

Pioneers of the New West -
Mexico as a Global Market

(Slide 1)

The Importance of Language Training in the NAFTA Countries

Good morning. It's a pleasure to be with you today.

Let me begin with a couple of examples that illustrate why language and cross-cultural training in the global marketplace is so important to international businesses -- especially in the changing climate of North America and, indeed, the entire Western Hemisphere:

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Two colleagues, a businessman from the U.S. and a Mexican businesswoman, are working together on a project. The man,

who notices it's early afternoon, would like to invite the woman to lunch, where they can continue their discussions.

He wants to say, "Tiene hambre usted?" -- Are you hungry? Or, as it's said in Spanish, "Do you have hunger?"

But instead of saying, "Tiene hambre?" he says, "Tiene hombre usted?", which means, Do you have a man?

Obviously, that's not the question he had in mind, and it leads to some embarrassment.

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Or how about the Mexican businessman who is traveling in a car with his North American host. As they drive by a school, he sees a sign that says proudly, "Drug Free School Zone."

He couldn't understand why drugs were being given away for free at school...

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In Mexico, U.S. businesspeople tend to think that "estoy embarazada" means "I'm embarrassed." It doesn't. It means, "I'm pregnant."

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And in the U.S., Mexican businesspeople, drawing on a common term in Spanish, may think "No preservativos" has something to do with a male contraceptive. It doesn't. It has to do with chemical additives in food.

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Here's another example: A young computer salesman has just clinched a big sale in his first overseas pitch. He triumphantly raises

his hand to his Brazilian customers and flashes the classic American "OK" sign.

The friendly atmosphere suddenly grows dark. Our hero quickly realizes something is wrong. He doesn't understand a basic cultural distinction: What's an innocent sign of affirmation in the U.S. is notoriously obscene in Brazil.

Let's take a look at a different scenario.
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Business people from the north are impressed with -- and sometimes taken aback by -- the warmth and rich range of emotional expression Mexicans allow themselves in the course of doing business...

For example, Men may give or receive an *abrazo* or hug when they greet each other; women a kiss on the cheeks.

While that's not typically done in America, business people, however, are generally more informal in the U.S., calling each other by their first names, even when they first meet.

Ron Frahler, a division sales manager at Sara Lee, a leading cake and pastry producer in the U.S, had several insights about adapting to cultural differences in Mexico:

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"I like the fact that they put more importance on the handshake. In America, we like to tie people up in 47 pages of legal documents"...

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He also liked the social aspects of doing business in Mexico, saying a business meal isn't just something to scarf down, "it's a time to get to know people, to talk about

other issues, and spouses may even be included."

Because of his understanding of the culture, Mr. Frahler of Sara Lee is getting his "just desserts" in sales.

It's entertaining to hear about these linguistic and cultural differences, but the point is an important one.

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The point is, in a global marketplace, language and cultural education pays off.

Need for language/cultural training more widely recognized

Japan and the Western European nations have long understood the importance of language and cultural knowledge in the pursuit of business success.

European countries have done so, perhaps, because of their close proximity to each other. The Japanese, living on a small island, had to reach out to others for new markets as well as goods.

Mexicans, too, have long understood the need to communicate with their neighbors. Fortunately, with the emergence of the global marketplace, the United States has come to recognize this necessity, as well.

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In fact, the National Foreign Language Institute reports that 42 percent of public high school students in the U.S. are now studying a foreign language -- the highest percentage since 1928. Mandatory language study in middle schools, and even elementary schools, is now common.

College students and business people also are learning new languages in order to get a leg up on the competition.

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The number of students in the U.S. studying Spanish at Berlitz has increased by 20% from 1988 to 1993. And the number of corporate and institutional clients studying Spanish at Berlitz has increased by 83% in the same time period.

I'm sure I don't have to go into great detail about the business opportunities that NAFTA brings, which has helped to trigger the push in Spanish studies in the U.S.

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Robert Reich, the United States Secretary of Labor, said recently that despite fears of the labor unions, 100,000 U.S. jobs have already

been added as a result of NAFTA's passage last year.

Clearly, trade between the U.S., Canada and Mexico is heating up dramatically.....

