



Universidad
Tecmilenio®



International Business Management

Cultural diversity in
the US and Canada

Week 7



Breathing positive emotions

Before you begin, do the following mental activity that will help you to improve your concentration.

<https://youtu.be/PALuphA1XqI>



In this week, you will learn about the cultural diversity in the US and Canada. Moreover, you will learn about the differences among primary, secondary and tertiary sectors in Latin America and their characteristics.

To begin with, culture, as we have said before, affects all aspects of international business. Therefore, it is an element that needs to be addressed and managed correctly when dealing with different cultures and their business etiquette. Here, we will review the most important cultural aspects of the United States and Canada (mainly focusing on the traditional anglo background.)

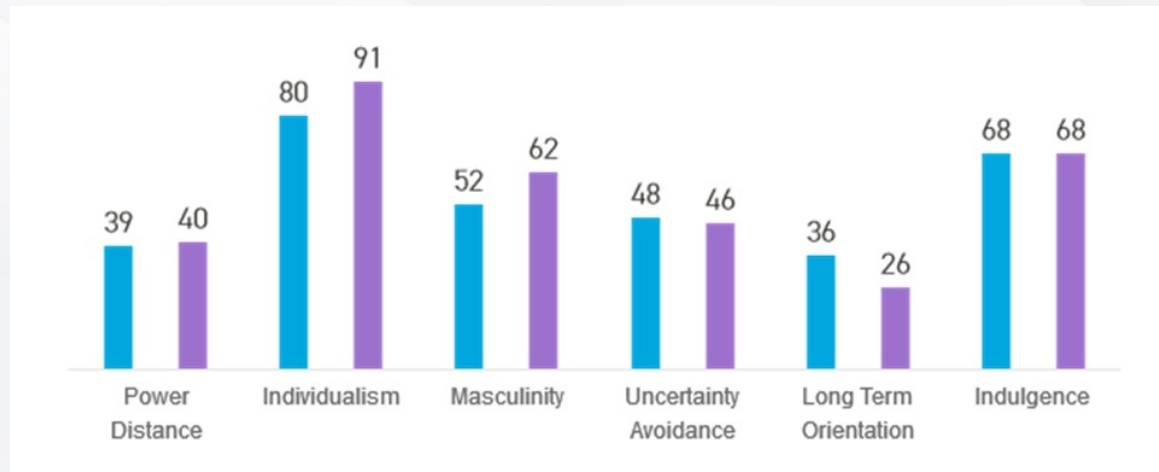


The US and Canada are very similar in the sense that they both speak and conduct themselves in the English language (even French Canadians are fluent in English).

At a simple glance, there are no big differences between these two countries when it comes to the business culture, since they are very practical and transactional, and they also rely on immigrants as a base for their workforce. Although native populations have been reduced and confined to reservations, they are being now reconsidered as an interesting source of ideas for a new economy based on the respect for nature.



If we look at the six dimensions of their cultures, according to Hofstede, both countries are almost at the same level, with very little nuances. For instance, the US is slightly higher in individualism and masculinity, they find value in egalitarianism, and organizations tend to have superiors that are always accessible. Businesspeople in both countries appreciate a straightforward exchange of information, as opposed to what we do in Mexico, where information is hidden and most of it remains untold.



Hofstede Insights.(2018). COMPARE COUNTRIES. Retrieved from <https://www.hofstede-insights.com/product/compare-countries/>

At the workplace, employees are expected to be self-reliant and display initiative. Promotions and decisions are based on merit. Their relative high score at masculinity means that they live to work because demonstrating success in a career is very important for them.

People rely on themselves and their families and expect little from the government. There is also a high degree of geographical mobility, especially in the United States. Both cultures are open to new ideas and innovation, and very practical, focused on short term results for constant evaluation.



Immigration has also reshaped those societies, and that must be considered when doing business there. Besides, one out of five Canadians speaks a third language at home, mainly Tagalog, Chinese, Arabic, Hindi, Spanish and Russian.

