

Culture Differences Between U.S. Americans And Latin Americans: The Impact In Negotiation

Abstract

The paper compares Latin American (Colombia, Peru, Ecuador, and Venezuela – CPEV) cultural values to North American (U.S.A) values based in Hofstede's National Dimensions. I suggest possible cultural values differences that challenge negotiations between US Americans and Latin Americans in Colombia, Peru, Ecuador, and Venezuela. Hofstede defines six cultural dimensions, each one related to an index: individuals/collective (IDV), equality/hierarchy (PDI), uncertainty/avoidance (UAI), tough/tender (MAS), time perception (LTO), and Indulgence (IVR). I support the findings with 5 years research, interviews to foreign, intercultural training, statistics, and the experience of living 10 years in the USA and 35 in Colombia. Finally, in conclusion, I suggest practical cultural strategies that would make Latin-American companies more successful in international negotiations with US American companies and possible areas of intercultural negotiation research.

Key words: Intercultural negotiation, international business, Latin America business culture.

Although these Latin American countries all speak Spanish, cultural differences exist among and within each of them. Each Latin country has its own particular history and cultural background. Each Latin country is a result of the mixture of different Indian, Spanish, African, European, and lately North American heritage.

The paper compares Hofstede's dimensions of culture between Colombia, Peru, Ecuador, and Venezuela - CPEV and the USA ranked from greatest to lowest areas of difference. The greatest area of difference is Individualism followed by uncertainty avoidance, power distance, masculinity, and time dimension. The latest dimension, Indulgence, has not been included yet. It could be a representative factor to study.

The paper contributes to close a gap of intercultural studies and negotiation in Latino America. It contributes to a better understanding and successful business between US Americans and Latin-Americans.

1. Individualism index (IDV): CPEV average score 12/USA score 91. Difference: 78.

Latino-American CPEV countries and the USA scored extremely different in the individualistic dimension. The IDV index is associated with collective versus individualist dimensions. An average score of 12 indicates that Latin- American CPEV countries have a more collective society than the USA. The USA, scoring 91, ranks as the most individualistic society in the world. There are at least three areas in which Latin- American CPEV countries and the USA differ in the individualism dimension which impact negotiation: communication, task achievement, and law-rule interpretation.

Communication: Hofstede (2010) state “In individualistic societies speaking one’s mind is a characteristic of an honest person and in collective societies, harmony must always be maintained and direct confrontation avoided” (p.113). For example: “No” has an honest connotation in the American business world but for CPEV countries a “No” can hurt relationships. The word “No” must be avoided in CPEV countries. For example an U. S American in Colombia can “waste” a lot of time with an indirect answer, such as “the committee is analyzing the purpose,” “call tomorrow,” “people are busy,” or “I forgot.” All these answers could mean “no” in CPEV countries. Sometimes Americans will think that people from CPEV countries are lying and are really trying to convey the answer in another way. On the other side, Americans directly saying “No” could be considered by CPEV people as insensitive and impolite. This cultural difference affects the negotiations because friendly CPEV people sometimes don’t mean what they say and U.S Americans will take more time to assess a situation and may overestimate opportunities.

Task achievement: Hofstede (2010) state “In individualistic societies tasks prevail over relationships and in collective societies relationships prevail over tasks” (p.124). There may be nothing more frustrating for an American than a regular CPEV business meeting. For example, during my research, an American working in Colombia told me that in general she will set the appointment to start 5 or 10 minutes late and to finish 10 or 5 minutes late. There always will be an introduction and time to speak about something other than business. Inman (1942) wrote, “A Latin-American can make the most delightful friend and yet the most exasperating member of a commercialized order, for his values is carried over into his business life” (p.29). A regular business meeting could include updates about personal life and relationships. Additionally intercultural research Hall (quoted by Hofstede, 2010) wrote that they are high and low context cultures and Trompenaars (1998) wrote about specific and diffuse cultural dimensions that are related to the Individualistic/Collectivist Hofstede Dimension. It is related to how cultures communicate and how much context is needed to explain the message. US Americans speak directly to the point, but in Latino-America context is given to communicate the message. The ways that Latin and USA Americans communicate, are different because Americans can go quickly to the

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point and the friendly Latin always tries to include context in the communication to do business and create a relationship. This cultural difference affects the CPEV countries negotiations because tasks take longer, and timelines made in USA for projects in Latin-American are unreliable.

