
Muebles Copihue, S.A.

TEMUCO, CHILE

CASES A AND B

Suggested Courses

This case can be used in courses on International Management, International Marketing, and/or Intercultural Communications in the Humanities or Social Sciences Departments.

Recommended readings for successful analysis of this case:

1. Victor, David. *International Business Communication*, pp. 78-81 and Chapter 5 (New York: HarperCollins Publishers, Inc., 1992).

Dr. Victor discusses in Chapter Five the concepts of high and low context cultures, as originally defined by Edward Hall. This information is necessary for the student to use as a framework in understanding differences in U.S. run and Chilean companies.

2. Kras, Eva S. *Management in Two Cultures: Bridging the Gap Between U.S. and Mexican Managers* (Yarmouth, Maine: Intercultural Press, Inc., 1989), pp. 45-74.

Dr. Kras supplies some analysis and explanation for some commonly experienced miscommunications between U.S. employees and managers and their Mexican counterparts. Although one cannot categorize the Chilean culture as being identical to that of the Mexican, there are some inherent similarities that can be extrapolated from the reading suggested.

Case Synopsis

Muebles Copihue, S.A. (MC) is a furniture manufacturer specializing in high end, high-quality wood-based cabinets for kitchen, baths and closets. The company has recently expanded its production capacity, but its management is so overwhelmed with operational concerns that they are unable to either generate new sales or do long-term planning. To date they rely primarily on family members living in different geographical areas to expand sales.

OBJECTIVES

1. Highlight specific differences in business practices among U.S. and Chilean companies.
2. Identify and discuss examples of "high context" and "low context" management styles and how they impact fundamental business decisions.
3. Propose sales and marketing ideas for MC, keeping in mind the previously identified cultural differences.
4. Provide suggestions and direction for MC's management in identifying strengths, weaknesses, opportunities and threats and utilize these to establish culturally sensitive long term strategy.
5. Case study and background notes will also provide insight into the culture and lifestyle of Chile in general.

On first glance, this appears to be an international marketing case. However, the problems with MC go much deeper than that. This company has more serious symptomatology than lack of a marketing plan; it lacks

a long-term focus and strategy. The rate of growth has been so rapid that management has been reacting to situations as they occur, as opposed to analyzing, planning, implementing and controlling various situations as taught in U.S. business schools.

There are varied reasons for this current situation. One is Chile's rapidly growing economy. There are very few qualified middle managers. Most managers start out as entrepreneurs, or in the case of MC, with a family-founded company, and in a healthy market find themselves making money without much regard to strategy, market analysis or focus. The long-term risk to this is that it cannot be sustained indefinitely; those with a strategy and a long term perspective will outlast those companies simply taking advantage of a healthy marketplace.

The second reason is the management style of the owners. The student must familiarize him/herself with Edward Hall's theories of high and low context cultures and management styles in this analysis. The higher context cultures (such as those in Latin America, the Middle East and Asia) tend to use less direct, more implicit communications; less verbal self-disclosure; less belief in explicit, formalized communications and contracts; and show a strong propensity towards face saving and emphasis on personal relationships.

Members of high context cultures place higher emphasis on family relationships and depend on extensive amounts of stored or understood information to communicate their messages. Hence, it may be more important for a higher context culture manager to have a friend or family member, someone they can trust, in a sensitive position such as sales than a resumé-perfect stranger.

In addition, at MC job responsibilities were never formalized, so various duties "fell through the cracks." The managers, through their innate trust in one another and extensive personal history, had very few formalized meetings. Informal information flow was adequate when the business was small, but with both owners frequently out of the office and/or reacting to daily organizational details, communication broke down. Their trust in one another, while admirable, also led to many agreements on important business decisions without sufficient analysis, such as hiring Angelina, Osvaldo's sister, as Argentine sales rep without thor-

ough evaluation of her qualifications and of entering the Argentine market without adequate research. Healthy discussion of various options should be encouraged, and can be accomplished without straining their strong personal relationship.

