CASE 16

Marconi Telecommunications Mexico

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On January 12, 1997, Marconi Telecommunications Corporation (Martel) signed a letter of intent to purchase control of Lerida Telecom of Mexico, a leading telecommunications provider in Mexico with approximately 2,300 employees. Lerida operated 85 customer service centers throughout the country and had a full-time staff of 92 corporate sales representatives. It also had agreements with 39 distributors, including one majority-owned subsidiary of Lerida, which operated over 125 distribution locations. One year later, 14 Martel managers had been moved to Mexico.

On June 21, 1997, Martel announced that it had signed a letter of intent to purchase an interest in Communicaciones Carmona in Chile from the controlling shareholder. Two weeks later the company announced that it had signed a non-binding letter of intent to purchase a minority stake in Panamanian Cable Provider, RadioTelevisivo Panama, subject to the completion of a due diligence review and regulatory approval. The company also had minority interests in Colombia and Martel representatives were pursuing opportunities in Brazil, Venezuela, and Bolivia.

Senior executives knew that one of their most pressing issues would be finding the right people to manage their Latin American operations. The plan was to build a team at Lerida and use these managers in other Latin American countries. Martel had traditionally enjoyed success when placing managers in foreign countries, but executives wondered what had been learned from the recent experience in selecting and preparing managers for Mexico, and whether the current systems and plans would support the anticipated expansion.

Background

Marconi Telecommunications Corporation was one of Canada's most international telecommunications providers. Although Martel owned minority positions in a few companies in Europe, it primarily focused on high growth opportunities in emerging markets, principally in Latin America and in Asia. Martel's expansion into emerging markets was fuelled by opportunities and by a need for growth. The Canadian market was very competitive with a lot of domestic competition as well as competition from giant American firms like AT&T and Sprint.

In 1997, Martel operated in 12 countries with approximately 3,700 employees. It owned, developed, and operated telecommunication systems such as cellular networks, PCS, paging systems, cable television, local telephone networks, long distance and fixed wireless.

Minority Interests

Martel began by purchasing minority equity interests in Latin American companies. Often, a single family controlled these institutions. However, an opportunity usually came to take a majority position. This was particularly true in times of financial crisis when the companies and their principal shareholders became strapped for cash.

Another reason for taking a minority interest was the company's lack of personnel to staff the operations. Few managers were familiar with Latin America or spoke Spanish. It was Martel's practice to send a small number of managers to the companies in which it held a minority interest.

Building a Competency

In 1990, anticipating Latin American expansion, Frank Kelly, who had just become the head of Latin America for Martel, each year began hiring recent graduates with appropriate backgrounds from MBA programs. In addition to their technical education and MBAs, they also had substantial Latin American backgrounds and spoke Spanish. These managers then began a four- to six-year tour of duty within the Canadian operations that exposed them to many aspects of the company's core businesses. Once they were familiar with the company's practices in Canada, it was expected that they would form the nucleus of a team that could manage a Latin American operation on behalf of Martel. By 1996, the company had hired about 12 managers with a Latin American background and had retained 10 of them.

Opportunity Knocks

Mexico's Secretariat of Communications and Transportation (SCT) began to deregulate telecommunications services in Mexico in 1990 with the privatization of Telefonos de

Mexico (Telmex), the national phone company. Telmex was granted protection from competition in local service until the year 2026, but all other services, such as data communications, satellite, cellular, and long distance, were opened to domestic and foreign competition. However, the SCT still maintained strict regulatory control on pricing. In 1997, Telmex faced a significant backlog in requests for new telephone line installations. By 1998, a number of multinational providers had entered the Mexican market, such as Bell Atlantic, Southwestern Bell, MCI, and France Telecom.

The currency crisis that began in late 1994 destabilized the Mexican economy and created an opportunity to purchase Lerida at an attractive price. Management believed that they could administer the operation and, after a period of difficult negotiations, bought Lerida.

"It's a great opportunity," said John Dolan, Chairman of Martel, shortly after completing the deal. "We're really into this for the very, very, long run. It's a part of our international telecommunications network." Separately, Dolan said: "I view Mexico as having enormous opportunity. It has 100 million people and it's part of NAFTA." Although the level of penetration with respect to the number of installed lines per capita was relatively low in Mexico, the demand for new services was very strong. Demand was expected to continue growing at a much higher rate than in the United States or Canada.