Law rule interpretation: Hofstede (2010) state “In individualistic societies every customer should get the same treatment and collective societies in-group customers get better treatment” (p.124). This difference has closely relations with the description of Particularism and Universalism cultural dimension given by Fons Trompenaars. Trompenaars (1998) wrote that some cultures focus more on relationships than rules and others focus more on rules than on relationships. Trompenaars (1998) research see USA as a Universalistic society and Latin countries are particularistic societies. This cultural difference is very important because laws, rules, and contracts are applied differently to friends and close groups in the CPEV countries than in the USA. The USA believes in rules and applies all of them uniformly; additionally in the CPEV countries relationship could overcome the rules and be applied differently to the In-group.

The *individual/collective* dimension has a great impact on international business because of the strong differences between the Individualistic USA and the Collective CPEV countries. CPEV countries that negotiate with Americans needs to speak to the point, prevails task over relationships and apply the law equally to all the relations. Americans who want to create a successful business in CPEV countries need to develop a friendship while conducting business, speak indirectly, and understand the way the laws are applied in CPEV countries.

Finally, House (2004) in the Globe study describes two aspects of this dimension: Group Collectivism and Institutional Collectivism. Hofstede dimension match Group collectivism. In our conferences with Colombians, Venezuelans, Brazilians, Ecuadorians, and Peruvians participants told us that Latin-American is highly individualist. Also, Inman (1942) and Puyana (2005) mention it as one of the greatest Latin-American and Colombian characteristics. Further study about Institutional Collectivism based on Globe study need to be done to see how much *individual/collective* dimension impacts international negotiations and work group negotiations.

2. Uncertainty Avoidance Index (UAI): CPEV average score 77/USA score 46. Difference: 31

CPEV and the USA scored very differently in the Uncertainty Avoidance dimension. The UAI index represents the way that societies differ in their tolerance of the ambiguous and the unpredictable. The average score for CPEV countries is 77, indicating a society less tolerant of the ambiguous and the unpredictable, than the USA, which scored 46. There are at least three areas in which CPEV countries and the USA differences in the uncertainty avoidance dimension that could impact negotiation: Communication, Regulatory environment, and Innovation.

Communication: Hofstede (2010) state “Countries with strong Uncertainty avoidance aggression and emotions may at proper times and places be vented and countries with weak uncertainty aggression and emotions should not be shown” (p.203). People could seem cold or warm, weak or respectful depending on how the message is transmitted. An emotion attached to the order could make the message successful interpreted and followed. Trompenaars (1998) wrote that “the neutral person is easily accused of being ice-cold with no heart and the affective person is seen as out of control and inconsistent” (p.78). This cultural difference impacts the CPEV countries/USA negotiations because how the message is transmitted in the negotiation determines how will understand and follow it. CPEV countries need to understand that a message transmitted with a lot of emotion could be misunderstood in the USA and the USA people that transmit a message without emotion attached may seem without importance or ice-cold in CPEV countries.

