

Negotiating International Business - Peru

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.

Businesspeople and officials in Peru usually have only limited exposure to other cultures except for neighboring countries. Its culture is quite pluralistic between the most significant population groups, Amerindians, whites, and mestizos (mixed Amerindian and white). When negotiating business here, realize that people may expect things to be done 'their way.'

Relationships and Respect

Peru'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 personal relationships is very important to most Peruvians, 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. Even though Peruvians generally admire foreigners, 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 Peru 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 may 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.

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

Communication

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. 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.

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.

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

Gestures and body language can be lively, especially if they help underline what is being said. There may be frequent physical contact with others of the same gender. The American OK sign, with thumb and index finger forming a circle, can 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

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 may be very difficult to get access to the right people.

Negotiations in the country can 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 may require the relationship building process to start over and should therefore be avoided.

If possible, schedule meetings at least two weeks in advance. Since people want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. While meetings may 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.

Names are usually given in the order of first name, family names. Most Peruvians 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. It is recommended to use cards with one side in English and the other in Spanish. 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, 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.

Meetings start with small talk, which may 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 may 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. Although the primary decision maker will usually attend, 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. 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 - Leveraging relationships is an important element when negotiating in Peru. Nevertheless, Peruvians 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 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 businesspeople are eager to receive foreign business investments. However, it is strongly advisable to avoid aggressiveness and open confrontation, remaining calm, polite, patient, and persistent.

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. Patience and creativity will pay strong dividends.

Sharing of Information – Even when personal relationships are strong, your Peruvian counterparts may be reluctant to share information openly. Many believe that privileged information creates bargaining advantages. At the same time, information that may seem irrelevant may be reviewed over and over.

Pace of Negotiation – Expect negotiations to be slow and protracted. Peruvians do not 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 may take considerable time. Attempts to rush the process are unlikely to produce better results and may be viewed as offensive. Throughout the negotiation, be patient, control your emotions, and accept the inevitable delays.

Most Peruvians prefer a very 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.

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 – Peruvians are used to hard bargaining and haggling. The bargaining exchange can be extensive. Although people in the country may show interest in new ideas and concepts, they may find it difficult to change their position. 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.

Although Peruvians generally 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 Peruvian 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 might 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 is not 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 Peruvians 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 could be a tactic or 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. Peruvians 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 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.

Peruvian 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. 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 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 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 ap-

peals, such as emphasizing how your proposal will add to your counterparts' personal satisfaction or heighten their honor, can be very powerful. Peruvians 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 quite common in Peru'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 Peruvian may view as only a nice gift. 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.

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 may consult with others and prefer to reach consensus before making the final call. Consequently, subordinates may 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. 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. Peruvians 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 Peruvian counterparts may 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. Peruvians 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. Peruvians may 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 Peruvian 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

Machismo attitudes remain strong in this country. Women may be 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 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

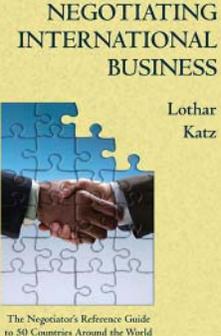
Formal, conservative attire is very important when doing business here. Male business visitors should wear dark suits with neckties on most occasions. First impressions can have a significant impact on how people view you.

Business lunches and dinners are common. Do not expect to discuss business over dinner, though.

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.

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.

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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