Managers of higher context cultures typically focus on broad issues as opposed to specific details. This can be evidenced by the owners' "gut feel" approach to pricing, cost control and opening new markets without specific evaluations of the macroenvironment, as well as lack of evaluation of the microenvironment. Specific costs, exact sales, profit margin and break-even points were all details that the managers had a notion about, but did not place at the top of their lists for attention, as would an American manager.

A further problem with lack of a long-term focus is the development of employees as their most important resource. Chilean managers are much more patriarchal (the *patron* system of management is an inheritance from wealthy, land-owning Spaniards in Latin America) in their relationships with their employees. Hence, few responsibilities are delegated; tasks are generally assigned to subordinates with little autonomy. Little time or financial resources are placed into developing employees to accept managerial responsibilities (i.e., the factory head oversaw only production, and did nothing with employee development, formal orientation to new assignments, evaluation of the employees, salaries and bonuses, etc., and still deferred frequently to Daniel after seven years in the position.)

It is questionable whether many of the employees would be comfortable with greater individual responsibility. Chile rates much higher in group identification or collectivism in comparison to the U.S., where independence and individualism are highly regarded. Nepotism in Chile is not only tolerated, but encouraged. There were many family members working together at MC, and the managers generally preferred to hire family or friends of current staff to ensure more reliable or trustworthy employees.

When a business is small, it may be possible and desirable for management to hold onto these responsibilities more tightly. However, as the business grows, it becomes increasingly difficult for the managers to direct daily operations and focus on strategy for the future, as well. No one is ready or able to fill the gap, and, as

a result, quality and/or service may suffer. The owners had not adequately defined or directed Mauricio in the role they wanted him to fill. Mauricio was an important addition to the management team, but two-way information flow between management and employees was still lacking. They also needed to focus on developing the department heads as supervisors and creating a technical "ladder" for employee advancement.

Face-saving plays a very important part in daily life in Chile. The answer "we will get back to you" is likely a euphemism for "it's not going to happen." Chileans frequently would promise to call back and would simply avoid doing so, if the situation was going to involve conflict or stress. This was also evidenced in the hiring of the new sales manager in Temuco in Case B. To avoid losing face by turning down the sales position after initially accepting it, the candidate chose to not reply at all, and through implicit communication, informed MC that he was not going to be coming to work for them. This is extremely frustrating for a person from a lower context culture, who might be inclined to take the Chilean at his word.

Discussion Topics

1. List the organizational concerns that Daniel is addressing when he complains of being unable to juggle:

A. Daily managerial duties

1. Reviewing matters three times with factory chief.
2. Allowing phone calls to interrupt him from serving customers in the office.
3. Doing technical sketches himself.
4. Answering employee requests for time off.
5. Maintaining and repairing production equipment.
6. Attending family demands.
7. Addressing legal matters.
8. Meeting with each client in office and providing personalized attention.
9. Ascertaining bonuses, raises and advancement for each employee.

10. Personally training a new department head in her position.

11. Maintaining contacts with suppliers, architects and contractors in town.

12. Managing banking matters.

B. Generation of sales

1. Negotiation with Home Town for introduction of new line of stock furniture.

2. Negotiation with Imysa and Rancada for pilot home representation.

3. Evaluation of Temuco Mall site for salesroom.

C. Long-range planning

1. Plan to increase production capacity.

2. Plan to open new markets and expand existing ones.

3. Generate greater revenues and funnel resulting profits into the expansion of the company.

2. Identify areas of operations in this Chilean company that would strike a U.S. business student or manager as different from those of a typical small U.S. firm (see Teaching Note Exhibit 1).

3. To what reasons can a U.S. business student or manager attribute these differences (see Teaching Note Exhibit 2)?

4. Analyze elements of Daniel and Osvaldos' personal management styles, using examples found in the case, and list your recommendations for change.

A. Personality characteristics

1. Outgoing, gregarious, personal connection oriented.
2. Family oriented. Includes family members and friends in a trustworthy valued sales team.