It is important to note that both countries also have native populations, whose philosophy of respect and reverence towards the earth has recently gone mainstream for the sake of sustainability and community well-being.

There is a great potential in changing development paradigms by integrating once-segregated indigenous peoples. Recent demographic data underscores a very diverse ethnic composition in these two countries.



Activity

Reflect on what you have learned and answer the following activity:

Read the essay “Don’t Call me Puerto Rican, I’m Ecuadorian” by Janill Briones on [YCteen magazine](#).

Discuss and share with your classmates.

- What parts of the story relate to you personally? Have you ever been confused for a different ethnic group?
- Why is it important to recognize diversity even within the Latin community in the United States?
- What benefits are there in uniting under a single Hispanic identity despite being culturally different?



International Business Management

Primary sector in
Latin America

Week 7



This economic sector has been the most dynamic in Latin America because of the relative abundance of natural resources. Production of precious metals, sugar, rubber, grains, coffee, copper, and oil have at various periods of history made countries in Latin America some of the most prosperous in the world. Although many countries nowadays still depend on the exploitation of natural resources, the trend is to craft a bold productivity agenda and diversify their economies with a focus on sustainable development.



In addition, there are still potential business opportunities for extraction industries and agribusiness. On that regard, Mexico should take advantage of its strategic position and cultural affinity with the region to balance the clout that countries such as China are getting by consuming raw materials from the region and exporting cheap manufactured goods in exchange.

Trade balance is everything but balanced in the region, natural resources prices are going down while currency depreciations make imports even more expensive. Thus, adding value to exports in order to increase economic returns should be atop the whole region's to-do list.

The **oil and gas** industry represent new opportunities for investment and economic development in the region. Investments in Brazil, for instance, are highly concentrated in the primary sector, just like the Chilean mining industry depends on copper extraction.

Foreign direct investments (FDI) in the region in this sector have been growing steadily in the last years, together with Asia having the second-highest share.



TABLE 1 - GROWTH OF LATIN AMERICAN AND CARIBBEAN EXPORTS BY SELECTED DESTINATIONS
(Annual growth rate, percentage, 1Q 2019 and 2018)

Exporting Group/ member	1Q 2019 vs 1Q 2018							2018 vs 2017 World Total
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	
SOUTH AMERICA	-14.0	-6.3	-7.3	0.7	7.4	-14.8	-5.4	8.3
Argentina	-6.0	-4.5	-13.8	13.3	12.8	-12.7	↓ -2.3	5.1
Bolivia	-4.2	-3.7	4.2	-4.2	-9.1	-21.4	↓ -7.2	9.5
Brazil	-28.4	-14.7	3.1	15.9	11.7	-21.9	↓ -4.1	10.2
Chile	1.3	6.4	-17.7	3.9	-4.5	-9.5	↓ -5.1	9.6
Colombia	-6.1	-4.2	5.5	3.2	7.8	8.8	↓ -1.1	10.4
Ecuador	-16.7	9.0	8.2	-11.3	31.0	-9.4	↓ 1.2	13.0
Paraguay	-3.8	-3.6	79.5	1.2	-69.8	-46.9	↓ -10.3	4.2
Peru	-6.0	3.3	-28.9	-31.4	12.5	-29.4	↓ -7.9	8.0
Uruguay	2.9	-2.0	5.8	17.3	-3.3	-10.0	↓ -5.9	-5.0
Venezuela	-30.1	-24.4	-28.8	-40.2	-4.8	112.7	↓ -26.2	-1.5
MESOAMERICA	-0.8	-10.3	3.8	6.4	4.2	-3.8	2.1	9.4
Mexico	-1.4	-15.5	3.9	9.7	2.0	-4.0	↓ 2.3	10.1
Central America	0.5	-2.1	2.0	-19.9	51.7	-2.8	-0.7	3.2
Costa Rica	-4.3	-6.4	6.4	-20.9	82.0	4.1	↓ 1.3	6.1
El Salvador	5.9	5.8	-2.6	-54.3	-96.8	-13.9	↓ -1.1	2.5
Guatemala	-2.6	-4.8	-4.0	6.6	47.0	1.1	↓ -1.8	-0.1
Honduras	9.3	5.3	-9.8	88.2	-93.4	-25.4	↓ -11.6	-3.6
Nicaragua	-9.3	-9.3	0.4	-28.0	n.a.	-24.9	↓ -5.3	3.9
Panama	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ -7.6	1.9
Dominican Republic	-1.1	0.0	9.4	-27.5	178.0	17.2	↓ 6.3	7.3
CARIBBEAN	7.6	4.9	-15.7	34.8	-6.9	-17.2	↓ 10.7	11.6
Bahamas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.7
Barbados	11.6	8.6	-21.3	32.1	-6.5	-12.5	↑ 13.4	0.1
Belize	-11.1	-10.1	-3.5	n.a.	n.a.	-18.4	↓ -12.9	-11.8
Guyana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-3.9
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 16.4	7.3
Jamaica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ 13.3	41.1
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 8.2	4.6
Trinidad and Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.9
LATIN AMERICA	-7.2	-7.2	1.8	1.9	7.2	-11.7	↓ -1.7	8.8
LATIN AMERICA AND THE CARIBBEAN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ -1.6	8.9

