

Negotiating International Business - Venezuela

This section is an excerpt from the 2017 edition of the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz.

Businesspeople and officials in Venezuela, especially outside of Caracas, usually have only limited exposure to other cultures except for neighboring countries. The country's 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 open-minded.

Relationships and Respect

Venezuela's culture is generally group-oriented. Asserting individual preferences can 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 Venezuelans. While younger businesspeople may focus primarily on the deal at hand, most from the older generation find it essential to establish strong bonds prior to closing any deals. Generally, people may want to do business only with those they know, like, and trust. If they initially seem suspicious and non-committal, you may be able to overcome this with consistent friendliness and goodwill. Establishing productive business cooperation requires a long-term perspective and commitment. Proceed with serious business discussions only after your counterparts have become comfortable with you. This can be a time-consuming process and may require several trips to strengthen the bonds. Venezuelans tend to distrust people who appear unwilling to spend the time or whose motives for relationship building are unclear.

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. This makes it highly beneficial to keep company interfaces unchanged. Changing a key contact could require the relationship building process to start over.

Establishing personal relationships with others in Venezuela can create powerful networks and may help you a lot to achieve your business objectives. Who you know could determine whether people want to get to know you. Similarly, whether people think you are worth knowing and trusting often weighs much more strongly than how competent you are or what proposals you may have to make. Personal networks may open doors and solve problems that would otherwise be difficult to master. Maintaining honest and cordial relations is crucial. Third party introductions can be very helpful as a starting point to building a trusting relationship with a potential partner.

In Venezuela's business culture, the respect a person enjoys depends primarily on his or her status, rank, and education. Showing status is important since people will take you more seriously. Carefully select your hotel and transportation. Use the services of others, such as a porter, to avoid being viewed as a low-ranking intermediary. The extreme differences that exist between the rich and the poor in this society are usually accepted, and people believe that those in powerful positions are entitled to the privileges they enjoy. Accordingly, showing respect to those of higher status is very important. Admired personal traits include sincerity, integrity, and charisma.

Communication

While the official language of Venezuela is Spanish, it is notably different from the Spanish spoken in Spain. Around 40 other languages are spoken in the country. Many businesspeople speak at least some English, but being able to speak Spanish is a clear advantage. With high-ranking managers, it can otherwise be useful to engage an interpreter. In order 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 key points, 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. Venezuelans generally 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 Venezuela can be direct and straightforward, much more so than in other Latin American countries. This is especially the case among friends and close business partners. Early in the business relationship, people may communicate more indirectly, appearing somewhat vague and non-committal. If in doubt, watch for subtle messages that may signal issues and concerns. Silence is often a way to communicate a negative message.

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 Venezuela. 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*. Without such a contact, it can be difficult to gain access to the right people.

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

If possible, schedule meetings at least two weeks in advance. Since people want to know who they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. It may be best to send an individual to the initial meeting. Subsequent meetings may include other members of your delegation. Venezuelans generally value punctuality much more highly than other Latin Americans do. At business meetings, it is best to be right on time, since being late without having a valid and plausible excuse can be a serious affront. If a delay of more than 5 to 10 minutes happens, especially in Caracas with its sometimes-chaotic traffic, call ahead and apologize profoundly, even if it is not your fault.

Names are usually given in the order of first name, family names. Most Venezuelans have two family names, the first one from their father, and the second one from their mother. Use *Mr./Mrs./Miss* or *Señor/*

Señora/Señorita, plus the father's family name, which is always the first one of the two family names given. If a person has an academic title, such as *Doctor* or *Professor*, use it instead, followed by the father's family name. Only close friends call each other by their first names. Introduce or greet the oldest person first. Introductions are accompanied by firm 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 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 can be extensive. This could 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 Venezuela. Initial meetings may appear formal, but the atmosphere usually gets a bit more relaxed in subsequent meetings. Meetings may also 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 may be discussed, but do not try to hurry along with your agenda. It is 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. Since Venezuelans generally prefer to be 'in control,' avoid monopolizing conversations or putting pressure on your counterparts. Having your handout materials translated to Spanish is not a must, but it will be appreciated and helps in getting your messages across.

After your first business contact, it is customary for the top executive of your company to write a thank-you note to his or her Venezuelan counterpart.

Negotiation

Attitudes and Styles - Leveraging relationships is an important element when negotiating in Venezuela. Nevertheless, Venezuelans often employ distributive and contingency bargaining. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They expect long-term commitments from their business partners and will focus mostly on long-term benefits. The primary negotiation style is cooperative, but people may be unwilling to agree with compromises unless it is their only option to keep the negotiation from getting stuck. Nevertheless, one important function of the bargaining exchange is to build and strengthen the relationship. Since Venezuelans 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 may be able to reach resolution by leveraging personal relationships and emphasizing long-term benefits. Patience and creativity will pay strong dividends.