B. Professional managerial ability

1. No formal business training with the exception of a TQM seminar. The father stressed quality of product, but poorly managed financial resources. As is common in family-run busi-

Teaching Note Exhibit I**INCIDENT****PROBABLE U.S. REACTION****POSSIBLE CHILEAN RATIONALE****CLIENT FOCUS**

Personalized attention to client

Service orientation

Personal relationship and trust important in doing business

Client satisfaction measured by client "always paying bills"

Passive reaction, not truly proactive, cannot possibly understand client's needs without direct research

Implicit communication: that which is NOT said, says more than direct response; uncomfortable with direct, possibly offensive questioning of clients.

HUMAN RESOURCE MANAGEMENT

Lack of formal orientation for new employees, lack of performance "Ladder"

Poorly structured; lack of attention to development and advancement of employees.

Patriarchal system of management; collectivism important; more comfortable with being assigned tasks, not responsibility.

Salaries/bonus decided based on owner's perception of employee

Discriminatory; possibly unfair to individual

Employees loyal to owner and work to please him personally

Factory head has very little autonomy, defers to owners

Owners with delegation problem; lack of developmental measures for middle managers

Patron system: comfortable with delegation of tasks, not responsibility

Women earn less than male counterparts

Discriminatory, illegal practices

No such laws in Chile; traditional roles, although lessening, still prevail; paternal responsibility to widow.

Family members work together

Preferential treatment; nepotism frowned upon.

Favoritism encouraged; familiarity important

Owners establish close personal ties with business contacts

Unnecessary to do business, separate from personal life

Necessary to do business with trustworthy, known/familiar entity

LONG-TERM STRATEGY

Lack of formal meetings/communication within management team

Poorly organized, no structure; implementation impossible without clearly defined responsibilities

Implicit trust in decisions of partners; theoretical vs. pragmatic approach in implementation of any plan

Future goals are ambiguous; figures used for business plan are best guesses

Specific, measurable goals essential

Broad ideas, direction important; details will follow

"Gut feel" to pricing and costs; no system in place to know numbers accurately

Inconceivable to data intensive, measurement oriented society; unable to make fundamental business decision without having numbers

Numbers less important; business decisions made utilizing "feel" for the market, non-concrete indicators

SALES AND MARKETING

Plan to increase sales to use production capacity, but no specific plan as to how to do it

Formal marketing/business plan designed and implemented

Success will follow as it has in the past; short-term perspective

New markets chosen on basis of friends and family willing to do sales in each area

New market chosen on basis of formal market research, demographics

Little demographic information available; business done nationally with those with whom one has a personal relationship/connection; trustworthiness essential.

Sales manager giving less than 100% effort

Formal warnings; fire if necessary and replace with more effective representative

Honor family commitment; don't approve of behavior, but tolerate it, could wind up with someone worse; avoid loss of face through firing brother; implicit communication of disapproval by not offering partnership to Arturo.

Hiring of new sales representative for Temuco

Formal, impersonal search and interview process; multiple interviews with various team members

Important to find someone with extensive personal connections for sales; establish informal relationship with owners before decision is made

Indirect, non-answer from candidate when he decided to stay with original firm

Rude offensive behavior; black-balled for future business

Face saving through refusal to say "no" directly; distanced himself from MC owners when he returned to formal form of Spanish in talking with them

Teaching Note Exhibit 2

COMPARATIVE U.S./CHILEAN MANAGEMENT STYLE

ASPECT	U.S.	CHILE
1) Theory vs. practice	Pragmatic; action oriented, problem-solving approach.	Theoretical; practical implementation sometimes difficult.
2) Personal relationships	Financial/business success greater priority than relationships.	Accountability to family and close friendships is a high priority.
3) Communication style	Separates work from emotions. Direct yes/no answers.	Avoids loss of face. Implicit/indirect communication frequently used.
4) Staffing	Relatives usually barred. Favoritism not acceptable. Promotion based on performance.	Family and friends favored because of trustworthiness. Promotions/bonuses based on loyalty to superior.
5) Training and development	Training is concrete, specific. Structured programs.	Training highly theoretical. Few but increasing number of structured programs.
6) Direction and delegation	Managers delegate responsibility and authority. Executive seeks responsibility and accepts accountability.	Traditional managers autocratic. Subordinates used to being assigned tasks, not authority.
7) Planning	Mostly medium- to long-term in stable environment.	Mostly short-term, perhaps secondary to past unstable political environment; loose framework, reaction to crisis situations.

nesses the son emulated his father's strategy, but showed no ability to make desired changes.