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For Mexico, the U.S. represents a market of 250 million people -- a market that is typically open to new products and services, a market that is also easy to reach geographically.

For the U.S., Mexico is an "opportunity country" for several reasons:

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- It's a young market -- about 40 percent of the population is under 15 years old. And Mexico's core adult consumers -- those in the 25-44 year old age group -- are expected

to increase in number by 40 percent during the 1990s -- more than double the rate of this age group in the U.S.

- It's a market that already is culturally integrated, used to buying U.S.-based products, with a border region that has been influenced by both the U.S. and Mexico.
- All major industries have trade associations through which U.S. businesses can gain access
- Mexican firms want to be involved with foreign firms: Because of the need for U.S. technology and marketing expertise, the welcome mat is out.

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As a matter of fact, Mexico has had to import so much U.S.-made machinery and equipment, it has become the U.S.'s third-

largest trading partner... And it's rivaling Japan for second place.

Mexico also happens to be the world's 12th largest economy -- and climbing, thanks, in large measure, to NAFTA. A big reason for confidence in the stability of Mexico's growth is its investment in infrastructure -- specifically in electric power and telecommunications.

Other sectors that are expected to grow in the coming years include agribusiness, tourism, transportation, mining, construction, manufacturing -- from automobiles to soft drinks -- and retailing.

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So, it's easy to understand why both Mexican and U.S. companies see unprecedented opportunity in the whole of North America....

And the best among them are demonstrating enormous agility in dealing with cultural and language differences.

According to Princeton's Bricker Bulletin, A multinational firm is not a firm that conducts business internationally "while unilaterally applying the business practices and management style of the firm's country of origin."

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Instead, it defines a worldwide vision, but **"adapts that vision to the local environments in which it operates."**

Today, visionary businesses are taking the time to honor language and cultural distinctions, and they want managers who are flexible, comfortable and experienced in international settings.

It's really pretty basic: The only way to zero in on what customers and partners want and need is by communicating with them.

The benefit of international experience

A report from the Conference Board on recruiting and selecting international managers provides evidence of this emerging sensitivity.

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From a survey of 130 multinational companies, the report said that businesses are expanding the number and types of executives and managers they're recruiting for foreign assignments. About half have more than 50 executives serving abroad, and 25 percent have between 200 and 2,000.

The Conference Board report also gives us a look at the future profile of senior management. It says that only 42 percent of CEOs at large multinational U.S. companies today have some international experience, as opposed to almost 75 percent of the division heads and functional executives of those firms.

Hal Gregerson, Assistant Professor at Brigham Young's Marriott School of Management, reports that CEOs are becoming increasingly aware of the need.

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He says that "30 to 40 percent of U.S. CEOs believe that international experience will be a necessity for top management by the year 2000." Among European CEOs, that number jumps to 85-95 percent.

At one time, an overseas assignment may have suggested that the mid-career executive was being kicked off the fast track... Today, it probably means that the person is a high-potential employee who's given a developmental assignment as a route to a top spot. Even succession plans and management development are being re-engineered to push fast-track managers into foreign assignments.

And not all the people chosen for these assignments are managers. Increasingly, companies are sending technical professionals and even support staff for these broadening experiences.

But what's the role of foreign language skills in the success and development of these key employees?

Foreign language skills provide a competitive advantage

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The answer is simple: foreign language skills provide a competitive advantage. Here's what some people who speak with the voice of experience have to say:

Leonard Lauder, President of the Estee Lauder Cosmetics Company, wrote a few years ago, "The language of international trade is not English. The language of international trade is the language of the customer."

Well, we couldn't have said it better ourselves.

Lauder continued, " it is self evident that you can't sell unless there's a demand for the product. It is also self evident that you can't begin to understand what people demand if you can't talk to them in their own terms.

Their terms, of course, means their own language."

Colgate-Palmolive is one of those companies trying to fill their executive ranks with managers who have international experience...

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They say that expatriates need to talk with local suppliers or customers, that winning sales from a local competitor may be impossible if the expatriate hasn't bothered to learn the language. In fact, such a lapse will strike some natives as condescending and insulting.

According to John Garrison, Colgate's Manager of Recruitment and Development, learning the language is the employee's "number one priority."