Source: IDB Integration and Trade Sector based on official sources, except Venezuela, which is based on estimates using data from the OPEC and the IMF.

Notes: The table does not include the growth rates or absolute changes for non-selected destinations. As a result, the sum of the absolute changes for the selected destinations does not match the total. Data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, and Nicaragua include exports under special trade regimes (STRs). The defined subregions are South America, Mesoamerica, Central America, and the Caribbean. For individual Central American countries, the subregion is Mesoamerica, whereas for Central America, Mexico is excluded, and the subregion includes only intra-Central American trade. See the Methodological Note for additional information on the procedures, time periods, and sources for the data used in the estimates. The letters "n.a." indicate that no data was available. The arrows show the variation in comparison with the previous year.

Looking at the share of the primary sector economy in the region, those with the highest rate for energy, mining and oil are Brazil, Colombia and Venezuela. Meanwhile, those that rank first in agriculture as percentage of their GDP are Guyana, Nicaragua, Paraguay and Bolivia. Nevertheless, innovation in the sector and specialized technology are key drivers to improve production with fresh investments that may increase competitiveness.

Finally, commercial fishing is another primary industry that deserves attention. One successful story in this regard is the salmon cluster in Chile, where innovation and knowledge creation literally made firms grow and spill-over the benefits. Less so in the Chilean mining sector, where little consensus has been reached thus far.



Activity

Reflect on what you have learned and answer the following activity:

Watch the documentary "food, inc." produced by Robert Kenner. It is available on YouTube here https://youtu.be/bNah_KbUQDE.

Brainstorm, reflect and discuss with your peers.

As a businessperson in the primary sector, what would be your responsibilities to:

- Keep people's food safe?
- Keep farming sustainable?
- Make sure workers in the primary sector are paid fairly?
- Follow government policies?

What advice would you give to local companies in the food industry?

What advice would you give to the government regarding food-related policies?



International Business Management

Secondary sector in
Latin America

Week 7



First, the main challenge is to increase value added to exports and diversify by exporting fewer commodities with unstable prices in the international markets. In order to achieve this, Latin American countries need more innovation and better technology in their manufacturing. Since there is already an abundant source of raw materials and cheap labor across the continent, maybe we require better credit or just good business partners that bring in the best practices to increase value.



Other opportunities are being capitalized in the rising consumer goods market and the information technology sector, where the evident lack of infrastructure leaves room for development. Many multinationals, in fact, are already taking advantage of these opportunities (even a couple of Mexican ones.)