2. Assumes clients are satisfied by what is NOT said (No complaints from clients wanting their money back), and by what is done (they pay their bills), rather than through querying the client directly.
3. Maintains a father-child relationship with employees with little empowerment, little delegation, and no formalized job descriptions or orientation.
4. Gut feel to pricing and costs. No method in place to control costs even if established. They have not made this a priority.
5. Little formal communication between managers. They defer frequently to one another based on their close personal relationship and trust in each other.

5. Analyze Muebles Copihue's current marketing practices. Consider the four Ps, along with an environmental and competitive analysis utilizing information given in the case. What recommendations for change would you make?

Macroenvironment of Markets

TEMUCO

1. Sustained national population growth in identifiable areas per the National Institute of Statistics.
2. Company is located in the fastest growing city in Chile, the center of population and business in Region IX. There is massive construction of new homes and buildings in the area. Outlying areas contribute little to GNP.
3. An association with Imysa and Rancada S.A. could be beneficial, but dependent on the whims of their managerial team in attracting and sustaining new business. Home construction is highly seasonal. There is a concern that building construction will slow in Temuco shortly, so this may not be an long-term revenue generator.
4. Temuco Mall is a possibility for a sales unit for the future. However, at this time, other stronger options exist for the outlay of capital that this new business would require, such as target market promotions, use of CasaBlanca as a prime contact point and use of the factory direct salesroom in the factory.
5. Region IX is becoming more heavily dependent on the forestry and timber industry. MC is positively situated to take advantage of the abundant supply of wood

products available and add value to the raw wood products through furniture manufacture.

OTHER MARKETS

Puerto Montt looks like a strong potential market, and there is another representative interested in their products besides the cousin. Potential threats are: ecological concerns that could affect the fishing industry, such as a "Red Tide" or "El Niño" ocean current, which decrease supply.

La Serena could suffer from a drop in fruit or gold prices, but the burgeoning tourist industry there makes it a gold mine for condominiums and second homes. The U.S. boycott of Chilean grapes in 1988 in reaction to a suspected tampering greatly affected the income of this region.

Chillan is highly agriculturally dependent, and the lack of a credit program makes cash sales more difficult to attain because customers are accustomed to buying over time.

Argentina has to be seen as an entity completely separate from Chile. Tastes are different, and much more intensive client reeducation would be needed to enter this market with the furniture as is. What are the possibilities of sending furniture without countertops? How strong is the competition between Argentina and Chile? Some study will reveal that Chile has always had a little brother role to Argentina. With the Chilean economy now stronger than that of Argentina, there has been some resentment coupled with an ongoing dispute between the two countries for land in the Tierra del Fuego (war over this area was most recently avoided by Papal intervention).

Competition—Both Locally and in Projected New Markets

1. Temuco: There are many sources within Temuco for a stock furniture line, less for a made-to-order line. MC is unable to differentiate itself well in Temuco with a stock line which has unbundled the service component from the item, and must now sell on price and product alone. Needs differentiation through:

- a. Informed, educated service representatives to assist customers in either Home Town or Mirabella.

- b. Credit program to assist in an easier payment plan.
- c. New points of distribution, such as catalog sales and identified growing markets and cities which have lesser representations, such as Puerto Montt and La Serena.

PRODUCT

MC has been known and recognized for their high-quality product with their made-to-order business. They are trying to translate this success to the stock furniture business. However, they haven't recognized that the bundle of services included in the made-to-order furniture is the factor which allows them to charge a premium. With the stock furniture, the "value-added" component has been greatly diminished. For instance, with the unbundling of the product/service package comes the additional difficulty and/or expense for the client of transportation and installation of the furniture (perhaps over long distances in frequently cold and rainy weather); the loss of freedom in choosing specific colors, styles and sizes of furniture; the personalized attention offered by the owners and sales staff in assisting the client choose the product best suited for his or her needs; and the personal connection with the manufacturers of the product. MC has not deliberated on how much these services differentiate this product from other lines of stock furniture.

