

# The Global Business Culture Guide - Peru

*This section is an excerpt from the book "The Global Business Culture Guide - Hints and Caveats for Doing Business in 50 Countries around the World" by Lothar Katz.*

## Peru

<i>Capital:</i>	Lima
<i>Time Zone:</i>	Peru Time, PET (UTC - 5:00)
<i>Currency:</i>	Nuevo Sol (S/., PEN)
<i>Area:</i>	1.29 million km <sup>2</sup> (20 <sup>th</sup> in the world)
<i>Population:</i>	29.8 million (42 <sup>nd</sup> in the world)
<i>Median Age:</i>	26.7 years
<i>Ethnic Groups:</i>	Amerindian 45%, mestizo 37%, white 15%, other 3%
<i>Religions:</i>	Roman Catholic 81%, Evangelical 13%, other/unspecified/none 6%

### *Historic and Geographic Influences*

#### **History**

One of the last Spanish American colonies to declare independence, Peru became a republic in 1824 but remained politically instable during much of its history, with frequent in-fighting between civil elites and military on one side and revolutionary forces on the other. The most recent period of military rule in the country ended in 1975.

During the 1980s, Peru suffered from considerable debt and financial instability, drug trafficking, and repeat instances of political violence.

## Events That Shaped Today's Society

Alberto Fujimori, a Peruvian of Japanese descent who served as the country's president from 1990 until 2000, is widely credited with achieving greater stability and economic progress for the country. His methods drew accusations of authoritarianism and human rights violations. Though still fairly popular, he was sentenced to long imprisonment in 2007, which still nurtures controversies in the country today.

## Diversity

Peru's is a multiethnic country with a pluralistic culture, defined by the most significant population groups, *Amerindians*, whites, and *Mestizos* (mixed Amerindian and white), as well as numerous others of predominantly European, African, and Asian descent.

Businesspersons and officials in Peru usually have only limited experience in dealing with members of other cultures except for neighboring countries, and business practices may appear somewhat old-fashioned. When conducting business here, realize that people might expect things to be done 'their way.'

### **Recent Trends**

*Peru lags behind the economic progress of several other Latin American countries, such as Brazil or Chile. The country benefitted little from post-millennium globalization forces and faces considerable economic challenges. At the same time, its society remains traditional, with a small elite still largely determining the fate of the country. It still does not have much of a middle class, nor does its political system appear stable enough to weather a major crisis.*

*Today, Peruvians are possibly even more risk averse than in the past. It can be difficult to get local partners to focus on long-term benefits if these require making significant changes. If you expect them to support a risky decision, you might 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.*

## *Relationships and Respect*

### **Group Orientation**

Peru's culture is generally group-oriented. Asserting individual preferences could 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 very important to most Peruvians, who 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. Even though Peruvians generally admire foreigners, this can be a time-consuming process.

## **Respect and Trust**

In Peru's business culture, respect depends primarily on status, rank, education, and age. Admired personal traits include sincerity, integrity, and sociability.

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, so keep your company interfaces unchanged.

Establishing personal relationships with others in Peru can create powerful networks and help you considerably in achieving your business objectives. Whether people think you are worth knowing and trusting often weighs much more strongly than how competent you are or what kinds of proposals you make. Personal networks can open doors and solve problems that would otherwise be difficult to master. Maintaining honest and cordial relations is crucial, as are tact and diplomacy in all your interactions with others. Third party introductions can be very helpful as a starting point to building a trusting relationship with a potential partner.

## ***Communication***

### **Two Official Languages**

The country's official languages are Spanish and Quechua. Peruvian Spanish is notably different from the Spanish spoken in Spain. Few Peruvians speak English well, so being able to speak Spanish is a clear advantage. Otherwise, it is often useful to engage an interpreter.

### **Conversation Preferences**

People in this country usually speak softly. While they occasionally raise their voices to make a point, most dislike loud and boisterous behavior. People might 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 your counterparts.

### **Relatively Indirect Communication**

Communication in Peru is usually not overly direct. People may not get straight to the point when trying to get a message across and you might have to read between the lines to understand what is being conveyed. They might tell you what they think you want to hear rather than what they really think. Silence could express embarrassment or otherwise communicate a negative message. It is beneficial to use a similarly indirect approach when dealing with Peruvians, as they could perceive you as rude and pushy if you are too direct. The communication can become more direct and frank once a strong relationship has been established.