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Just ask Manny Carter, Senior Vice President of International Marketing for Pennzoil. He recently told the Houston press about how language skills removed roadblocks right before his eyes.

In one meeting with South American businessmen -- who spoke excellent English, by the way -- negotiations had broken down. So, Carter tried addressing one of the men in Spanish. Soon he saw the man's eyes grow brighter and wider. The atmosphere changed, progress was made and a personal rapport was established that ended the roadblock.

Now Carter says simply, "I'm only hiring executives for the International Division who speak foreign languages."

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Language skills are just as valuable behind the scenes, too. According to Dr. Soliman Shenouda, the Technical Manager in Latin America for Kraft General Foods International, a big benefit is being able to break down the barrier between management and labor.

"As I speak directly to people on the lines at the factories," he says, "I get a spontaneous response; and people are so appreciative." He says another valuable timesaver is reading weekly reports from product development teams in Spanish without having to wait for the translations.

David Weeks, the author of the Conference Board study, agrees. "If you have a good knowledge of a language," he says, "you can converse with people. And in that conversation, you can pick up a tremendous amount of business-related knowledge.

"It may be fine to have a global viewpoint, but the inability to speak the language causes you to miss a lot of the nuance and business intelligence that could produce breakthroughs rather than mediocrity."

And in today's competitive world, most companies can't afford mediocrity.

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Oh, and let's not forget what language proficiency can do for an individual's career, especially in a world in which MBAs have become common.

How cultural training can help global companies

Now what about cross-cultural training?
Remember our friend who flashed the all-

American "OK" sign to his astonished Brazilian colleagues?

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Robert Lundeen, the former Chairman of Dow Chemical, also admitted, "I once blew a negotiation because I wasn't culturally sensitive enough." He says future chief executives "are going to make or break it by their ability to work cross-culturally. They don't need more finance or strategic planning."

Paul Groth of 3M Mexico observes, "The people who are going to be very successful here in Mexico are the people who understand both cultures... and it's more than just speaking two different languages; it's actually understanding cultural barriers and how to deal with them."

So, whether you're doing business in the U.S. or Mexico, culture is not a separate part of doing business -- it is business.

Let me illustrate by comparing and contrasting some cultural differences that may affect business dealings:

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- In Mexico, for instance, the relationship is key... the deal will come later. Mexicans want to know who you are before they decide on the business you bring to the table. Socializing comes first -- but you can make it a calculated and diplomatic expression of your professional, educational and social credibility... if you do it humbly.

North Americans, on the other hand, don't place a great deal of emphasis on a relationship with someone before doing business. "Cold calling," or calling on

someone without an introduction, is perfectly appropriate in the U.S. Decisions, therefore, can be made fairly quickly based on the merits of the deal itself, and not necessarily on the individuals involved.

- Mexicans can be prompt but, it's true, they are not ruled by the clock in the same way that *Norteamericanos* are. Arrive on time, but expect to wait. And do not comment about being kept waiting.

In the U.S., the expression, "time is money" is the rule. Some people consider it rude if you're more than 15 minutes late for an appointment, unless there's a very good excuse.

Business people in the U.S. make their points quickly -- they're more interested in the bottom line and the "here and now."

While a business lunch is a time to get acquainted in Mexico, a business lunch or breakfast in the U.S. is just that. Expect to proceed quickly to the business topic at hand with little or no "chit chat." In most cases, lunches are no more than an hour, and it's not uncommon for North Americans to order a sandwich or salad to be eaten at their desks.

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- While Mexicans tend to express themselves more emotionally in business, offering hugs and kisses to their associates, there is still a formality in the way people are addressed. "Señor" and "señora" are appropriate.

On the other hand, North Americans aren't as physical but generally call business

associates by their first names, with the exception of "elders" in very high positions.

If you're invited to call someone by his or her first name in the U.S., do so; to continue with Mr. or Mrs. could be misinterpreted as being unfriendly.

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- Also people from the U.S. should not refer to themselves as "American" while in Mexico. Mexicans will remind them accurately that they are Americans, too. "Norteamericanos" should also demonstrate a keen interest in the history and culture of the Mexican civilization. Mexicans are rightly proud of their complex Indian, European and modern heritages.

