexico, the relationship with your local partner or collaborator can be a crucial factor and in some cases it may be more important than relying on the law given the lack of reliability and consistency and the slow moving nature of legal proceedings.

Mexicans tend to conduct business in a non-confrontational way, which often means that they will not overtly disagree with you. Instead, they may suggest discussing the matter at another time, or will find some other way to avoid an explicitly negative response. As a rule, this does not reflect a devious business strategy on their part, but rather a desire to keep the relationship cordial.

## **Regional Cultural Differences within Mexico**

The business culture within Mexico is not homogeneous and one can expect a scenario in Monterrey to be much closer to US business culture than those of Mexico City and Guadalajara. You need to do your homework on the local or regional business culture

## **Spanish**

Spanish is Mexico's official language. English is widely spoken in business circles, but business meetings are normally conducted in Spanish. If you can't speak the language at all, your hosts may be willing to conduct meetings in English, but ask beforehand to make sure this is possible. If not, consider hiring an interpreter. Better yet, try to learn some Spanish as your Mexican business develops, since even a rudimentary command of the language will be seen as a sign of sincerity and respect.

## **Timing and Scheduling<sup>x</sup>**

Make sure you are on time for any meeting, but do not be surprised if your Mexican counterpart is 30 minutes late. Its common in a lot of Latino cultures, so just be patient. Mexican punctuality is not rigid because of the cultural emphasis on personal life.

It is not uncommon for Mexican businesspeople to cancel meetings, and many consider meetings with foreigners as tentative until they receive confirmation that the person is in Mexico. Therefore, it is a good idea to confirm meetings scheduled weeks or months ahead several times as the date approaches, including the night before.

## **Written Agreements<sup>xi</sup>**

Verbal agreements are generally adhered to on the basis of trust. Breaking them can jeopardise business relationships. Nevertheless, you should seek to get a written confirmation of any agreement or commitment to ensure the promise is followed through.

## **Verification**

While your approach in Mexico should revolve around relationship building and trust, at the same time you should find ways of checking key factors and progress on performance without causing the other party to lose face.

## Chapter 5

### Getting Help When & Where You Need it

Navigating Mexican business culture is a constant learning process and one where surprises and faux pas occur, regardless of how well versed and prepared you may be on the cultural file.

MIRA services ([www.miraservices.ca](http://www.miraservices.ca)) can help provide important guidance to the learning curve and the support you need when issues arise through the provision of the following services:

- Research and analysis of your business opportunity in Mexico with strategic recommendations on how to best proceed
- A critique of your business plan including from the business culture point of view
- Recommended cultural tactics and strategies tailored to your current situation
- References to a network of experts who can address specific issues related to culture, including marketing, negotiations, human resource management and much more

#### Notes

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<sup>i</sup> <https://www.worldbank.org/en/country/mexico/overview>- last updated Oct 10, 2019

<sup>ii</sup> EDC White Paper Doing Business in Mexico, 2014

<sup>iii</sup> Business Culture in Mexico, World Business Culture, <http://www.worldbusinessculture.com>

<sup>iv</sup> Adapted from Becker ( 2004) Doing Business in the new Latin America pp 165-166

<sup>v</sup> <https://www.scribd.com/document/53954036> Cross Cultural Case Study Cara Okleshen

<sup>vi</sup> Cultural Adaptation of an MNC in Mexico: A Success Story, Transition Studies Review, Jonathan Matusitz, Elizabeth Minei, Dec 1, 2011

<sup>vii</sup> <https://www.edc.ca/en/blog/doing-business-mexico-12-etiquette-tips.html>

<sup>viii</sup> <https://santandertrade.com/en/portal/establish-overseas/mexico/business-practices>

<sup>ix</sup> Doing Business in Mexico- Understanding the cultural differences between the US & Mexico, Ignacio Hernandez

<sup>x</sup> [www.acrecent.com/doingbusinessinmexico](http://www.acrecent.com/doingbusinessinmexico)

<sup>xi</sup> <https://culturalatlas.sbs.com.au/mexican-culture/mexican-culture-business-culture#mexican-culture-business-culture>.

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