## **Expressive Non-Verbal Communication**

Gestures and body language can be lively, especially if they help underline what is being said. There can be frequent physical contact with others of the same gender. The American OK sign, with thumb and index finger forming a circle, could be read as an obscene gesture in Peru. Lightly tapping the head signals, 'I'm thinking.' Eye contact should be very frequent, almost to the point of staring. This conveys sincerity and helps build trust.

## ***Initial Contacts and Meetings***

### **Local Intermediary Helps**

Choosing a local intermediary, or *enchufado*, who can leverage existing relationships to make initial contacts, 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*. Without such a contact, it can be very difficult to get access to the right people.

### **Meeting Protocol**

If possible, schedule meetings at least two weeks in advance. Since people want to know whom they will be meeting, provide details on attendees' titles, positions, and responsibilities ahead of time. While meetings can start considerably late, Peruvians 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, showing signs of impatience if the meeting starts considerably late, which can be more than an hour after the scheduled start time, will only reflect very poorly on you. Titles and age of the Peruvian participants provide clues to their position in the company hierarchy. Otherwise, watch for small hints of deference to identify the decision makers.

### **Naming, Greetings, and Business Cards**

Peruvian names are usually given in the order of first name, family names. Most people here 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, like Doctor (often used for anyone with an advanced degree) or Professor, use it instead, followed by the father's family name. Only close friends call each other by their first names. Introductions are accompanied by handshakes.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. Show advanced 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, make sure 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.

### **Meeting Atmosphere Can Be Formal**

Meetings start with small talk, which can be extensive. 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 Peru, and meetings can be very formal. At the same time, they can 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 primary purpose of the first meeting is to become acquainted and build relationships. Business might get discussed, but do not hurry along with your agenda. Although the primary decision maker will usually attend, it is unrealistic to expect initial meetings to lead to straight decisions.

Peruvians generally prefer a polychronic work style, pursuing multiple actions and goals in parallel. In discussions, they often take a holistic approach and seemingly jump from one topic to another rather than addressing them in sequential order. Visitors from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, often find this style confusing, irritating, even annoying. In any case, do not show irritation or anger when encountering this behavior.

## ***Negotiation***

### **Usually Cooperative, But Tough Negotiators**

Peruvians value expect long-term commitments from their business partners and focus mostly on long-term benefits when negotiating. Most people here are cooperative but may be unwilling to agree with compromises unless that is their only option to keep the negotiation from getting stuck. Nevertheless, one important function of the bargaining exchange is to build and strengthen relationships. Since most Peruvians believe in the concept of win-win, they expect you to reciprocate their respect and trust. You may be able to leverage the fact that many Peruvian businesspersons are eager to receive foreign business investments. However, it is strongly advisable to avoid aggressiveness and open confrontation, remaining calm, polite, patient, and persistent.

### **Bargaining Phase Can Be Extensive**

Even when personal relationships are strong, your Peruvian counterparts could be reluctant to share information openly during negotiations and other business interactions. Many believe that privileged information creates bargaining advantages. At the same time, seemingly irrelevant information could get reviewed over and over.

Peruvians are used to hard bargaining and haggling. The bargaining exchange can be extensive. Although people in the country might show interest in new ideas and concepts, they may find it difficult to change their position. Be respectful throughout your business interactions. Rather than pushing for concessions, it might be better to re-address disagreements in follow-up meetings, which gives your counterparts the opportunity to reconsider their position without overtly losing *face*. Prices can move by about 25 to 35 percent between initial offer and final agreement. Leave yourself sufficient room for concessions at different stages. Throughout the process, remain calm and respectful, avoid confrontation, and frequently reaffirm the relationship.

### **Negotiation Caveats**

Although Peruvians generally prefer a straightforward negotiation style, lies and other attempts to mislead a counterpart in order to obtain negotiation advantages are not uncommon. Do not take such tactics personally. Verify the information you receive through other channels. However, 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.