Regulatory environment: Hofstede state

In strong uncertainty avoidance societies many and precise laws or unwritten rules and laws are necessary, even if they cannot be respected. In weak uncertainty avoidance societies few and general laws or unwritten rules exists and if laws cannot be respected, they should be changed. (Hofstede, 2010, p223)

Samuel Guy Inman gives us an excellent example about this cultural difference. He wrote about his experience at Pan-American conference:

Latin Americans believe that the conferences ought to face fundamental principles to bring the American continent together: first define all the rights, and then lay down rules concerning arbitration, recognition for governments, attitude toward extra-continental powers, and codification for international law. The United States delegates, on the other hand,

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believe that the way the continent can best be brought together is by practical measures that will improve commercial exchange. (Inman, 1942, p.23)

CPEV countries are theoretical; they like to discuss and sometimes they can be idealistic about rules. CPEV countries have more rules than the US but they do not follow strictly all of them. The US has fewer rules but they are followed strictly. This cultural difference affects CPEV countries negotiations because for example Americans will find more rules to start/finish a business, to deal with government, daily life, and to close a deal and they will need to understand how to follow these. Sometimes Americans will find rules that are not being followed and will get confused. US Americans will need good lawyers to understand how to work with the law to be successful in CPEV. In the other side, CPEV countries need to understand that if they don't strictly follow the U.S law they can get in to serious problems.

Innovation: Hofstede (2010) state "Countries with strong Uncertainty avoidance what is different is dangerous and countries with weak uncertainty what is different is curious" (p.203). Also, Hofstede (2010) stated "Countries with strong uncertainty avoidance are worse at invention but better at implementation"(p.217). Finally Shane (quoted by Hofstede, 2010) researcher concludes that uncertainty avoiding cultures were slower in innovation. CPEV and societies resist new ideas and theories. For example, it has been a struggle in Colombian to create an innovative culture new technologies take time to implement and the old way could be better in CPEV Countries. G. Hofstede, (Personal interview, September 7, 2012) said that innovation with strong UAI could happen but it had to be led by strong frame it reference. Negotiations could be impacted because acceptance of new products and ideas could be difficult and replacing the old paradigm could take more time in the CPEV countries that in the U.S. Additional research on how a strong UAI impact innovations and the way to create innovative cultures in the CPEV Countries is needed.

Eastman (2008) defines two negotiations style win-win and win-loss. It societies with strong UAI it is a perception that sometimes wrong will happen on the future and could be a tendency to do a short term negotiation a characteristic of a win/loss style negotiation. Colombian researcher, Ogliastri (2001) founds a tendency in Colombia for win-lose negotiation.

The *Uncertainty Avoidance Index* dimension has impact on international business between the USA and CPEV countries because of the differences between the tolerant of the ambiguous and unpredictable USA and the less tolerant of the ambiguous and unpredictable CPEV countries. U.S Americans need to understand the way to attach emotion to the message, the CPEV regulatory environment and the innovation behavior. CPEV negotiators need to detach the emotion to the message, follow the rules strictly and understand the US American behavior. Also, an UAI low average in CPEV countries could show a greater tendency to win/loss negotiation compare with US American. Finally research in *Uncertainty Avoidance* dimension and innovation could improve innovation in CPEV countries.

3. Power Distance Index (PDI): CPEV average score 72/USA score 40. Differences: 27

CPEV countries and USA scored differently in the Power Distance dimension. Power Distance Index is associated with power and hierarchies in a country. A high PDI it is related to a hierarchical society and a low PDI to an equalitarian society. An average 67 score indicates that CPEV countries are more hierarchical than the USA that ranks at a PDI in 40. CPEV less influential members of institutions and organizations, understand and accept that power is distributed unequally. There are at least four areas in which CPEV countries and the USA differences in the Power Distance that could impact negotiation: Negotiator selection, business behavior/decision process and negotiation style.

Negotiators selection/business behavior. Hofstede (2010) state "In hierarchical societies Inequalities among people are expected and desired. In equalitarian society inequalities among people should be minimized"(p.72). The Spanish language as an example of cultural differences has words such as the "estrato" that in Colombia indicates somebody with a certain level of income. "Estrato" could be important in job applications and looking for business partners. CPEV high PDI means less opportunity for lower "estrato" people like maids, watchmen, construction workers and peasants. They expect that you treat them with inferiority, and they will give respect to upper class people like doctors or political figures. Outsiders must be careful with attitudes with people in hierarchies in both societies; they need to treat with the adequate behavior decisions makers and subordinates. This behavior must be used in negotiation and day to day operations. American people need to understand in CPEV countries, small clues in the day-to-day operations such as neighborhoods, universities or club references that indicate how address correctly the hierarchies in CPEV countries. Additionally in CPEV countries the negotiators sometimes could be picking by the references or the hierarchical characteristics not the necessary negotiators skills given an advantage to the U.S negotiators. Additionally because people in high hierarchies

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societies are not interested in diminish inequalities it could have a win/lose negotiation style as Ogliastris (2001) founds in his research.