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

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

Most Venezuelans 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, could find this style confusing, irritating, even annoying. In any case, do not show irritation or anger when encountering this behavior. Instead, keep track of the bargaining progress at all times, often emphasizing areas where agreement already exists.

If your counterparts appear to be stalling the negotiation, assess carefully whether their slowing down the process indicates that they are evaluating alternatives or that they are not interested in doing business with you. More likely, this behavior either represents an attempt to create time pressure in order to obtain concessions, or it simply reflects the slow decision process in the country. Again, patience and persistence are vitally important.

Bargaining – Venezuelans are used to hard bargaining but generally dislike excessive haggling. The bargaining exchange can be extensive. Concessions never come easily, and although Venezuelans may show interest in new ideas and concepts, they often find it difficult to change their position. Requesting a compromise may become an issue of pride if presented in the wrong way. Be respectful throughout the bargaining exchange. Rather than pushing for concessions, it may be better to re-address disagreements in follow-up meetings, which gives your counterparts the opportunity to reconsider their position without overtly losing *face*. Prices may move by about 25 to 35 percent between initial offer and final agreement. Leave yourself sufficient room for concessions at different stages. After making one, always ask the other side to reciprocate. Throughout the process, remain cool and respectful, avoid confrontation, and frequently reaffirm the relationship.

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

Negotiators in the country may use pressure techniques that include making final offers, showing intransigence, or nibbling. Final offers may come more than once and are rarely final. Be careful when trying to open with your best offer. Venezuelans may consider this inappropriate or even insulting. 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 could be taken as signs that you are not willing to build a long-term relationship. Your counterparts might even choose to terminate the negotiation.

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

Emotional negotiation techniques, such as attitudinal bargaining or attempting to make you feel guilty, are frequent and can be effective. Be cautious not to hurt someone's personal pride when employing any of these tactics, though. Pleas to personal relationships and other emotional appeals, such as emphasizing how your proposal will add to your counterparts' personal satisfaction or heighten their honor, can be very powerful. Venezuelans may frequently employ defensive tactics such as blocking or changing the subject, asking probing or very direct questions, making promises, or keeping an inflexible position.

Corruption and bribery are common in Venezuela's public and private sectors. However, people may draw the line differently, viewing minor payments as rewards for getting a job done rather than as bribes. Also, keep in mind that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Venezuelan could simply view a nice gift. Introducing and explaining your company's policies early on might help, but be careful not to moralize or appear to imply that local customs are unethical.

Decision Making – Most companies are hierarchical, and people expect to work within clearly established lines of authority. Many businesses in Venezuela are still family-owned. Decision makers are usually heads of family or senior executives who are often autocratic but will consider the best interest of the group or organization. They may consult with others and often prefer to reach consensus before making the final call. Subordinates may be reluctant to accept responsibility. Decision makers also rarely delegate their authority, so it is important to deal with senior executives. Gaining access to top managers can be difficult, though. You may have to deal with subordinates who could strongly influence the final decision, which may be made behind closed doors. Maintaining good relationships with these intermediaries is crucial to your success. Although the pace of business is accelerating, 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. Venezuelans are often uneasy with change and reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

Agreements and Contracts

Capturing and exchanging written understandings after meetings and at key negotiation stages is useful. Oral commitments may sound stronger than what your Venezuelan 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 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. Venezuelans believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation.

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

Signed contracts may not always be 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 Venezuelan business partner. Business partners usually expect the other side to remain somewhat flexible if conditions change, which may include agreeing to modify contract terms. Given the relatively unstable political and economic situation in the country, you should factor this possibility into your negotiation planning.

Women in Business

Quite a few Venezuelan women hold positions of rank and authority, so men are accustomed to dealing with businesswomen. Nevertheless, *machismo* attitudes remain strong in this country. Female business travelers should graciously accept 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.

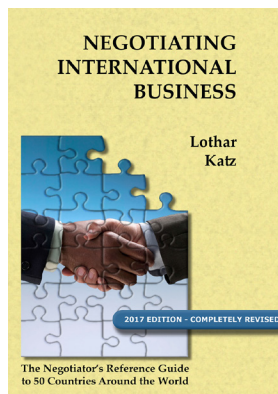
Other Important Things to Know

Formal, conservative attire is 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. Business is rarely discussed over dinner, though.

Social events do not require strict punctuality. While it is best to arrive at dinners close to the agreed time, being late to a party by 15 to 30 minutes is perfectly acceptable.

Do not refer to citizens of the United States as Americans. Most Latin Americans can be sensitive to this point as they might feel that the term includes them. They prefer to say *norteamericanos* or *North Americans*.



Negotiating International Business (CreateSpace, 2017 edition) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 479-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.

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