DOING BUSINESS IN LATIN AMERICA

Alfredo Iturriaga, CPP – Chile  Maria Teresa Septien, DSE – Mexico  Alex Omar Garrido, CPP - Panama

securityexpo.org
Alfredo Iturriaga, CPP
Chile

Maria Teresa Septien, DSE
Mexico

Alex Omar Garrido, CPP
Panama
AGENDA

• Threats and Risks in Latin America

• The Latin American Business Style: Challenges, Obstacles and Opportunities

• How to choose a business partner and security company
UNDERSTANDING AND IDENTIFYING SECURITY AND COMPLIANCE RISKS IN LATIN AMERICA

Global Risks

Alfredo Iturriage, CPP
a.iturriaga@racowind.com
<table>
<thead>
<tr>
<th>PROBABILITY</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Extreme weather events</td>
<td>1. Weapons of mass destruction</td>
</tr>
<tr>
<td>2. Large-scale involuntary migration</td>
<td>2. Extreme weather events</td>
</tr>
<tr>
<td>3. Natural disasters</td>
<td>3. Water crises</td>
</tr>
<tr>
<td>4. Terrorist attacks</td>
<td>4. Natural disasters</td>
</tr>
<tr>
<td>5. Data fraud or theft</td>
<td>5. Failure of climate-change mitigation and adaptation</td>
</tr>
<tr>
<td>6. Cyberattacks</td>
<td>6. Large-scale involuntary migration</td>
</tr>
<tr>
<td>7. Illicit trade</td>
<td>7. Food crises</td>
</tr>
<tr>
<td>8. Man-made environmental disasters</td>
<td>8. Terrorist attacks</td>
</tr>
<tr>
<td>10. Failure of national governance</td>
<td>10. Unemployment or underemployment</td>
</tr>
</tbody>
</table>
Interconnectedness of global threats
Threats in Latin America
**PROBABILITY**

1. Extreme weather events
2. Large-scale involuntary migration
3. Natural disasters
4. Terrorist attacks
5. Data fraud or theft
6. Cyberattacks
7. Illicit trade
8. Man-made environmental disasters
9. Interstate conflict
10. Failure of national governance

**IMPACT**

1. Weapons of mass destruction
2. Extreme weather events
3. Water crises
4. Natural disasters
5. Failure of climate-change mitigation and adaptation
6. Large-scale involuntary migration
7. Food crises
8. Terrorist attacks
9. Interstate conflict
10. Unemployment or underemployment

750 Experts said
Poverty

US$ 2,5 Daily

Poor 243 mil. app = 39%

Fuente: CEPAL 2016
<table>
<thead>
<tr>
<th>País</th>
<th>% de pobreza</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>25,9%</td>
</tr>
<tr>
<td>Brasil</td>
<td>18,1%</td>
</tr>
<tr>
<td>Colombia</td>
<td>28,9%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>23,6%</td>
</tr>
<tr>
<td>México</td>
<td>27,5%</td>
</tr>
<tr>
<td>Perú</td>
<td>20,1%</td>
</tr>
<tr>
<td>Paraguay</td>
<td>18,8%</td>
</tr>
<tr>
<td>Uruguay (pobreza urbana)</td>
<td>6,7%</td>
</tr>
<tr>
<td>Chile*</td>
<td>11,7%</td>
</tr>
<tr>
<td>Argentina*</td>
<td>33,2%</td>
</tr>
<tr>
<td>Centro América</td>
<td>41,8%</td>
</tr>
<tr>
<td>Total América Latina</td>
<td>23,3%</td>
</tr>
</tbody>
</table>

Fuente: Banco Mundial (2014), *salvo Chile (Casen, 2015) y Argentina (INDEC, 2016)
The Inequity – The Gap

0 = PERFECT EQUALITY
1 = PERFECT INEQUALITY

GINI Coefficient (CORRADO GINI)

Desigualdad en la distribución del ingreso según regiones

3.3% of Latino 20 Mill app. They feel pushed to move away from escaping from the Crime, last decade.