Martel and Lerida finally agreed that no more than 14 managers would be sent to Mexico at any one time. Kelly felt that 14 was ideal, in part because there were not more qualified staff to send, but also because more than 14 might appear too much like a conquest. Instead, management sought to create an atmosphere of partnership. This philosophy differed from that of some of the other foreign companies that chose to transfer more expatriate managers to the companies they had purchased.

As part of the due diligence to evaluate the investment in Lerida, approximately 25 managers were sent to Mexico. The group was made up of functional teams chosen by their team leaders. Virtually all of the Canadian company's employees with Spanish language competence were included on the various teams. The remainder of the team was selected for their technical skills.

Staffing the New Operation

In the normal process of selecting candidates for international placement, recruiting was done both internally and externally as the company tried to identify individuals with the skills required for an overseas assignment. Internally, a system of job postings called International Opportunities was used that listed the position and the requirements. This system was designed to provide an internal source of managers for a training pool. Martel also recruited at universities and searched for external candidates.

People who had been identified through these processes were then interviewed by a panel of four managers including three from line functions and one from International Human Resources. The successful applicants were streamed according to function (network, commercial sales) and regional pools (Latin America, Asia) and their development needs were identified. At the time seven slots were available in the management training program.

Language was a priority, but often other technical skills were major concerns as well. Most often, the external hires were individuals with limited telecommunications experience but who had an ability to function in Latin America, whereas internal hires often resulted from searches for skill requirements.

Those selected began an international orientation, based in Ottawa, that provided increased contact with international offices. Martel used a variety of methods including assignments on project teams and three-month "test" postings. Orientation lasted between three months and two years after which employees had a better sense of whether or not they were prepared for an international assignment. Some backed out at that point, but many could not wait to leave.

Sudden Demand For Managers

During negotiations, it did not appear that an agreement was possible and no one at Martel was expecting to complete the deal. However, at the last minute, the industrial group that owned Lerida agreed to additional concessions and a deal was reached. This sudden reversal created an unexpected and immediate demand for managers. Martel's International Human Resources (IHR) department was charged with the extremely difficult task of identifying and relocating a management team for the new company in a very short period of time. The 14 managers to be sent to Mexico were double the numbers then being prepared for that type of assignment.

Frank Kelly became president of the Mexican operations. A veteran in the telecommunications industry was selected to head up Lerida's residential services division. Two other senior, experienced Canadians were chosen to coordinate the cellular network and information systems and to be in charge of all commercial sales. These three executives then chose their respective teams to accompany them to Mexico.

Aside from those that had been originally hired specifically for their ability to speak Spanish and their knowledge of Latin America, individuals were chosen based on their technical expertise in areas deemed critical to the success of Lerida.

The expatriate managers assigned to Mexico fell into three broad categories: a) "traditional" managers with little or no previous international experience; b) the young "international" managers with a previous background in Latin America but without significant telecommunications experience; and c) a group that combined the traditional and the international. This latter group comprised experienced telecommunications professionals with previous international experience and/or who had emigrated from Latin America.

The "traditional" managers (six) ranged in age from 46 to 65 (average age approximately 54 years), were married with a family, Canadian, and had never worked outside of Canada before. This group comprised the senior managers with strong technical skills. The "traditional and international" group (four) were between 34 and 59 years of age (average age approximately 45 years), spoke Spanish and had previous international experience.

In contrast, the "international" managers (four) were in their early thirties, most were single, spoke Spanish fluently and had lived and worked in Latin America. Frank Kelly characterized them as world citizens who "were comfortable everywhere." They were

MBAs who had completed the basic training programs through the Head Office and also held degrees in engineering.

Human Resources: Process of Expatriation

It was Martel's policy[1] to provide a compensation package for managers undertaking international assignments that was competitive with other major international telecommunications providers. It would allow managers to maintain, to the extent local conditions permitted, a standard of living comparable to that available in their home countries.

The policy was designed to be equal to or superior to the average of other telecommunications companies from Canada, the United States, and Europe. The total compensation (salary plus benefits and allowances) was competitive. However, Jeff York, director of IHR, believed that the base salaries alone might have been less than those of competitors and this made Martel somewhat vulnerable.