Countries' numbers put Brazil and Argentina, along with Mexico, at more than 80% of the total manufacturing output in the region. Food and beverages, motor vehicles, and machinery and equipment account for almost 45% of the secondary sector activity, thus reinforcing the trend that industrial products are on the rise for the region. However, these figures are constantly changing, so it is advisable to review the latest trends.



Latin America is remarkable for sudden changes and policy-fueled turmoil that seriously affect businesses. The improvement of the business environment, however, depends largely on adopting the right policies that assure a stable economy and a reliable rule of law.

This was true for an economy based on the primary sector, but a deep disappointment in the commodities trade has fueled a shift towards the massive production and exports of manufactured goods. As local economies grow and consolidate, consequential improvements in infrastructural facilities (electricity, transportation, communications) and skilled labor bring vital support to the much-needed large-scale manufacturing.



Big secondary industries, like the textiles in the United States, have decided to move all their manufacturing production overseas, many landing in Latin America. This has obviously brought local criticism because of the jobs lost, but whereas a textile worker in the United States used to make about USD \$9 per hour, in Honduras they earn only \$0.48 cents per hour.

Hence, the relatively new trend of a series of socially-minded business initiatives that aim to help small businesses and the working class, such as the fair-trade movement, sustainable development, direct trade, certified organic produce, the rainforest alliance, and other environment-friendly solutions that foster local economies and the overall wellness of local communities.



Reflect on what you have learned and answer the following activity:

1. Invest in Guatemala
<https://www.mineco.gob.gt/content/invest-guatemala>
 - Find requirements to invest in Guatemala.
 - Find the latest reports on each business sector in Guatemala.
2. Fairtrade international
<http://www.fairtrade.net/about-fairtrade.html>
 - Find out about the member organizations of fairtrade international.
 - Explore the requirements for a fairtrade certification and fairtrade standards.