(pause)

When companies don't or won't adapt to the culture in which they are doing business, what happens?

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Failed assignments happen. Very expensive failed assignments.

In fact, about 30 percent of transferees return early from overseas assignments, fail to perform well, or leave the company less than two years after the assignment is finished, says PHH Homequity's Deborah Conlon, who spoke to you just a few moments ago.

And how much do you think is lost due to failed foreign assignments?.....

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Probably between \$2 billion and \$2.5 billion a year, according to J. Stewart Black, an

associate professor at the American Graduate School of International Management.

That's a powerful incentive.

But what is the reality of training for global managers in U.S. firms? While it is increasing, management researchers have found the following facts to be consistent over time and across industry, according to the book "Global Assignments," co-written by Professor Black:

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1. Only about 35 percent of U.S. firms offer any predeparture, cross-cultural, or language training for their global managers. Therefore, 65 percent of U.S. firms send their "troops" into battle overseas without any "combat training."

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2. Of that 35 percent that do offer cross-cultural training, the training is not very rigorous. A passive approach -- watching films, reading books, and talking with people who have lived in the country of assignment -- is the most common. Few firms offer their global managers in-depth, face-to-face, skill-centered cross-cultural training.

3. Firms do not include spouses in any training that is offered, an issue that I'll touch on in a few minutes. Those firms that do are exceptions that prove the rule.

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4. Cross-cultural training programs have been shown in empirical evaluation studies to enhance job performance, adjustment to

the new culture, and development of cross-cultural managerial skills.

So, even though cross-cultural training has proven to be effective, few global managers receive pre-departure training. No wonder so many people struggle in their overseas assignments.

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According to Professor Black's book *Global Assignments*, "the question is not whether firms should spend time and resources training their global managers before they depart for their overseas assignments, but rather how firms can go about constructing valid cross-cultural training approaches to meet the needs of their global managers."

Despite massive cutbacks at General Motors, for example, the auto giant still spends \$500,000 a year on cross-cultural

training for about 150 Americans and their families headed abroad.

They believe it has contributed substantially to their low premature return rate -- one percent among GM expatriates. This compares with a 25 percent rate at companies that don't properly select and coach these vulnerable employees for their new cultural environment.

Now what's the biggest threat to success for expatriate employees?

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Several sources say that most international business assignments fail not because of an employee's inability to adapt to a foreign work assignment. They fail **because of the family's inability to adapt to a new culture.**

After all, the employee has a network of support at the office and colleagues to talk with everyday. In contrast, the spouse and children are out there on their own in a foreign environment.

That's why just about everyone agrees that understanding the host country language and culture are a must for the families of expatriates. And that's why almost all of the companies in the Conference Board survey support language instruction both before and after the expatriate family relocates to a new assignment...

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Finally, cross cultural training can be a tool to encourage tolerance and flexibility in an organization -- to push the message that no cultural system is good or bad, just different.

Costs of language/cultural training:

your best insurance policy

But what about the costs?

Actually, the cost of acquiring the necessary language and cultural skills usually represents the smallest percentage of the company's expense for traveling or relocating an executive overseas.

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In fact, we have figured that the average cost for relocating a family of four overseas for four years is probably between \$500,000 and \$1 million, depending on where the assignment is.

Only about one or two percent of this sum will be spent to prepare an executive and his or her family to communicate and function effectively in their temporary homeland.

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And for the employee who travels on business, assuming four trips a year, the average company expenditure is approximately \$37,000. Only 10 percent designated for language and cultural training-- about \$3,700 -- will help the executive make the most of his or her time spent abroad...

And remember, this is just a one-time expense; the employee will always have these skills to draw on.

In today's competitive world, where every advantage should be exploited, the development of language and cultural skills has become a highly cost-effective business insurance policy.

Language and cross-cultural training certainly are not cure-alls for the many

challenges companies face in the international arena ...

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However, the **measurable, positive results** -- along with **the relatively small investment** -- far outweigh the consequences of missed business opportunities, or a failed million dollar international assignment.

We're living and competing in a new world of ever-increasing "free" trade. Nowhere is this more evident than right here on the North American continent...