MC is showing all the symptoms of a marketing, as opposed to market-driven, company. That is, it has designed a product and now must sell it, as opposed to designing the product around the specific needs and desires of the customer. MC has elected to design a product (stock furniture) without soliciting any feedback from the customer as to what type of product would be most well received. For instance, how can MC really know if their customers are satisfied if they only use the criteria that "they pay their bills"?

PRICE

The price of MC's stock furniture is still higher than that of several other stock lines it is competing with directly. There is some thought from the Temuco customer that MC's furniture ought to be cheaper than that manufactured in Santiago since transportation costs are lower. In addition, MC does not offer a credit or

installment payment plan, as do the majority of their competitors in stock furniture.

PLACE (DISTRIBUTION)

Target market selection has been made based on personal contacts in each area, not on the relative merits of each area. Had more thorough market research been undertaken, Osvaldo and Daniel might have evaluated factors such as distance and freight costs to La Serena, environmental protection needed for transport through a cold, rainy climate, and the additional expense for transportation to circumvent snowed-in passes to Argentina. Chillan is situated closeby to large cities such as Concepcion, but with Santiago being relatively equidistant and offering more variety in furniture selection, many customers will go there.

PROMOTION—TEMUCO

1. No budget for advertising. Company is still dependent on trade fairs and word of mouth. Greater media exposure will have to be utilized to promote their new stock line.
2. Clients must be educated to the greater quality that the stock line of furniture in Home Town offers. Greater value (personalized attention, client education) can be offered through Home Town by hiring an MC promotional employee strictly to assist customers with their stock furniture choices.
3. Non-utilization of CasaBlanca is a missed opportunity. MC is considering spending greater amounts of money in the pricy Temuco Mall without thoroughly exploring this option. Osvaldo and Daniel must patch up any misunderstandings with the sales manager there, make arrangements to bring their furniture from the back to a more visible position in a busy locale and renew efforts to get price quotes to the manager and sales people in a timely manner. In return, they can offer a larger commission on sales there and a chance to sell stock as well as made-to-order furniture. This will improve relations, and reduce the chance of a lost sale.
4. The model kitchen on the cable TV show is not reaching enough potential customers (6000 people of 250,000 in only Temuco) to be worthy of the capital tied up in its use. A model kitchen of this value could be more advantageously displayed in a higher visibility spot such as CasaBlanca.
5. The sales team is trustworthy and well-known, but with very little formal sales training, if any, and conflicting responsibilities and desires (i.e.; the cousin's second job in Puerto Montt; family pressures

on the sister-in-law in Chillan; unanticipated resistance to Chilean products; the sister's inability to overcome those in Argentina, as well as her freedom to take large chunks of time off at will; and decreased margin on sales in La Serena because of increased freight costs, which could decrease this representative's incentive to sell) could decrease relative productivity and potential revenues.

RECOMMENDATIONS

Markets have already been selected, and personnel recruited. It perhaps would be best to train the familiar sales representatives than recruit in the U.S. fashion. MC should bring its representatives together for several days of sales and marketing training, and provide continual encouragement and feedback on their individual performances. Goals should be set, as in any other organization. The two most promising markets appear to be in Puerto Montt and La Serena, due to growth rates, construction potential and minimal competition. Transport costs will have to be more accurately figured in the final cost. All markets, especially Chillan, would benefit from the establishment of a credit program for incremental payments. Alternative distribution sites, such as the use of mail order and catalogs, can be considered for the future.

Argentina remains problematic. The amount of tax required significantly increases the cost of the product. Should MC have to redesign its product to reflect the tastes of the Argentine (i.e., granite or marble countertops), it may no longer be cost effective to export. Further research is warranted into the possibility of sending furniture without countertops, obtaining a local warehouse to store completed stock furniture, avoiding the transportation problem of the snowed-in passes, and educating the Argentine consumer to eagerly accept a Chilean product. Barring that, an association with an Argentine company may be necessary for acceptance into the market. It appears, at this time, that this market has not been adequately prepared for full market status, and measures should be taken to do so before more time and expense are wasted.

