

# Negotiating International Business - Mexico

*This section is an excerpt from the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz. It has been updated with inputs from readers and others, most recently in March 2008.*

While some businesspeople and officials in Mexico may have only limited exposure to other cultures, many are reasonably familiar with and prepared for doing business internationally. However, that does not always mean that they will be open-minded. When negotiating business here, realize that people may expect things to be done 'their way,' in which case you should strive to understand, and occasionally emulate, their behavior in order to gain the acceptance of your Mexican counterparts.

Though the country's culture is quite homogeneous overall, business cultures differ somewhat between the North and the South. People in the North tend to be more business-focused and often have a high sense of urgency. This may be more relaxed in Southern Mexico, where the stereotypical *mañana* attitude of conducting business at a leisurely pace can still be found.

## ***Relationships and Respect***

Mexico's culture is generally group-oriented. Asserting individual preferences may be seen as less important than having a sense of belonging to a group, conforming to its norms, and maintaining harmony among its members. Building lasting and trusting personal relationships is therefore very important to most Mexicans, who often find it essential to establish strong bonds prior to closing any deals. People in this country prefer to do business with those they know, like, and trust. If they initially seem suspicious and non-committal, you may be able to overcome this with consistent friendliness and goodwill. Establishing productive business cooperation requires a long-term perspective and commitment. Proceed with serious business discussions only after your counterparts have become very comfortable with you. This can be a time-consuming process and may require several trips to strengthen the bonds. Mexicans tend to distrust people who appear unwilling to spend the time or whose motives for relationship building are unclear.

Once you have established a working relationship, the Mexicans may still prefer to keep the initial engagement small and low-risk. They view this as an opportunity for you to prove yourself. Larger-scale business engagements require time to build.

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

Families play a dominant role in Mexican society and business life. Many companies are family-owned or controlled. Mexican families can be large and may extend into powerful networks that not only include extended family but also friends, business partners, and others. Becoming integrated into such networks through personal relationships is vital to doing business in the country. Whom you know may determine whether people want to get to know you. Similarly, whether people think you are worth knowing and trusting often weighs much more strongly than how competent you are or what proposals you may have to make. Personal networks may open doors and solve problems that would otherwise be very difficult to master. Maintaining honest and cordial relations is crucial.

Third party introductions can be very helpful as a starting point to building a trusting relationship with a potential partner, especially since people may initially not trust outsiders who are neither part of their family nor of their circle of friends.

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

In Mexico's business culture, the respect a person enjoys depends primarily on his or her status, connections, and education. Age, while respected, does not necessarily determine the seniority of a person. Admired personal traits include sincerity, integrity, charisma, and sociability.

### *Communication*

While the country's official language is Spanish, it is notably different from the Spanish spoken in Spain. Many businesspeople speak English. Mexicans usually prefer and are more familiar with American English. Since it is different from British English to the point where misunderstandings may happen easily, familiarize yourself with the differences upfront if necessary. In any case, being able to speak Spanish is a clear advantage. With high-ranking managers, it may otherwise be useful to engage an interpreter. To avoid offending the other side, ask beforehand whether an interpreter should be present at a meeting. When communicating in English, speak in short, simple sentences and avoid using jargon and slang. It will help people with a limited command of English if you speak slowly, summarize your key points often, and pause frequently to allow for interpretation. Mexicans may not admit it if they do not understand parts of the conversation. Even when the main meeting language is English, your counterparts may frequently speak Spanish among themselves, not necessarily to shut you out from the discussion but to reduce their discomfort and ensure a common understanding among them.

While discussions may get very lively, Mexicans generally dislike loud and boisterous behavior. They may show their emotions openly. However, it is crucial that you never lose your temper or appear impatient, as there is always a risk of hurting someone's pride. People may converse in close proximity, standing only two feet or less apart. This is usually less pronounced in business situations. In any case, never back away even if your personal comfort zone calls for more space. Doing so could be read as a sign that you are uncomfortable around your local counterparts.

Communication in Mexico is somewhat indirect. People may prefer to be careful about what they say and how they say it. In addition, they may tell you what they think you want to hear rather than what they really think. They might insist that everything is in perfect order, even when this is not the case, or give seemingly ambiguous answers such as 'maybe,' 'I am not sure,' or 'we will think about it' when the message is 'no.' 'Yes' may only mean that they understood what you said, not that they agree with it. It may take extensive and unmistakable questioning to find out whether you indeed have agreement. However, some Mexicans may get straight to the point when trying to get a message across. Silence is rare and usually signals that there is a serious problem. Avoid being overly direct yourself, as your Mexican counterparts may otherwise perceive you as rude and pushy. The communication often becomes more direct and frank once a strong relationship has been established.