The standard package of benefits covered housing, schools, compensation, relocation, automobiles, taxation and all other issues associated with the assignment. This package applied to all managers and their families. It included some additional benefits specifically for the executives being transferred to Mexico. The housing allowance was higher than normal; a security allowance was included as well as a pollution relief allowance. To claim benefits under this latter allowance, an executive and his family had to physically leave Mexico City one weekend each month during the seven worst months for pollution (November–May). An upper limit for expenses had been established and executives had to file an expense report to claim the allowance.

Although IHR was the principal point of support for employees beginning an international assignment, many other areas of the company provided services during the process. These included Relocation Services (moving, travel, hotels, selling house), Health (counselling employees and families about health risks, detailed discussions as necessary), Security (one-on-one meeting with employee to discuss country risk), and Finance (financial planning). In addition to these standard services, Martel's finance department arranged for an investment consultant to make a presentation on offshore investment opportunities not available in Canada and Martel provided an expense-paid trip to visit Mexico to see housing and schools.

It was also the general practice of the company to appoint a relationship manager for areas like Latin America to interact with the company's expatriates and to use a subsidiary company to provide on-site support. However, Martel was not able to use the services of Lerida, because the company relocated managers before it took formal control. Instead it relied on a senior manager with many years' experience in Latin America and a local relocation company. The relocation office arranged local real estate services. However, because of the large number of managers and families moving at the same time, it was impossible to provide the same level of on-site support that had been customary with prior international transfers within the company.

To avoid unnecessary travel, employees were asked to complete a list of requirements they needed to have satisfied before they would move in order to identify potential "deal breakers." IHR had a firm view about not negotiating individual packages, according to York.

> We want to make sure there is a serious intent to go and that it is not just a vacation or fishing trip. If a person's spouse has a career and is making a big salary, we can't replace that, so let's not fool ourselves.
>
> Our policies are flexible to handle differences between countries. We can't do 200 different, individual contracts. That would be unfair, particularly if one person were a better negotiator. Occasionally, exceptions are made, but only in very rare cases.

When employees felt comfortable with the provisions being made, IHR provided them the opportunity to visit the country with their spouses to see where they would be living and to know what schools were available.

Reactions by executives and their spouses to IHR policies generally varied by age, family status, and group ("traditional", "traditional and international", "international"). Similarly, ease of adaptation to Mexico varied by group.

To Go or Not to Go?

Generally, after being asked, managers reserved the final decision about accepting the position until they discussed it with their spouses and families. Most of the managers who were asked to move already had spent up to a month in Mexico during the due diligence. However, most of the spouses had never been to Mexico City:

> My husband came home and said that they had offered him this great job. Our daughter could go to private school and they are going to pay for the residence fees of our two other children while they studied at university. It all sounded wonderful. I think I said yes without really knowing what we were headed for.

Some managers were unhappy with the process used by IHR. Some wanted guarantees about what would be provided for them once they arrived in Mexico. Many were frustrated by what they perceived as rigidity on the part of IHR and felt that there should have been more ability to negotiate with reference to personal circumstances.

There also was some concern about the lack of career planning regarding jobs for managers when the time came for them to return to Canada. Managers cynically commented that those returning from an overseas position often found themselves regarded as surplus employees with no plan for their re-integration into the domestic organization.

The decision was more complicated for dual-career families. The company's position was clear. Its obligation was to secure a work permit for the employee. The spouse might or might not be able to work. Several spouses had careers and these families had to think about whether or not the spouse would be able to find work in Mexico or even receive permission to work under Mexican immigration laws. There were concerns expressed about the loss of a second income and what the spouse could do to occupy spare time.

Among the young, "international" managers, the feeling was that the package of benefits was good, but their perception was that other companies' salaries were higher.

IHR eventually resolved most of the major obstacles. One by one, after they had found homes and suitable schools, the managers informed the company that they were prepared to move to Mexico. Most of the employees were excited by the prospect— a change, a new challenge. As one executive stated,

> I thought working in Mexico would be a wonderful opportunity. Canadian companies have a bureaucracy and hierarchy that has been built up over many years. The opportunity to advance and try something more challenging was certainly there on the international side. That was the main motivating factor.

Although most managers embraced the new job opportunity with a high level of excitement, the families shared varying levels of concern about leaving behind their communities, good friends, relatives, and children who would remain in school in Canada. Those who did not speak Spanish shared additional anxiety.