Decision process. Hofstede (2010) state "In large power distance societies subordinates expect to be told what to do. In a small power distance societies subordinates expect to be consulted" (p.76). For example in daily job operations could be possible that lower ranking CPEV subordinates won't give feedback to his American boss. CPEV subordinates expect that their boss does not want their authority challenged, and they won't give opinions. Additionally, decisions could take more time because they have to be approved for the boss. Also CPEV lower ranking individuals are not accustomed to have responsibility and made decisions. U.S American must be aware of the appropriate role(s) within organizations and that follow up behavior are different in both cultures. Also CPEV Countries must understand that middle rank U.S manager could be more empowered than in CPEV countries and made final business decisions.

The *Power Distance* dimension has impact on international business between the USA and CPEV countries because of the differences between the hierarchical CPEV countries and the equalitarian USA. The right, words and actions must be used by US American to gain the respect by CPEV negotiators. CPEV negotiators must understand that the decision-making process will be faster in USA than in CPEV countries. Finally, PDI high average in CPEV countries could show a greater tendency to win/lose negotiation compare with US American.

4. Masculinity Index (MAS): CPEV average score 60/USA score 62. Differences: 2

CPEV countries and USA scored almost equally in the Masculinity dimension. MAS represent a Masculine or Feminine society. A score of 60 for CPEV countries indicates that it is slightly more feminine than the USA, which scored 62. My own experience and research had found that CPEV countries, differs strongly from the USA because it is a fundamental difference in meaning of life.

Meaning of live and work. Hofstede (2010) state: "People work in order to live in feminine societies, and people live in order to work in masculine societies" (p.170). A paragraph of Samuel Guy Inman (1942) illustrates the Latin American position with respect to this index.

"... Latin America life will probably continue to be a sense of timelessness, an emphasis on the worth of personality, an instinctive protest against the idea that success in business and the accumulation of wealth are superior accomplishments to the acquisition of culture, an insistence that to enjoy life one must renounce whatever rob him independence. In other words, it is life itself, not its position or achievements, that it is most worthwhile. Being what you want to be is more important than getting what you want." (Inman, 1942, p. 36)

The text above shows that Latin America it is a more feminine society than USA according to Hofstede definition about feminine societies. A society that values money over quality life could tend to push the results of the negotiation, and North Americans may have this attitude. It is an impact in international business because of the different importance between money and life quality to both cultures.

The Masculinity dimension has impact on international business between the USA and CPEV countries because of the differences between the masculine USA and the feminine CPEV countries. The meaning of work/live is an area to intercultural research because it is fundamental in CPEV countries value system to be able to work to enjoy life. These areas can be seen as a tremendous value of diversity. Finally, American or CPEV professionals that are not aware of this difference can compromise the foreign negotiation thinking that both parts have the same interest and pressing about the earning results.

5. Long Term Orientation Index (LTO): CPEV average score 18/USA score: 29. Differences: 16.

CPEV countries and USA scored differently in the Long Term Orientation dimension. Long Term Orientation Index is associated with long term view in a country. A high LTO it is related to a long term orientation society and a low LTO to an short term orientation society. An average 18 score indicates that CPEV countries are more short orientation than the USA that ranks at a LTO in 29. Also, I will refer to the Fons Trompenaars research to understand CPEV and USA relation to time and the challenge to do business among USA and CPEV countries. Dr. Fons Trompenaars identifies precise approaches to time, and sequential vs. synchronized use of time in communication. There are at least three areas in which CPEV countries and the USA differences in the time dimension which impact negotiation: long term planning, meeting effectiveness/goal achievement and communication.