Gestures and body language are extensive and lively. There may be frequent physical contact with others of the same gender. The American OK sign, with thumb and index finger forming a circle, can

be read as an obscene gesture in Mexico. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust. Anger may sometimes be masked with a smile.

### *Initial Contacts and Meetings*

Choosing a local intermediary who can leverage existing relationships to make the initial contact is useful. This person will help bridge the gap between cultures, allowing you to conduct business with greater effectiveness and may also serve as your local interpreter.

Negotiations in the country can be conducted by individuals or teams of negotiators. It is vital that teams be well aligned, with roles clearly assigned to each member. Changing a team member may require the relationship building process to start over and should therefore be avoided. Mexican negotiation teams are usually very well aligned. If uncertain what position to support, their members will defer to the principal negotiator.

Given the strong emphasis on hierarchy in the country's business culture, a senior executive should attend the initial meeting for your company and your negotiating team should include senior leaders who know your company well. There will not be an expectation that the executive attends future meetings. Similarly, the top executive on the Mexican side, who is likely the ultimate decision maker, may attend only initially. The most senior Mexican executive to attend throughout the negotiation will likely be at a similar level in the hierarchy as your own negotiation leader.

If possible, schedule meetings at least one to two weeks in advance. Since Mexicans want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. An agenda is usually set upfront, but this is only a formality. It is usually not strictly followed. Reconfirm your meeting, and be prepared for your counterparts to cancel or postpone meetings with little advance notice.

While meetings may start considerably late, Mexicans generally expect foreign visitors to be punctual. Avoid being more than 10 to 15 minutes late, and call ahead if you will be. At the same time, important people will likely make you wait. Displaying anger because of that will reflect very poorly on you. The most senior people usually arrive last. Otherwise, authority may sometimes be difficult to pick out, so watch for small hints of deference to identify the decision makers.

Names are usually given in the order of first name, family names. Most Mexicans have two family names, the first one from their father, and the second one from their mother. Use *Mr./Mrs./Miss* or *Señor/Señora/Señorita*, plus the father's family name, which is always the first one of the two family names given. If a person has an academic title, such as *Doctor* or *Professor*, or a professional title such as *Ingeniero*, *Licenciado*, or *Arquitecto*, use it instead, followed by the father's family name. You may also hear someone addressed by the titles *Don* or *Dona*. This is a show of great respect. Before calling Mexicans by their first name, it is usually better to wait until they offer it. Introduce or greet the most senior person first. Thereafter, greet everyone else individually. Introductions are accompanied by handshakes. Men should wait for women to initiate handshakes. If a woman does not seem to want to shake hands, it is best just to bow slightly.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. It is recommended to use cards with one side in English and the other in Spanish. Show doctorate degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. When presenting your card, ensure that the Spanish side is facing the recipient. Smile and keep eye contact while accepting someone else's card, then carefully examine it. Next, place the card on the table in front of you. High-ranking people may not hand out their card, which is a sign of their importance.

Business meetings usually start with some small talk intended to establish personal rapport. This may include personal questions about your background and family, allowing participants to become acquainted. It may be important to remain patient and let the other side set the pace. Initial meetings may appear very formal, but the atmosphere usually is a bit more relaxed in subsequent meetings. People appreciate a sense of humor, but keep it light and friendly, and be careful not to overdo it. Business is a serious matter in Mexico. Meetings may appear somewhat chaotic, with frequent interruptions and several parallel conversations. Do not take this personally; it also does not indicate a lack of interest.

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

Presentations should be short and concise. Make sure your proposal is clearly structured and presented. Mexicans prefer oral communication to data exchanges, so avoid overburdening your material with many facts and details. Presentation materials should be attractive, with excellent and clear visuals. Any materials you bring, such as letters, presentation handouts, and promotional literature, should be immaculately designed and presented since initial appearances matter a lot in this country. Having your handout materials translated to Spanish is not a must, but it will be appreciated and helps in getting your messages across.

## *Negotiation*

**Attitudes and Styles** - Leveraging relationships is an important element when negotiating in Mexico. Nevertheless, Mexicans often employ distributive and contingency bargaining. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They expect long-term commitments from their business partners and will focus mostly on long-term benefits. Although the primary negotiation style is competitive, Mexicans nevertheless value long-term relationships. While proposals should demonstrate the benefits to both negotiating parties, neither of them should take attempts to win competitive advantages negatively. It is critically important to remain non-confrontational and avoid direct conflict throughout the bargaining exchange. Ultimately, the culture promotes a win-win approach. You will earn your counterparts' respect by maintaining a positive, persistent attitude.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution or an acceptable compromise by leveraging personal relationships, assuming that they are strong enough.

