

Negotiating International Business - Chile

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.

Partly owing to Chile's location at the southern tip of Latin America, most businesspeople and officials in the country have only limited exposure to other cultures except for neighboring countries. Its culture is quite homogeneous. When negotiating business here, realize that people may expect things to be done 'their way.' However, some among younger generations may have greater international experience and can be very open-minded.

Relationships and Respect

Chile'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 relationships is very important to many Chileans, who often find it essential to establish strong bonds prior to closing any deals. People in this country usually want to do business only with those they know, like, and trust. 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.

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.

Establishing personal relationships with others in Chile can create powerful networks and may help you a lot to achieve your business objectives. 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 rely mostly on strong friendships that also represent dependable mutual obligations. They may open doors and solve problems that would otherwise be difficult to master. Maintaining honest and cordial relations is crucial.

While Chileans are usually warm and friendly, they 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. Causing embarrassment to another person or openly criticizing someone in front of others can have a devastating impact on your negotiation. Character and kindness towards others are essential qualities. You will earn people's respect by showing empathy for others, treating everyone with dignity, and avoiding all aggressive behaviors.

In Chile's business culture, the respect a person enjoys depends primarily on his or her status, rank, and education. Admired personal traits include sincerity, honesty, and integrity.

Communication

While the official language of Chile is Spanish, it is notably different from the Spanish spoken in Spain. Many businesspeople speak at least some English, but 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. 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.

People in this country usually speak softly. While they may occasionally raise their voices to make a point, they dislike loud and boisterous behavior. At restaurants, keep conversations at a quiet level. In addition, avoid dominating the conversation. Emotions are usually not shown openly. People may converse in close proximity, standing only two feet or less apart. Never back away, even if this is much closer than your personal comfort zone allows. Doing so could be read as a sign that you are uncomfortable around them.

Communication in Chile is generally direct. However, people may sometimes tell you what they think you want to hear rather than what they really think. In addition, they may be reluctant to disagree openly with someone they like, in which case it can become difficult to know their true opinion. Silence may indicate that there is a problem.

Gestures and body language may be lively, but not overly so. There may be frequent physical contact with others of the same gender. This may include putting their hands on your shoulder while speaking to you. Slapping the open hand over a fist is a vulgar gesture. Eye contact should be very frequent, almost to the point of staring. This conveys sincerity and helps build trust.

Initial Contacts and Meetings

Choosing a local intermediary, or *enchufado*, who can leverage existing relationships to make the initial contact is highly recommended. This person will help bridge the gap between cultures, allowing you to conduct business with greater effectiveness. Your embassy, a trade organization, a chamber of commerce, or a local legal or accounting firm may be able to provide a list of potential *enchufados*. Alternatively, seek out the help of a local bank or consultant. Without such a contact, it may be difficult to gain access to the right people.

It is often better to conduct negotiations in Chile with a team of negotiators rather than to rely on a single individual. This signals importance, facilitates stronger relationship building, and may speed up the overall process. 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.

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 Chilean side, who may also be the ultimate decision maker, may attend only initially. The most senior Chilean 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 two weeks in advance. Since Chileans want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. While meetings may start late, Chileans generally expect foreign visitors to be punctual. Avoid being more than 10 to 15 minutes late, and call ahead if you will be. Displaying anger if you have to wait reflects 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, then family name or names. Most Chileans 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 family name (the first one if two family names are given). If a person has an academic title, use it instead, followed by the family name. Only close friends call each other by their first names. Introduce and greet older people first, then greet everyone else individually. Introductions are accompanied by handshakes. Men should wait for women to initiate handshakes.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. It is strongly 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. Never stuff someone's card into your back pocket or otherwise treat it disrespectfully. In addition, never write on a person's business card.

Meetings start with small talk, which may be extensive. This may include personal questions about your background and family, allowing participants to become acquainted. It is important to be patient and let the other side set the pace. 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 Chile. Initial meetings may appear very formal, but the atmosphere usually is a bit more relaxed in subsequent meetings.

The primary purpose of the first meeting is to become acquainted and build relationships. Business may actually not be discussed at all. It is very unrealistic to expect initial meetings to lead to straight decisions.

Presentation materials should be attractive, with good and clear visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. 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 - To Chileans, negotiating is usually a joint problem-solving process. 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. The primary negotiation style is cooperative and people may be open to compromising if viewed helpful in order to move the negotiation forward. Chileans are often very serious and straightforward negotiators. Since they believe in the concept of win-win, they expect you to reciprocate their respect and trust. It is strongly advisable to avoid aggressiveness and open confrontation, remaining calm, friendly, patient, and persistent.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution by showing flexibility and willingness to compromise. Emphasizing the long-term benefits of the deal may also help.

Sharing of Information – Even when personal relationships are strong, your Chilean counterparts may be reluctant to share information openly. Many believe that privileged information creates bargaining advantages.