Preparation

Everyone agreed that they received very little formal preparation before going to Mexico. Managers with previous experience in Mexico or other Latin American countries were not concerned by the lack of preparation. The "traditional" executives had mixed feelings about the level of preparation that they had received. Martel sponsored a one-day program offered in Ottawa. Many felt that was not sufficient. One commented,

> There just wasn't enough preparation done for moving a group this size. The program in Ottawa wasn't sufficient. We probably needed two to three days and we needed to talk with people from Mexico. There needed to be more done for the wives and children.

However, another manager viewed it differently.

> Preparation was basically nothing. I don't necessarily think that was a bad thing. You could spend five years preparing, or five days. From my standpoint, there were so many things that I wasn't prepared for that jumping into the deep end was probably as good as anything.

A manager with previous international and Mexican experience added,

> There was really no preparation by the company. Some Mexican gentleman did a one-day seminar. It was interesting but not very useful.

The spouses of the traditional managers felt a strong need for more preparation and more information. One went to the library for articles or books on living in Mexico but could not find anything recent. She talked with a friend at work who had lived there and talked about all the good times.

Another spouse commented:

> The company employees had some kind of meeting to talk about houses and salaries, but the spouses were excluded from any sort of formal "orientation" that may have been done by the company.

After arrival, these spouses discovered the *New Arrival Survival Guide* published by the Newcomers Club of Mexico City:

> This book had a couple of hundred pages of good information. We never had this information. I also met the wife of a P & G executive who said that they had had an appointment with the US Embassy first thing to talk about what to expect and the dangers of the country.

Language

> We had planned to begin taking Spanish lessons when we arrived. Looking back on it, we should have started the day we said "yes."

Prior to the transfer, the company hired Spanish teachers in Ottawa for employees who had the time and motivation to study the language. Employees and their families were also informed about a language school in Cuernavaca, near Mexico City. Some Martel executives, as well as their spouses, took advantage of this opportunity and spent several weeks studying at this language and cultural training centre. The centre offered intensive eight-hour days of Spanish language instruction, both one-on-one and in small groups. Classes on Mexican culture were also available.

Most of the managers attending the centre arrived with limited Spanish skills and were overwhelmed by the amount of information they were trying to absorb:

> It was very difficult to learn. There was only so much new information I could absorb. It probably would have been better if I had started the school with a base to begin with. I should have started language training in Ottawa. In Cuernavaca, I was too much in awe of everything.

After being in Mexico for a while, most of the traditional managers and their families realized that, although there were often people available that spoke both English and Spanish, if they were going to integrate themselves into their living and working environments, they had to learn Spanish. They also began to learn that speaking only with Mexicans that spoke both English and Spanish had severe limitations. One manager commented:

> I find that I spend a lot more time with employees who are bilingual. I wasn't able to communicate directly with employees that only spoke Spanish. I often had to speak through someone who spoke both languages, but I never knew if my message was getting through the way that I intended it. I think often, it didn't.

Others had similar feelings:

> The language was the biggest issue. Anyone that tries to work down here without the language will fail or at least be frustrated for a very long time.

Some managers found themselves in situations where most, or at least key, subordinates spoke only Spanish and, therefore, had to speak Spanish immediately. At Santa Fe (the administrative center) nearly all of the employees were unilingual. Others had numerous English speakers in their departments but chose to conduct meetings in Spanish, despite the initial inconvenience. These managers learned the language quickly. Still others found the expediency of the tasks at hand too important to be slowed by a new language and often worked more closely with their English-speaking subordinates or through an interpreter. It was apparent that this practice, however, could not last:

> Over the past several months, I've noticed a change in the tolerance level of the Mexicans to work or think in a different language (English). I think their expectations are now "you have been here a year, you should know more than three words" and I can understand that perfectly.

Other managers observed:

> You are paid to manage a company. It is not possible if you don't speak the language. You can't ask them to write project reports in English or to translate all their documents. One of my strengths in Ottawa was an ability to communicate with people. That's gone.

Outside of the work environment, language was also a barrier when trying to meet Mexicans socially.

Arriving in Mexico

The majority of expatriates and their families went to Mexico City. The Mexico City metropolitan area was estimated to have about 22 million inhabitants making it one of the world's largest cities, maybe the largest. Although it was a fascinating city, rich in culture, history, and social activities, it also had a reputation for being a very difficult place to live, due to serious pollution and crime problems.