Market feedback can be obtained in both countries through indirect sources. A form of client questionnaire might be effective in ascertaining client needs, but must be adapted to the Chilean preference for more indirect communication. A Likert scale-type questionnaire

could be adapted to questions being asked in a casual style by the owners to the client. It must be done via telephone, and not through an impersonal written questionnaire to be returned by self-addressed stamped envelope, as would be more common in the U.S. This reflects the higher contexted cultures' increased comfort with an indirect approach, implicit communication and personal relationships.

MC should immediately consider the hiring of an internal accountant to assist the owners in ascertaining their true costs, revenues and pricing. Support from the top must be obtained, and the rationale explained to the employees in order to have success in any type of cost control study in-house. Income statements are currently best guesses, and the incremental increase in cash flows has no plan for implementation without a better handle on costs.

As a measure of ongoing quality improvement, Osvaldo can be encouraged to use his TQM seminar experience to set standards of performance for employees. Daniel will still have his option to award specific bonuses to employees that exhibit loyalty and superior performance, but an established set of performance expectations, pay scales and job skills must be established for the workers.

A low-cost leader position is not warranted for this company. A differentiation strategy would be appropriate. Product, service and personnel differentiation, and actual ways to do such, are areas the student could define (some suggestions are sending thank you letters to each client, leaving lists of care instructions for the new furniture, utilizing the aforementioned client questionnaire to improve operations and check lists to make sure all installations are done correctly the first time, etc.)

6. You are a U.S. management consultant sent to evaluate and assist the management team of Muebles Copihue. Provide Daniel and Osvaldo with a SWOT analysis. Given your above recommendations for change, how would you adapt these to be more effective in Chile using your knowledge of cross-cultural differences. In other words, what are viable cross-cultural solutions to some of the identified problems?

SWOT Analysis

STRENGTHS

1. Strong reputation of the owners.
2. Quality of product currently offered.
3. Central location of factory, good access to southern markets and Argentina.

WEAKNESSES

1. No established marketing plan, "scatter" approach. More important to have familiar individuals as business contacts in a market, than to choose the market and find appropriate representation.
2. Lack of mission/vision, long-term direction for the company. Haven't established what actual priorities are and communicated them to the employees, providers, client and community.
3. Habit of designing product, then finding a market for it (marketing company as opposed to market-driven company).
4. No organized, formalized system of client feedback, nor mechanism to utilize client response to improve operations.
5. No internal focus on employees as the most important resource of the company, i.e., promotion of education, a salary structure with appropriate raises based on time and experience, job descriptions or "ladder" program of advancement. Indiscriminate and unequal use of bonuses.
6. No system for defining and controlling actual costs, revenues and ascertaining real profit.

OPPORTUNITIES

1. Rapidly expanding market both locally and nationwide in terms of population and buying power.
2. Rate of construction continues to be strong for both office buildings and private homes.
3. Market penetration of relatively untapped outlying markets.
4. Little competition in markets outside of Temuco.
5. New production capacity allows bids for large projects that it previously was unable to handle.

THREATS

1. Higher volume and lower costs of substitutes from Santiago.
2. Other manufacturers in area filling market gaps and entering the market.

3. New investment has greatly stretched cash flow, sacrificing other important areas such as marketing and HRM.
4. Opportunity for labor unions to organize employees on basis of uneven salary and bonus programs.
5. Utilization of family members as sales representatives can result in lower overall productivity. Choosing representatives on basis of relationship and not expertise can negate the opportunity to generate greater volume of sales.

In providing specific examples, certain glaring opportunities for intervention will appear to the student. In the opening anecdote, the student should note that Daniel has not yet made the transition from small business owner/manager to medium-size business owner/manager. It will be difficult for him to continue to manage the daily details of the business and manage the growth and future of MC simultaneously. The student should be able to note various ways Daniel can first of all better plan the use of his time.

It is ill-used energy for Daniel to confer three times with his factory head, who should be in a position to make more independent decisions and grant time off to employees. Mauricio and the factory head want to please their boss, and will defer frequently to him to make sure they are doing as instructed. Daniel can make his instructions clear at the onset and offer praise and esteem when even small tasks are executed correctly.