http://www.cepal.org/mujer/reuniones/mesa38/oim_migraciones.pdf
Los NI NI

between 15 and 29 years of age

30 mill Latinos

45 %
Do not finish school

60 %
40 %

Source: PNUD Y Adecco LA
### LAS CIFRAS DE NI NiS EN EL MUNDO

<table>
<thead>
<tr>
<th>REGIONES / PAÍSES</th>
<th>EDADES</th>
<th>% DE LA POBL.</th>
</tr>
</thead>
<tbody>
<tr>
<td>REINO UNIDO</td>
<td>16 - 18</td>
<td>18%</td>
</tr>
<tr>
<td>JAPÓN</td>
<td>15 - 34</td>
<td>15%</td>
</tr>
<tr>
<td>LAT. AMERICA</td>
<td>15 - 19</td>
<td>25%</td>
</tr>
<tr>
<td>EUROPA</td>
<td>15 - 25</td>
<td>34%</td>
</tr>
<tr>
<td>CENTRO AMERICA</td>
<td>16 - 29</td>
<td>21%</td>
</tr>
<tr>
<td>ÁFRICA</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>ARGENTINA</td>
<td>14 - 24</td>
<td>20%</td>
</tr>
<tr>
<td>ESPAÑA</td>
<td>18 - 24</td>
<td>23%</td>
</tr>
<tr>
<td>MÉXICO</td>
<td>13 - 29</td>
<td>22%</td>
</tr>
<tr>
<td>BRASIL</td>
<td>15 - 20</td>
<td>19%</td>
</tr>
<tr>
<td>URUGUAY</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>PARAGUAY</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td><strong>PROMEDIO</strong></td>
<td><strong>22.33 %</strong></td>
<td></td>
</tr>
</tbody>
</table>

Fuente: PNUD - 2016
The prison situation in Latin America

INCUBATES, RECycles AND FEEDS THREATS
POST-Globalization

the Paradigm changed

State

Market

Society

Globalization

Freedom

Justice

Equality
Reflection on the threats

Latin Americans peoples, We are Obsessed by the PAST.
.......and guided by the old ideologies

While......

Asians peoples are obsessed with the FUTURE
.... Guided by EDUCATION

Andrés Oppenheimer
THE LATIN AMERICAN BUSINESS STYLE: CHALLENGES, OBSTACLES & OPPORTUNITIES

- Culture
- Language
- Communication
- Corruption - Compliance
- Business Partners Selection

Maria Teresa Septien, DSE
mseptien@afimacglobal.com
The region offers massive economic opportunities but also challenges
CULTURE

Latin America is an exotic and extensive land — full of social and political diversity.
CULTURE

Cultural Types:
The Lewis Model

Key:
- Linear-active - cool, factual, decisive planners
- Multi-active - warm, emotional, loquacious, impulsive
- Reactive - courteous, amiable, accommodating, compromiser, good listener

USA

Mexico
Colombia
Peru, Bolivia

Italy, Spain
Brazil, Venezuela

Portugal, Greece
Chile

Angola, Nigeria
Sudan, Senegal

Saudi Arabia
Iraq, U.A.E.

Bulgaria
Turkey, Iran

India
Pakistan

Indonesia, Malaysia
Philippines

Korea
Thailand

China

Vietnam

Japan

Taiwan
Hong Kong

Singapore
Canada

Finland
Estonia

Latvia
Sweden

Luxembourg
Switzerland

Germany

Norway, Slovenia
Czech Republic

Netherlands, Austria

Russia, Slovakia
Croatia, Romania

France, Poland
Hungary, Lithuania

Belgium, Israel
South Africa

Denmark, Ireland
Australia

U.K.

Linear-active

Linear-active, multi-active, reactive variations

MULTI-ACTIVE

CULTURE

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CULTURE

Hofstede's Dimensions of Culture (100 point scale)

<table>
<thead>
<tr>
<th></th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Feminine/Masculine</th>
<th>Uncertainty Avoidance</th>
<th>Long-term Orientation</th>
<th>Restraint/Indulgence</th>
</tr>
</thead>
<tbody>
<tr>
<td>more egalitarian</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>collectivist</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>nurture more important</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>comfortable with ambiguity</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>put short-term goals first</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>happiness can be bad</td>
<td></td>
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</tr>
</tbody>
</table>

- Power Distance: embraces hierarchy
- Individualism: individualistic
- Feminine/Masculine: power more important
- Uncertainty Avoidance: ambiguity creates anxiety
- Long-term Orientation: put long-term goals first
- Restraint/Indulgence: happiness is always good
Mexico in comparison with United States