**Sharing of Information** –Even when personal relationships are strong, your counterparts may be reluctant to share information openly. Many Mexicans believe that privileged information creates bargaining advantages. In addition, figures and numbers can be unreliable in this dialog-driven culture, which could make them misleading.

**Pace of Negotiation** – Expect negotiations to be slow and protracted. Be prepared to make several trips if necessary to achieve your objectives. Relationship building, information gathering, bargaining, and decision making may take considerable time. Attempts to rush the process are unlikely to produce better results and may be viewed as offensive. Throughout the negotiation, be patient, control your emotions, and accept the inevitable delays.

Most Mexicans prefer a polychronic work style. They are used to pursuing multiple actions and goals in parallel. When negotiating, they often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order. Negotiators from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, may find this style confusing, irritating, and even annoying. In any case, do not show irritation or anger when encountering this behavior. Instead, keep track of the bargaining progress at all times, often emphasizing areas where agreement already exists.

If your counterparts appear to be stalling the negotiation, assess carefully whether their slowing down the process indicates that they are evaluating alternatives or that they are not interested in doing business with you. Mexicans may be reluctant to deliver a final 'no,' preferring to stay in loose contact instead. However, this behavior may also either represent an attempt to create time pressure in order to obtain concessions, which happens frequently, or it simply reflects the slow decision process in the country. Again, patience and persistence are vitally important.

**Bargaining** – Mexicans can be very shrewd and tough negotiators. They are used to hard bargaining and often do a lot of haggling. Surprisingly strong emotions and many exaggerations may accompany the process.

The bargaining exchange can be extensive. Concessions never come easily, and although Mexicans may show interest in new ideas and concepts, they often find it difficult to change their position. Requesting a compromise may become an issue of pride if presented in the wrong way. Be respectful throughout the bargaining exchange. Rather than pushing for concessions, it may be better to re-address disagreements in follow-up meetings, which gives your counterparts the opportunity to reconsider their position without overtly losing face. Effective negotiators may be able to move prices by 40 percent or more between initial offers and final agreement. Leave yourself a lot of room for concessions at different stages. After making one, always ask the other side to reciprocate. Throughout the process, remain cool and respectful, avoid confrontation, and frequently reaffirm the relationship.

Although Mexicans generally prefer a straightforward negotiation style, they also use deceptive techniques, such as telling lies, sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item's value, or making false demands and concessions. Telling lies and sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item's value, or making false demands and concessions. Your Mexican counterparts may play stupid or otherwise attempt to mislead you in order to obtain bargaining advantages. Do not take such tactics personally and refrain from lying at or grossly misleading your counterparts, as doing so might damage business relationships. Even when you can see right through a lie, it would be a grave personal insult to state or even hint that your counterpart is not telling the truth. It is advisable to verify information received from the local side through other channels. Similarly, they treat 'outside' information with caution. 'Good cop, bad cop' is a tactic that Mexicans rarely use, though it could be effective on either side of the negotiation table. However, it could be devastating if the other side recognized this as a tactic, and your team will need to exclude any 'bad cop' member from future negotiation rounds. Businesspeople may claim limited authority, stating that they have to ask for their manager's approval. Mexican companies use many checks and balances in order to limit fraud, so unless you are negotiating with the head of an organization, this will often be the truth.

Negotiators in the country may use pressure techniques that include making final offers, applying time pressure, showing intransigence, or nibbling. Final offers may come more than once and are rarely final. Be careful when using tactics such as opening with your best offer or making decreasing or expiring offers. Mexicans may consider these inappropriate or even insulting. Silence can be

a very effective way to signal rejection of a proposal or to obtain further concessions. Your counterparts will generally be very persistent throughout the bargaining exchange.

Mexican negotiators avoid openly aggressive or adversarial techniques. While they may make indirect threats and warnings or subtly display anger, they will be careful not to appear aggressive when doing so. Extreme openings are not frequently used since they may adversely affect the relationship, so be very cautious when using the tactic yourself. Never walk out or threaten to do so in an aggressive fashion as your counterparts will likely take this as a personal insult and may end all talks. However, threatening a 'friendly walkout' while strongly emphasizing the relationship may be very effective.

Emotional negotiation techniques, such as attitudinal bargaining or attempting to make you feel guilty, are frequent and can be effective. Be cautious not to hurt someone's personal pride when employing any of these tactics, though. Pleas to personal relationships and other emotional appeals, such as emphasizing how your proposal will add to your counterparts' personal satisfaction or heighten their honor, can be very powerful.

Mexicans may frequently employ defensive tactics such as blocking or changing the subject, asking probing or very direct questions, making promises, or keeping an inflexible position.