Think about it. Could you possibly conduct business today without computers, phones or faxes? It would be unheard of.

As the world comes closer together with communication technology, and through

ground-breaking global alliances, language and cultural training may just be the most basic of all tools.

Thank you very much.

Slide Ideas

1. The impact of language and culture on business?
2. How not to invite someone to lunch...
3. Just say NO...
4. Embarrassed?
5. (show illustration of packaged foods)
6. (use existing "OK" slide)
7. (show businessmen hugging)
8. (show close-up of handshake)
9. (show people conversing during a meal)
10. (use existing slide - In a global marketplace, global education pays off)
11. (use existing slide - National Foreign Language Institute Reports)
12. 20% increase in number of U.S. students studying Spanish - 1988-1993
83% increase in corporate clients studying Spanish - 1988-1993
13. 100,000 U.S. jobs
14. United States:
 - market of 250 million people
 - open to new products/services
 - geographically accessible
15. Mexico:
 - young market
 - culturally integrated
 - trade association network
 - interest in U.S. capabilities
16. Mexico:
 - 3rd largest U.S. trade partner
 - 12th largest economy
 - range of growing industries
17. U.S.:
 - OPPORTUNITY
 Mexico:
 - OPPORTUNITY
18. Adapting a worldwide vision to the local environments
19. (use existing slide - Conference Board study)

20. International experience will be a necessity for top management
21. Foreign Language Skills Provide a Competitive Advantage
- **"Language of international trade is language of the customer"**
22. Foreign Language Skills Provide a Competitive Advantage
- "Language of international trade is language of the customer"
 - **Win sales from local competitors through language**
23. Foreign Language Skills Provide a Competitive Advantage
- "Language of international trade is language of the customer"
 - Win sales from local competitors through language
 - **Establish a personal rapport**
24. Foreign Language Skills Provide a Competitive Advantage
- "Language of international trade is language of the customer"
 - Win sales from local competitors through language
 - Establish a personal rapport
 - **Breakdown barriers between management and labor**
25. Foreign Language Skills Provide a Competitive Advantage
- "Language of international trade is language of the customer"
 - Win sales from local competitors through language
 - Establish a personal rapport
 - Breakdown barriers between management and labor
 - **Pick up business-related knowledge and "intelligence"**
26. Foreign Language Skills Provide a Competitive Advantage
- "Language of international trade is language of the customer"
 - Win sales from local competitors through language
 - Establish a personal rapport
 - Breakdown barriers between management and labor
 - Pick up business-related knowledge and "intelligence"
 - **Advance your career**
27. How Does Cultural Training Help Global Companies?
- **Reduces risk of losing a deal due to lack of cultural sensitivity**
28. Mexico -- RELATIONSHIPS -- U.S.
29. Mexico -- TIME -- U.S.
30. Mexico -- FORMALITY/INFORMALITY -- U.S.

31. Mexico -- "Americans" -- U.S.
32. How Does Cultural Training Help Global Companies?
 - Reduces risk of losing a deal due to lack of cultural sensitivity
 - **Curbs high cost of failed expatriate assignments**
33. (use existing slide - How Much is Lost Due to Failed Foreign Assign.)
note: change Prof. Black's title to Assoc. Professor at American Graduate School of International Management)
34. "Global Assignments"
 - **Only 35% of U.S. firms offer cross-cultural training**
35. "Global Assignments"
 - Only 35% of U.S. firms offer cross-cultural training
 - **Most training is not very rigorous**
36. "Global Assignments"
 - Only 35% of U.S. firms offer cross-cultural training
 - Most training is not very rigorous
 - **Enhances job performance, adjustment to culture, management skill development**
37. Not whether but how firms should build valid cross-cultural training
38. (use existing GM slide)
39. (use existing "Biggest Threat" slide)
40. (use existing slide - Cross-Cultural Training is a Tool too)
41. (use updated pie chart slide on relocation costs to reflect new figures)
42. (use updated pie chart slide on business travel to reflect new figures)
43. Language and Cross-Cultural Training
 - **Measurable, positive results; relatively small investment**
 - **Foundation of all modern communication technology**
 - **The most basic of all tools**