Peruvian negotiators avoid openly aggressive or adversarial behaviors. While they might issue indirect threats and warnings, or subtly display anger, they will be careful not to appear aggressive when doing so. Never walk out or threaten to do so in an aggressive fashion, as your counterparts will likely take this as a personal insult and might end all talks.

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 – but only if the Peruvian side indeed views the relationship as strong.

### **Relationships Help Resolve Disputes**

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution by leveraging personal relationships and emphasizing long-term benefits.

## ***Decision Making, Agreements and Contracts***

### **Hierarchical Decision Making**

Most companies are hierarchical and people expect to work within clearly established lines of authority. Decision makers are usually senior executives who will consider the best interest of the group or organization. They might consult with others and prefer to reach consensus before making the final call. Consequently, subordinates could strongly influence the final decision and maintaining good relationships with them can be crucial to your success. Decision making can be a slow process that requires much patience. Expect your business interactions to be slow and protracted. Attempts to rush or put pressure on the process are not likely to succeed. Peruvians do

not hurry and dislike people who do. Be prepared to make several trips if necessary to achieve your objectives. Relationship building, the information exchange, negotiating, and decision making can all take considerable time. Throughout your interactions, be patient, control your emotions, and accept the inevitable delays.

Corruption and bribery are quite common in Peru's public and private sectors. It may help if you introduce and explain your company's policies early on, but be careful not to moralize or appear to imply that local customs are unethical.

### **Rules and Risk Taking**

When making decisions, businesspersons might 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. Peruvians are often uneasy with change and reluctant to take risks.

### **Contracts Not Always Kept**

Oral commitments could sound stronger than what your Peruvian counterparts might be willing to put in writing. Do not rely on interim agreements to be final, even if they come in the form of written protocols. Any part of an agreement could still change significantly before the parties sign a contract.

Signed contracts are not always honored. This depends to no small degree on the strength of the continuing relationship between the contract partners. It is strongly advisable to continue staying in touch and maintaining the trust of your Peruvian business partner.

Business partners usually expect the other side to remain somewhat flexible if conditions change, which might include accepting modify contract terms. Given the relatively unstable political and economic situation in the country, you should factor this possibility into your negotiation planning.

## ***Gender Roles in Business***

### **Male-Dominated Society**

*Machismo* attitudes remain strong in this country. Women are sometimes 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 that of your own role. A personal introduction or a letter of support from a senior executive within your company can 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 avoid appearing overly bold and aggressive.

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

#### **Faith Rarely Impacts Business Exchanges**

Religious practices normally do not play much of a role when doing business here. However, given the strong Catholic majority in this country, it is important to remain respectful of the religion and its values. Getting invited to a family ceremony, such as a wedding or a child's communion, indicates that your counterparts consider you a trusted business partner.

#### **Eating, Drinking, and Etiquette**

Formal, conservative 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 lunches and dinners are common. Do not expect to discuss business over dinner, though. At restaurants, keep conversations at a quiet level.

Most restaurant and bar bills include a 10 percent service charge. It is customary to add a tip of up to 10 percent if the service received was good. Tipping taxi drivers is not common.

Social events do not require strict punctuality. While it is best to arrive at business dinners close to the agreed time, being late to a social dinner or party by 30 minutes or more is perfectly acceptable.

#### **Gift Giving**

Gift giving is common in social and business settings in Peru. It can be beneficial to bring a small gift, preferably something that is typical of your home country, for your initial meeting. If invited to someone's home, bring a small gift. Gifts are usually opened when received.

#### **Conversation Pitfalls**

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*.

**Peru: Do ...**

- ... try to find an enchufado, a local intermediary, to help you make initial contact*
- ... invest significant time and energy to establish strong relationships prior to entering into negotiations*
- ... consider that in this country, appearing competent or creative may weigh far less than whether people think you are worth knowing and trusting*
- ... keep frequent eye contact, almost to the point of staring, as doing so conveys sincerity and builds trust*

**But Don't ...**

- ... change company contacts unless you absolutely have to, since doing so could mean having to start over with relationship building*
- ... show signs of impatience or anger if you are kept waiting*
- ... say 'no' without carefully dressing up the message. It is important to communicate disagreement tactfully and somewhat indirectly.*
- ... appear boisterous or aggressive*