Phone calls should be taken by the secretaries and returned during a fixed time every day. Daniel is reacting to everyone else's schedules and priorities rather than establishing his own. Routine banking matters can also be delegated through small, repeated steps and practice.

A U.S.-based business consultant must first keep in mind the principles for business communication set forth by Dr. Victor in dealing with his/her Chilean counterparts. As Chile is a higher-contexted society than that of the U.S., the North American must utilize:

1. **The indirect plan approach:** Patience in conversations will go a long way towards establishing credibility. Chileans tend to address business topics, discuss something personal, then eventually return to the subject at hand.

2. **The importance of face-saving:** Saving face may be attained through avoidance of conflict, or a refusal to publicly disagree with the consultant. Diplomacy is extremely important and criticism best handled in private. Loss of face immediately erects barriers to improvement that may never be torn down.

3. **The prevalence of implicit communication:** How questions and comments are phrased tends to communicate as much as the information being exchanged in higher context cultures. Direct questions of a sensitive nature should be toned down to avoid discomfort to the Chilean hosts, who would not mention their discomfort directly, but might avoid the topic at a later date.

4. And finally and possibly most importantly, **the importance of a personal relationship** with the consultant to establish trustworthiness and sharing of sensitive information. The Chilean nationals will want to spend a certain amount of time getting to know the consultant, his/her background, interests and family, so outside invitations to dinners, barbecues or a cocktail should not be declined. The consultant must gain both confidence and respect.

An understanding and appreciation for the breadth and history of Chile, its strong European heritage and its political struggles would be appropriate before arriving. The Chileans are proudly nationalistic, and an indication that one has made an effort to learn from and appreciate their country would be found gratifying.

A good working knowledge of Spanish would also be commendable. As status is important in Chile, one would demonstrate a respect for their national language by sending someone who had the diligence to learn Spanish. English is not widely spoken outside of Santiago.

Take Advantage of Strengths

Utilize Daniel's and Osvaldo's strong personalities and connections to generate new business contacts and lessen the need to tend to day-to-day operations by empowering Mauricio and the factory head. Daniel and Osvaldo will have to define their individual responsibilities more clearly; explanations of subordinate responsibilities must be unambiguous and understood. Mauricio

and the factory head must be brought in for informal planning meetings that the expanding managerial team must discipline themselves to have regularly. It might be suggested that the four meet on a regular basis for dinner, to enjoy both the relational aspects and the necessity of having agreement and understanding in making fundamental business decisions.

Shore Weaknesses

A consultant can be helpful in, after establishing a personal relationship with the owners, discovering in the course of conversation what their dreams, hopes and priorities for the company are. He or she should ask questions and listen carefully. Where change can be identified, one must follow the lines of authority closely, and convince the managers themselves of the benefits of the change.

A consultant can be helpful in providing concrete implementation plans for the broad, theoretical ideas generated by the owners. Once again, these ideas can best be communicated in a warm, personal environment. The use of flip charts, spreadsheets and the like would not be as effective to the more indirect style of the Chilean. An action plan will generally have to be done in smaller steps than in the U.S. Flexibility is essential. The time factor is not as critical in Chile as in the U.S.

Maximize Opportunities

An advertising push locally should focus more extensively on promotions in new markets with little compe-

tion such as Puerto Montt and La Serena. Fewer markets with more resources to expand would be more advantageous with uncertain cash flow status.

Advertise new production capacity for larger jobs; economies of scale will decrease production costs over time.

Circumvent Threats

Tap markets still relatively untouched by Santiago; explore high growth areas such as Osorno.

Consider the future acquisition of small factory competition in Temuco through joint ventures to decrease small business competition.

Provide employees with areas for eating and changing clothes as well as with items such as uniforms to show continued concern for their group welfare. Involve employee families in events, i.e., Christmas parties, bonuses. Acknowledge the value of employees through monthly birthday celebrations and employee of the month announcements to confer status and maintain loyalty. Keep employees informed of new business generation and when raises are planned to circumvent threat of union intervention.

Provide relational, group training for sales representatives/family members. Involve them in success of enterprise on a commission basis to determine their level of dedication to sales.