For the executives and their spouses who had previous experience in Latin America the move was not difficult. One person had gone to Latin America 20 years earlier and had learned the language. His wife was Mexican and they had family and friends in the city. They received no preparation, got on an airplane and found a house on their own. A second spouse rented a car the day after arriving and drove outside the city to the home in which she was going to live and started preparing it for possession.

Another manager commented,

> When I moved to Mexico City I spoke the language and I had one suitcase so it was easy. The biggest problem was learning my way around the city.

He added that since both he and his wife spoke Spanish, had minored in Latin American studies, had worked in Latin America, neither had required much preparation or support. They found their own house in an old colonial section of the city.

However, the situation was very different for the traditional managers and their spouses. During the initial visits to look for housing and schools, the company hired a firm to help families as well as to look after other aspects of their relocation when they arrived in Mexico. Executives and their spouses were shuttled from place to place by representatives from the relocation company and were sheltered from many of the challenges of getting around in a new city. Even so, what they did see and experience was often a shock. One manager recalled:

> A lot of places had big security gates. That was a brand new feeling for those of us who were not accustomed to it. The least safe area in Ottawa didn't have barbed wire or guards. That was a real shock to my wife. When she saw where I was going to work and two guys with machine guns standing out front, that was a big shock.

His wife commented:

> The armed guards in front of people's driveways, in front of stores, in front of the schools that we went to look at were pretty scary. The representative from the relocation company kept saying that those people must have a lot of money or be politicians and that's why they needed armed guards. What I didn't understand was that we were going to be one of those people. In Ottawa, relatively speaking, we were just average "Joes" with a three-bedroom house and a yard.

One spouse remembered:

> We had someone holding us by the hand, driving us around most of the time. We had been to restaurants and a nice hotel that I'm sure had experience with English-speaking foreigners. Then we went to the airport to go home. We were on our own and there were so many people. We had been dropped right in the middle of Mexico. It seemed like nobody wanted to help us, and we didn't know how to ask anyway.

In the early days after moving permanently, the families of traditional managers began encountering new challenges. None felt they had a strong enough grasp of the language to live and function in Mexico on their own. The problems began the first day when they began setting up their homes, and later continued into the workplace. Not speaking Spanish and being unfamiliar with their surroundings, some of the routine activities associated with moving a household became almost insurmountable obstacles. This manager's experience was not atypical:

> My dryer had a three-pronged plug but the wall socket had only two. I needed to hire a plumber and an electrician. We had no idea how to do that at first, especially without speaking the language. I wish there could have been someone assigned to us for the first couple of days after we moved in to help with the little things.

Many of the Canadians expected the relocation company to look after a lot of the small details. Very few people were happy with the service provided to them in the early days after arrival. This manager was an exception:

> A lot of people were unhappy with the relocation company, but that really depended on what their expectations were. I wanted to know what schools were available and I wanted a house with three bedrooms in a good area. They met those expectations. Anyone who had a bad experience had unrealistic expectations about what someone else was going to do for them.

Some managers chose to live outside Mexico City in a private, gated community to avoid the crime and pollution. However, they had a long commute early in the morning and late at night and their children attended school in the city, which negated some of the benefits.

Pollution was on the minds of the executives who lived in the city. One said that pollution was more of an issue for him than security. Another commented,

> Some days it's bad. You have to wonder what you are doing to your health. If I had little children I wouldn't be here.

A few of the "traditional and international" expatriates and their families went to live in cities other than Mexico City. Guadalajara, Mexico's second largest city, was easier to adapt to than the capital, but it had many of the problems associated with large population centers. Monterrey, on the other hand, was characterized as a "piece of cake," especially in a section called Garza Garcia:

> Everything worked. The police were not corrupt and you could call the telephone company in the morning and have your phone installed in the afternoon.

Even for executives who had prior Latin American experience and spoke the language, moving to Mexico did not always go smoothly. One family had their flight canceled in Montreal and did not arrive in Guadalajara until midnight.

> We were met by a chauffeur in a new Suburban that the company bought for us and we went to a hotel. The next morning the real estate agent met us and accompanied us to our house that, like all the homes, was surrounded by high walls. The agent forgot the garage door opener and went back to the office to get it. When she returned she asked us where our car was. It had been stolen from in front of our house on our first day in Mexico. My wife just looked at me and said, "Where have you brought us? I want to go home!"