Long Term planning. The LTO, Hofstede wrote (personal e-mail November, 5, 2013) wrote that it is related with expecting immediate results, lack of patience. US Americans will have longer planning times than CPEV

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countries. For example in general dates and meeting could be schedule two or three weeks in advances in CPEV countries in USA could be longer frame times maybe a month or two months. It is a different frame time perception that must be reconcile if we want schedules and deadlines will work in both countries. This cultural difference affects the negotiations because the perception of planning and deadlines that are made in USA won't work in CPEV countries and vice versa.

Meeting effectiveness/goal achievement. Trompenaars (1998) state that they are Cultures with precise-reckoning of the time, where time it is a resource that must be saved and time is scarce and limited and cultures with loose-reckoning of the time where it is little punctuality and it is loose recognition of time and time is plentiful. CPEV Countries conception of time is identified with a loose-reckoning perception. Samuel Guy Inman, in one of his chapters with the title Poets vs. Engineers show us the different relation with time the two cultures have. Dr. Inman (1942) state Poets are friends with the time and Engineers measure time really well. Additionally, in a thesis under graduated research that I lead, "Desarrollo de una metodología para la transformación cultural del servicio en el sector hotelero en Colombia", every U.S. American interview during the research agrees on these differences. They agree that almost any appointment in LAN - CPEV countries must be followed with a confirmation call and many times the appointment must be changed and rescheduled. This behavior is very unusual in the USA. Finally, Inman (1942) wrote "The gulf that may for the Anglo-Saxon separate the real and the ideal seems for the Hispanic scarcely to exist"(p.28). These, illustrates the ability of the Latin mind to make an ideal situation, forgetting about the real time constrains. This cultural difference affects the negotiations because loose reckoning of time of CPEV and the precise USA will have different schedule perception and deadlines achievement.

Communication. Dr. Trompenaars (1998) identifies sequential vs. synchronized societies: Characteristics of Synchronically Oriented societies it is to do multiple tasks at a time and sequential do one at a time. I am in Colombia after living ten years in the USA, and it seems to me that everybody tries to handle many conversations at the same time. In the U.S.A., it seems to me that people talk to one person at the time. This cultural difference affects the negotiations because the synchronically CPEV countries and the sequential USA. Individual in USA will speak to one person at a time and CPEV countries will do several things at the time. U.S Americans will perceive CPEV countries and loss of focus and disrespectful and CPEV will perceive U.S Americans are less efficiently if they are not aware of their communications style.

Finally, LTO lower average in CPEV countries could we plan in short term results that it makes a greater tendency to win/loss negotiation compare with US American a win/loose negotiation style as Ogliastri (2001) founds in his research.

The different relation and use of time between USA and CPEV impact in international business in meeting effectiveness, communication and long term planning. Finally, LTO low average in CPEV countries could show a greater tendency to win/loss negotiation compare with US American.

In conclusion, the cultures differences have impact on international business between USA and CPEV countries. The differences in IDV, UAI, PDI, MAS and LTO impact in communication, task achievement, law rule interpretation, negotiators selection, business behavior, decision process, long term planning and meeting effectiveness. Additionally the high PDI/UAI and low IDV/ LOT of CPEV countries could predict a win/loose negotiation style inclination compare with the U.S win to win negotiation Style. Additionally CPEV characteristics like feminine and time perception will imply to adapt by the US Americans to a very important facts of life that Latinos have deeply rooted in their life's. Finally, it is a great opportunity for research in the individualistic, uncertain avoidance and masculine/feminine dimensions between CPEV countries and USA that will improve US and CPEV countries negotiation.

Autor

Fernando A. Parrado H

www.globalminds.co

fparrado@globalminds.co

57 1 4643025/57 3006780566

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fparrado@globalminds.co