<table>
<thead>
<tr>
<th>Metric</th>
<th>Mexico</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance</td>
<td>81</td>
<td>40</td>
</tr>
<tr>
<td>Individualism</td>
<td>91</td>
<td>30</td>
</tr>
<tr>
<td>Masculinity</td>
<td>69</td>
<td>62</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>82</td>
<td>46</td>
</tr>
<tr>
<td>Long Term Orientation</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>Indulgence</td>
<td>97</td>
<td>68</td>
</tr>
</tbody>
</table>
“Poor communications and language barriers are costing business a lot of money, and executives are not doing enough”.
DOING BUSINESS IN LATAM

Barriers to Communication

- Physical
- Cultural
- Organizational
- Interpersonal
- Linguistic
COMMUNICATION STYLES

- Even if English is the global language of business, cultures maintain their own style of communicating.
- This frequently causes serious misunderstandings and irritations especially as we have no insight into our own communication style and the affect this has on people with a different cultural background.
- Some may be offended by the directness of a foreign colleague while others find indirectness a cause for suspicion.
The EF English Proficiency Index surveys 1.7 million adults across 54 countries, the largest study of its kind. For the full report, go to www.ef.com/epi.

Italy, Spain and Portugal, countries at the heart of the euro zone crisis, are being dragged down by poor English, with EF’s research suggesting that English skills are strongly linked with how much exports contribute to an economy (p. 15 of the EIPI report).

There are wide disparities between the BRIC countries, the developing nations competing to be future economic superpowers. Brazil is ranked only 48th, much lower than China at 28th, Russia at 29th or India—with English being an official language—at 10th.

MENA gender difference

Globally, women’s English skills are marginally higher than men, but the gap is most significant in the Middle East and North African countries, highlighting English as a key to greater opportunities for women in developing nations.
ENGLISH LANGUAGE PROFICIENCY IN LATIN AMERICA
COMMUNICATIONS & EXPECTATIONS

Benefits of Effective Communication

- Speed in solving problems
- Improved stakeholder response
- Enhanced professional image
- Clearer promotional material

Better decision-making
- Rise in productivity
- Smoother working
- More fruitful business bonds
COMMUNICATION STRATEGIES

- Observe if people frown or squeeze their eyes. This is often body language for not understanding a speaker.
- Ask questions frequently in order to know if that what is discussed is also understood.
- Summarize often or ask others to summarize for you.
- When a non-native English speaker is participating in the discussion, reassure him that if the language is a problem you will help
CORRUPTION – COMPLIANCE REQUIREMENTS

“When you want to do business in Latin America, everything, *everything* is about relationships,”

“This is born from a culture of a ‘today for me, tomorrow for you’ attitude, and macroeconomic initiatives in which there is a high concentration of wealth and widespread poverty.”
Latin America just like anywhere else, struggles with fraud and corruption.

Corruption in the region is “the abuse of an entrusted power for private gain”.

The culture of corruption - they see opportunities to take advantage of people and situations.
Corruption Perceptions Index 2016

1. Denmark 90
2. New Zealand 90
3. Finland 89
4. Sweden 88
5. Switzerland 86
10. Germany 81
170. Libya 14
170. Sudan 14
170. Yemen 14
173. Syria 13
174. North Korea 12
175. South Sudan 11
176. Somalia 10

CPI Score: 100=very clean, 0=highly corrupt

Source: Transparency International, 2017

© DW
The risks depend on the country. For example, Uruguay and Chile are less corrupt, while Haiti and Venezuela are the most corrupt, according to Transparency International’s Corruption Perceptions Index 2016.
CORRUPTION – COMPLIANCE REQUIREMENTS
In Latin America, lawmakers may make public policies with deep reforms that may attract more investors in key areas, but they lack the political will to control fraud and corruption.

Weak government control, high statistics of violence and crime, and a business culture that is hierarchical and with no integration process contributes to the troubles that Latin America faces.

There is no awareness or even an investigation of third parties, i.e. when a CEO involves a spouse or family member.
The bad news - fraud and corruption are rampant in all industries and sectors, and some authorities often don’t acknowledge it.

The good news – we have seen some important actions to fight corruption in the region.
VIDEO - FIGHTING CORRUPTION IN LATAM

https://youtu.be/vhXbUb83SFM
FIGHTING CORRUPTION STRATEGY

• Implement strong Compliance programs in the company.

• Train your employees to avoid being involved in corrupt practices and clarify the consequences.

