

# Doing Business in the U.S. and Mexico

Frisa is a Mexican company located in Monterrey with customers worldwide. Founded by Eduardo Garza T 25 years ago, this firm produces specialty steel products for use in offshore drilling and industrial production. At present, 90% of the firm's sales are outside Mexico. Garza T, as founder and president of Frisa, has led the firm into joint ventures with American companies, and has recently acquired a U.S. firm, based in Detroit.

This video is divided into two parts. In Segment I, Garza T describes the challenges of expanding to an international market. He addresses what it means to get 'close to the customer' when that customer is a firm based in another country. Themes include managing relationships and building trust. In Segment II, he discusses similarities and differences between the motivation and supervisory styles associated with U.S. and Mexican workers. He highlights the human resource practices that make his firm a high performer.

## I. Doing Business in the United States and Mexico

Themes in this segment are:

1. The challenges of selling in the United States
2. The motivation behind entering the international (U.S., Far East, Europe) market in the first place. Shifting from serving a local market to an international one involved a complex set of changes for Frisa

### Keywords

"American time"

"Our product is as good as any other in the world."

"Whatever we tell them is the truth."

"Think as an international company."

"The competitiveness to be worldwide."

Why enter the U.S. and other international markets?

- Mexican market is much smaller, having fewer potential customers than the U.S. and elsewhere.
- Better infrastructure exists in other countries (e.g., roads, delivery systems, financing) which makes planning easier.
- Other countries are more stable, which makes long-term strategy easier to implement.

Key challenges of building relationships with international customers:

1. Trust and communication--the importance of keeping customers informed regarding deliveries and delays

2. Need to keep developing in-house know-how. Any firm can acquire new technology, but firm-specific knowledge creates competitive advantage regarding costs, efficiency, and quality. Frisa has placed a special emphasis on training its employees for continuous improvement.

### **Leading a Discussion of This Segment:**

Creating a frame: One strategy for using this segment is to give the students a series of questions prior to viewing the video. Ask them to identify answers to each question while watching the video. Sample questions include:

1. Why might a firm prefer to do business outside its home country rather than locally?
2. What does Garza T mean by the phrase, "close to the customer?"
3. If Garza T were a U.S manager (or French, or Canadian), would his views on doing business outside his own country be the same or different?
4. If Garza T were a U.S. manager (or French, or Canadian), would his approach to becoming close to the customer be the same or different?

## **II. Factory Workers in the U.S. and Mexico**

Frisa has recently purchased an American production facility based in Detroit. Garza T describes the similarity and differences between his Mexican and American workers. Distinctive management practices in Mexico have created a high performance culture within Frisa that is participative and flexible.

### **Keywords**

"competitive atmosphere in the U.S"

"our culture is 'more control'"

"we are 'more hungry'"

"line between workers and managers"

### **American Workers**

- more educated (have finished high school and sometimes college)
- need less supervision, work better by themselves ("tell them what and they decide the how")
- less willing to change

### **Mexican Workers**

- less educated (often have not finished primary school)
- need more training (including primary and high school education)
- need more supervision ("supervisor tells them what to do and how to do it")
- more willing to change
- want a better future for their children

The role of organizational culture comes into play as well. Garza T describes how in U.S. firms, there is often a large distinction between blue collar and white collar workers. At Frisa in Mexico, management and workers are on the same team, even though there is a larger pay difference between supervisors and workers in Mexico than in the U.S. The management practices used to build this cohesive team include: all workers, including the president himself, spend two hours a week in training; company wide meetings every month to discuss key issues of sales, cost, etc. This high performance culture exists despite a more traditional hierarchical Mexican society. As Garza T describes it: "We are a very peculiar organization."

### **Leading a Discussion of This Segment:**

#### 1. Before viewing Segment II:

Ask students to think about what they believe to be the differences and similarities between U.S. and Mexican workers. Probe for their assumptions regarding Motivation and Values (High Performance, Training, Advancement), Goals, and Preferred Management Styles. Make two columns (U.S./Mexico) on the board and list the class's answers.

After viewing the film: Revisit the two columns on the board and identify which items were consistent with the video. Students will note that workers at Frisa in Mexico are more motivated to change (than the U.S. workers at the Frisa-owned Detroit factory), seeing their success as a means of helping their families have a better life.

Two questions to raise with students:

A. What role do cultural differences play in the two lists? (With the exception of the family focus in Mexico, cultural differences may be less important than affluence and education.)

B. If the American workers had levels of education and skills similar to those of Mexican workers, would the two lists still be different?

This discussion can highlight that "cultural differences" may have less pervasive effects on management issues than do levels of affluence, education, and skills.

#### 2. Framing the viewing of Segment II - Instructions for students while watching the video:

Frisa is a high performance organization using team work, intensive employee development, and participative management.

A. Ask the class to make a list, while watching the video, of the management practices Garza T describes to be important in making Frisa successful and competitive. Students will list factors such as regular on-going training, company wide meetings, and education in basic skills. This discussion can focus upon the similarity between high performance firms worldwide.

B. After watching the video, ask the class why Eduardo Garza T describes Frisa as "a very peculiar organization." Frisa is different from many most other Mexican firms, being more participative and developmental than those serving local markets. Global firms face pressures that local firms do not--creating similarities among global companies that transcend cultural and societal influences.