Pace of Negotiation – While negotiations may be slow and protracted, Chileans are less bureaucratic and often move a bit faster than other Latin Americans may. On the other hand, they see

impatience as a sign of weakness and may even think it rude. Be prepared to make several trips if necessary to achieve your objectives. Relationship building, information gathering, bargaining, and decision making may take considerable time. Throughout the negotiation, be patient, control your emotions, and accept the inevitable delays.

Most Chileans 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.

Bargaining – Chileans are not fond of bargaining and strongly dislike haggling. Even in the country's street markets there is much less bargaining than in other countries in Latin America. Extensive negotiations may only lead to little movement. Prices rarely move by more than 15 to 25 percent between initial offer and final agreement. Throughout the exchange, remain cool and respectful, avoid confrontation, and frequently reaffirm the relationship. If needed, show willingness to compromise.

During the bargaining exchange, keep in mind that intangible benefits such as increases in power and status may sometimes be more desirable to your counterparts than financial gains may. Offers to provide continuing service to a Chilean client, in spite of long distances, can also be valuable bargaining concessions. Businesspeople in the country often find it difficult to overcome the isolation imposed on them by geography.

Chileans often prefer a straightforward negotiation style. They use deceptive techniques only infrequently, such as telling lies and sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, or misrepresenting an item's value. Do not take such tactics personally and refrain from lying at or grossly misleading your counterparts, as doing so might damage business relationships. 'Good cop, bad cop' is rarely used, though it could be effective on either side of the negotiation table. However, it would 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. Chileans may claim limited authority, stating that they have to ask for their manager's approval. This could be a tactic or the truth.

Negotiators in the country use pressure techniques very carefully since there is always a risk of hurting someone's pride. Opening with your best offer may work if presented right. Final offers and nibbling are rare and should be used with great caution. Never imply that your counterparts' only choices are 'take it or leave it' – they will very likely choose the latter. Silence can be a very effective way to signal rejection of a proposal or to obtain further concessions. Do not use pressure tactics such as applying time pressure or making expiring offers as these may be taken as signs that you are not willing to build a long-term relationship. Your counterparts may even choose to terminate the negotiation.

Chilean 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. Opening with an extreme offer could be viewed as an unfriendly act. It is best to open with one that is already in the ballpark of what you really expect. 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, attempting to make you feel guilty, grimacing, or appealing to personal relationships, may occasionally be employed. It is best to remain calm. At times, Chileans may also employ defensive tactics such as changing the subject, asking probing or very direct questions, or making promises.

Corruption and bribery are rare in Chile, though not completely unheard of. Both legally and ethically, it is advisable to stay away from giving gifts of significant value or making offers that could be read as bribery.

Decision Making – Most companies tend to be very hierarchical, and people expect to work within clearly established lines of authority. Decision makers are usually top executives who will consider the best interest of the group or organization. In most cases, they will consult with others to reach greater consensus and support. They 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 can be a slow process that requires much patience. Attempts to rush or put pressure on the process are not likely to succeed.

When making decisions, businesspeople may not rely much on rules or laws. They usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh more strongly than empirical evidence and other objective facts do. Chileans 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 since oral statements and even handshakes are not always dependable. Do not rely on interim agreements to be final, even if they come in the form of written protocols. Any part of an agreement may still change significantly before both parties sign the final contract.

Written contracts tend to be lengthy and often spell out detailed terms and conditions for the core agreements as well as for many eventualities. Nevertheless, writing up and signing the contract is a formality. Chileans believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation.

It is strongly advisable to consult a local legal expert before signing a contract. However, do not bring in your attorney until the negotiations have concluded. Chileans may read it as a sign of mistrust if you do.

Contracts are usually dependable, and the agreed terms are viewed as binding. Although partners are expected to remain somewhat flexible, requests to change contract details after signature may meet with strong resistance.

Women in Business

Although many Chilean women are professionally advanced, *Machismo* attitudes remain strong in this country. Women may still be considered inferior, and they still rarely attain 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 a lot.

Female business travelers 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 very important not to appear overly bold and aggressive.

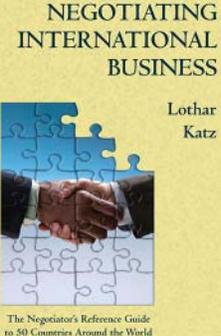
Other Important Things to Know

Good posture and impeccable appearance are very important in Chile, as are proper etiquette and table manners. Dress conservatively and make sure shoes and suit are in excellent condition. First impressions can have a significant impact on how people view you.

Business lunches are common and can be extensive. They create good opportunities for business discussions.

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 30 minutes or more is perfectly acceptable.

Topics best avoided are the continuing tensions and conflicts between Chile and Argentina. Avoid making comparisons or talking about the similarities between the two countries. In addition, do not refer to citizens of the United States as Americans. Most Latin Americans are sensitive to this point as they feel that the term includes them. They prefer to say *norteamericanos* or *North Americans*.

	<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>www.NegIntBiz.com</p>
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