• Reinforce the importance of the Code of Ethics and acceptable business practices in the company.
PARTNERING WITH LATAM COMPANIES

Acting as a strategic business partner, contributing to the company results within the region
• Goal: Business partnering as a security professional who works alongside other business areas, implies supporting and advising their strategic and operational decision-making through insights that drive better business.
BUSINESS PARTNERING

- Business partners must understand the business.
- Contribute with strategic thinking and valuable insights that are fueled from a strong Security background.
- Take into consideration the impact on all other parts of the business.

SECRETS OF STRATEGIC THINKING

Strategic thinking provides a ‘helicopter view’ of the firm and its business environment.

Strategic thinking is:

THINKING BIG
THINKING DEEP
THINKING IN TIME.
HOW TO SELECT THE RIGHT STRATEGIC PARTNER AND SECURITY COMPANY?

Alex Omar Garrido CPP
aogarridom@yahoo.com
WHERE SHOULD WE LOOK FOR SECURITY SERVICES?

- Web pages?
- Social media?
- Yellow Pages?
- ASIS Chapters in the Region
- References
### BUSINESS INDEX

<table>
<thead>
<tr>
<th>BEST</th>
<th>WORST</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHILE</td>
<td>VENEZUELA</td>
</tr>
<tr>
<td>PANAMA</td>
<td>BOLIVIA</td>
</tr>
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</table>

### EDUCATION RATES

<table>
<thead>
<tr>
<th>BEST</th>
<th>WORST</th>
</tr>
</thead>
<tbody>
<tr>
<td>URUGUAY</td>
<td>HAITI</td>
</tr>
<tr>
<td>ARGENTINA</td>
<td>GUATEMALA</td>
</tr>
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</table>

### SECURITY RATES

<table>
<thead>
<tr>
<th>BEST</th>
<th>WORST</th>
</tr>
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<tbody>
<tr>
<td>COSTA RICA</td>
<td>HAITI</td>
</tr>
<tr>
<td>CHILE</td>
<td>VENEZUELA</td>
</tr>
</tbody>
</table>
2017 GDP PROJECT
WHICH SERVICES ARE THEY LOOKING FOR?

- Transportation of valuables (armored vehicle)
- Consulting
- Risk assessments
- Commercial Escorts
- Executive Protection
- Electronic Security
- Government Security
- Special Events
- Physical Security
- Maritime, Airport, Hospital Security
- Government resolution for each service
- Belongs to a Local or Regional Organization
- Personnel is ASIS certified or other
- Industrial experience
- References from Customers
- Local or International Coverage
- Documented SOP
- Staff reliability (How will you guarantee this?)
- Quality of services
- Policies and Liability
- Supervision system
- Financial Capacity
- Good standing in Social Security and Taxes
- Corruption
- Lack of information for example: Due Diligence
- Unreliable information: verify with your sources
- Differences (in service level) per country
- Who are the Customers and Stockholders?
RECOMMENDATIONS

▪ Visit the Company and meet their managers
▪ Verify the Installations & licenses / permits
▪ Request references
▪ 24/7 Operations
▪ Staff Selection & Recruiting Process
▪ Emergency Handling Training
▪ Supervisors and Staff Training
▪ Penalties for Incidents and Losses
▪ Education (Agents)
▪ Reliability Test
▪ Additional benefits for employees
▪ Insurance for Civil Responsibility (Coverage)
▪ Quality certifications (ISO, etc)
### Client 2014
- A specialist
- Knowledge of the industry
- Higher education
- High Human Sensitivity
- Negotiator and influencer
- Concern for the environment
- Expected to be treated according to their educational level.

### Client 2017
- Demands a higher specialization
- Social responsibility
- Concern for the human conditions of the Officers
- Compliance of Legal and Environmental regulations.
- Establish long term and trustworthy relationships
WHERE ARE WE GOING?

- Higher demand of Security Services
- Customer Satisfaction
- Gender Equality

Competing for acquiring and retaining the right human resources
CONCLUSIONS

For those looking to expand or invest in Latin America and benefit from the massive economic opportunities that the region offers, they need to have a **clear understanding** not only of the regional **risks and threats**, but of the **cultural differences and challenges**, implement and **promote best business practices** and select the **best partners and providers**, to be successful!
IS IT A GOOD IDEA DOING BUSINESS IN LATIN AMERICA?

Absolutely!
Q & A

... lets debate
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