Corruption and bribery are somewhat common in Mexico's public and private sectors. Laws pertaining to bribery are also less stringent than in many other countries. People may draw the line differently, viewing minor payments as rewards for getting a job done or 'unofficial service charges,' rather than as bribes. Also, keep in mind that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Mexican may view as only a nice gift.

**Decision Making** – Most companies tend to be very hierarchical, and people expect to work within clearly established lines of authority. Communication is expected to take place across similar levels in the hierarchy and it could damage the respect you enjoy if you spent much time and attention on someone you outrank. Decision makers are senior executives who are often autocratic but will consider the best interest of the group or organization. They may consult with others before making the call. Subordinates may be reluctant to accept responsibility. Decision makers also rarely delegate their authority, so it is important to deal with senior executives. Gaining access to top managers can be difficult, though. You may have to deal with subordinates who could strongly influence the final decision, which may be made behind closed doors. Maintaining good relationships with these intermediaries is crucial to your success. Decision making is often a very slow process that requires much patience. Attempts to rush or put pressure on the process are futile. However, once a decision has been reached, the remaining steps to close the agreement often happen quickly.

When making decisions, businesspeople may not rely much on rules or laws. They usually consider the specific situation rather than applying universal principles. Since Mexicans highly value intuition, personal feelings and experiences usually weigh more strongly than empirical evidence and other objective facts do, even though both may be considered. Mexicans are often uneasy with change and reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

### *Agreements and Contracts*

Capturing and exchanging written understandings after meetings and at key negotiation stages is useful. Oral commitments may sound stronger than what your Mexican counterparts may be willing to put in writing. At the same time, keep in mind that written memos or letters can already be

contractually binding. Do not rely on interim agreements to be final. Any part of an agreement may still change significantly before both parties sign the final contract.

Pay particular attention to payment terms, making sure both sides know what is expected. It is common practice to use Letters of Credit, bonds, and similar instruments.

Written contracts tend to be lengthy and very legalistic. They often spell out detailed terms and conditions for the core agreements as well as for many eventualities. It is advisable to consult a local legal expert before signing a contract. Signing the contract is important from a legal perspective. However, many Mexicans believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation.

Signed contracts may not always be honored. Payment terms are frequently violated, so expect to be paid late. Overall, the level of contract compliance depends to no small degree on the strength of the continuing relationship between the partners. It is strongly advisable to continue staying in touch and maintaining the trust of your Mexican business partner. Business partners may expect the other side to remain flexible if conditions change, which may include agreeing to modify contract terms.

### ***Women in Business***

Though this is gradually changing, *machismo* attitudes remain strong in this country. Women may be considered inferior, and they still have a hard time attaining positions of similar income and authority as men. As a visiting businesswoman, emphasize your company's importance and your role in it. A personal introduction or at least a letter of support from a senior executive within your company may help.

Female business travelers will usually have few problems in the country. However, they should graciously accept any chivalric gestures they receive, while exercising caution and acting professionally in business and social situations. Displaying confidence and some degree of assertiveness can be effective, but it is important not to appear overly bold and aggressive.

### ***Other Important Things to Know***

Formal attire is very important when doing business here. Male business visitors should wear dark suits with neckties on most occasions. First impressions can have a significant impact on how people view you.


Business dinners and all kinds of social events are frequent opportunities to get to know each other better. If business is discussed over meals at all, this will rarely be extensive. Mexicans often invite visitors to their homes. 'Mi casa es su casa' (my home is your home) is still a common attitude in Mexico. Do not be surprised if someone invites you to visit 'your home' – they mean their own one.

Social events do not require strict punctuality. While it is best to arrive at dinners close to the agreed time, being late to a party by 15-30 minutes is usually acceptable. In Mexico City, where traffic delays are a common excuse for tardiness, arriving even later is rarely an issue.

Never throw documents or collateral on the business table, as this is considered highly offensive. Instead, show respect by individually handing them out to each recipient.

Gift giving in business settings is not necessary but often welcome. However, it is best not to bring a significant gift to an initial meeting in order to avoid raising suspicions about your motives. Small gifts such as pens or notebooks with your company logo are much more appropriate. For bigger

occasions, such as the end of a negotiation, tasteful gifts of somewhat greater value may be exchanged.

<p>NEGOTIATING INTERNATIONAL BUSINESS</p>  <p>Lothar Katz</p> <p>The Negotiator's Reference Guide to 50 Countries Around the World</p>	<p><i>Negotiating International Business</i> (Booksurge Publishing, second edition 2007) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 472-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.</p> <p>Please recommend this Country Section and others to colleagues who might find them useful. Country Sections are available individually at</p> <p><a href="http://www.NegIntBiz.com">www.NegIntBiz.com</a></p>
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