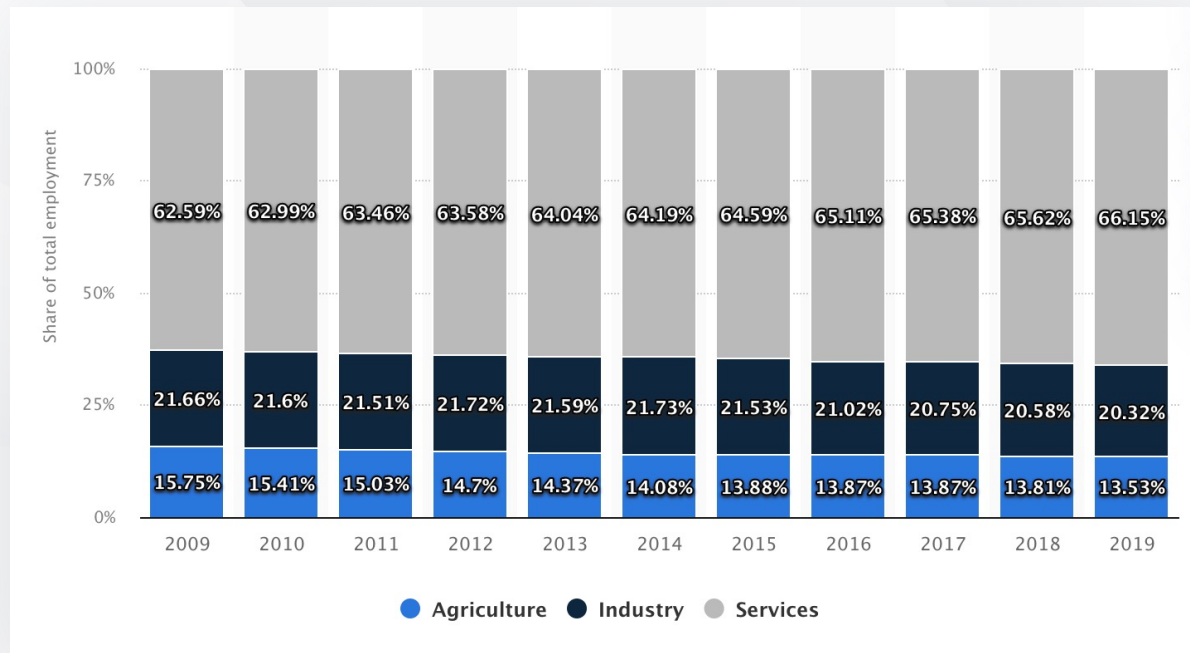
International Business Management

Tertiary sector in
Latin America

Week 7



The **tertiary sector** represents at least half of the GDP in each Latin American country, except for Guatemala and Venezuela (the average across the region of about 61%). The tendency around the world, as seen before, is that as the percentage of employment in services increase, the gross domestic product per capita increases too.



O'Neill, A. (2021). Latin America and the Caribbean: Distribution of employment by economic sector from 2009 to 2019. Retrieved from <https://www.statista.com/statistics/369915/employment-by-economic-sector-in-latin-america-caribbean/>

Banking is a good example, with more business activity, better wages and a rising middle class, the need for financial services like savings and credit shall ultimately increase as well. On this regard, the case of Sudameris in Paraguay is worth pointing out, a young local banking solution much more stable than the fluctuating financial trends in Europe or the United States.



The **retail industry** is also an attractive target for investment. Looking at the five main trends for consumers enlisted by TrendWatching.com, one can easily spot some promising business opportunities for Mexican companies. Consumers across the continent are becoming more and more interested in good education, they want change and social media is playing a key role there, they also like to be confronted with reality where they see business should be involved, they are more concerned with safety in all aspects, and finally, they seek time-saving solutions. In general, you should be aware that Latin American consumers have become more tech-savvy and mature.



Tourism has great potential in the region (we say that every year), but we are far from the top destinations in the world in terms of revenue (the top spots always belong to mainstream destinations in Europe and Asia). Nevertheless, **medical tourism** is a growing business in Mexico and Central America for aging baby-boomers that find the area cost-effective for health care, with privileged access to well-trained doctors, affordable lodging and nice weather. Even hotel chains are jumping in with well-staffed medical-oriented resorts. The medical tourism industry has averaged an annual growth of 7.7% during the 2013-2017 period, although macroeconomic volatility remains a challenge in the region.



Explanation

Another services industry expected to hit an approximate 10% annual increase in the coming decade is the **software and IT** industry. There are several reports and analysis on this industry, most of them with a specific focus on IT outsourcing, IT consulting, custom application development, and mobile integration. Even though they all may sound somewhat similar, you need to be able to differentiate them at least in terms of industry size, market share, and available forecasts.



Activity

Reflect on what you have learned and answer the following activity:

Some economists, like Ejaz Ghani, fear that the tertiarisation of Latin America will generate the same results as in the African nations of Ethiopia and Tanzania, that the agricultural and manufacturing sectors will remain unproductive while the service sector grows. Others, on the other hand, are more optimists about moving to a service-base. Yet others propose a quarternarisation, that is, a shift from a service-based economy to a knowledge-based one.

Given the differences in analysis and forecasts, research and reflect on the following.

- What are the disadvantages of promoting the growth of only the primary sector? Only the secondary? Only the tertiary?
- What warnings and advice would you give to Mexican leaders to guarantee a balanced growth?
- Does the growth of the tertiary sector drive out manufacturing industries? Why or why not?



In this seventh week, we have learned about how the cultural diversity get involved in the aspects related to how these countries make business around the world. Another topic we have studied is related to the main aspects of the primary, secondary and tertiary sector in Latin America, their components and the pros and cons. Finally, continuous advancement in technology, lower transportation costs, and more skilled workers have allowed more services to be available almost everywhere. Thus, the disrupting boom in the outsourcing of industries such as software development, telecommunications (service customer centers), and even accounting services, which are now being partially processed in developing countries and delivered in developed countries in real time.