Dual-Career Families

Generally, under Mexican law, spouses who were not Mexican citizens were not able to work during their stay in the country. Giving up jobs at home had been hard for some. Unable to work, and alone while their partners were at the company, the spouses took golfing lessons at the local country club and the majority studied Spanish throughout the week, but there were still a lot of hours left in the day:

> You can find lots of things to keep you busy, but finding a new purpose is difficult. I feel like my brain is becoming mush.

One executive commented that his wife always reminded him that she gave up a job and career to move to Mexico.

Even if they could work, most felt that they did not have a strong enough command of the language to function in a job. The same was true for volunteer work. In fact, several were turned down when they offered to work for a charity organization.

In one instance, IHR agreed to secure the services of an employment agency to find a position for one of the spouses. It also assisted in the process of changing her immigration status to allow her to work in Mexico. Even so, after one year, she had been unable to find employment, in part, due to a lack of Spanish language skills:

> I now know what my work really meant to me. At first, I felt like I lost my identity when I lost my job. I haven't replaced it with anything yet but now, what I first saw as a loss, I now see as an opportunity. There are probably a million things I can do, once I know Spanish a little better. It's changed from something pretty awful to something that has a lot of potential.

An ability to speak Spanish and prior experience in Latin America made a big difference in securing employment. One spouse, an American fluent in Spanish, had been a Latin American Officer in the US Peace Corps. She was hired by a US government agency in Mexico City and then went to an international foundation.

Isolation: Feeling Alone Among 22 Million People

The young managers, and those with previous Latin American experience, loved their life-styles. They had Mexican friends and adapted easily. One view was that "Socially, it's a blast."

On the other hand, the traditional managers and their spouses often had a more difficult time. One noted, "I'm not experiencing Mexico."

Outside of work-related activities, many of the Canadians found it difficult to form friendships with Mexicans. Generally, their social activities revolved around other families in the Martel team or other Canadian or American expatriates they met. The social contact they had with Mexicans was the occasional event with subordinates and their families.

Occasionally, their partner's unhappiness had an impact on the performance of some of the managers. Contributing to this unhappiness was a growing security risk, both real and perceived, that distanced the expatriates from Mexico.

Even after a year of living in Mexico, some of the families felt no more integrated into the country and culture than when they had first arrived. The spouse of one of the managers commented:

> There is a definite sense of not belonging. This isn't our home. Even just walking around, sometimes there is a sense of people looking at you like you are a foreigner. We're the minority here. Another spouse asked me 'We are never going to belong here, are we? We are always going to be "extranjeros."' (foreigners).

However, some individuals had a different reaction:

> We were told before we came down here that it was hard to make friends with the Mexicans. I don't know if that's true. My husband has made friends with several Mexicans at work. I just don't come into contact with Mexicans as much as the others.

Many of the managers chose to live in an exclusive development outside of Mexico City called Valle de Ayora in an upscale suburb of the city known as Desierto de Leones.

Desierto de Leones was the residence of Spanish aristocrats when Mexico was a colony of Spain. Walls and security gates surrounded the Valle de Ayora enclave. Armed guards at another set of gates also controlled the entrance into the general area. Because many of the families had chosen to live there, Valle de Ayora soon came to be referred to as Fort Marconi among Martel employees.

Families living there enjoyed many benefits associated with living outside of Mexico City, not the least of which were cleaner air, increased security, and quiet. However, it also increased the feelings of isolation and separation. The feeling of isolation was intensified for the spouses of Martel managers because they lacked the regular contact with other people from whom their partners benefited at work.

> A couple of weeks after I got here, I remember thinking "there's 22 million people in this city and not one of them is my friend."

Some managers rejected Valle de Ayora and chose to live in upscale neighborhoods within Mexico City. One spouse, referring to the level of isolation, commented, "I think I would go mad living in Fort Marconi."

For the traditional managers and their families, adaptation was slow but usually came:

> Even though things are getting better, some days are awful. I don't know if there will ever come a time where there won't be ups and downs, but it seems to be evening out a bit.
> You have to get on with living. A major milestone is adapting.

Security and Safety

> These people have no money. They are getting desperate and it's only going to get worse.

One thing everyone agreed upon and on which they shared the same viewpoint was security. Following the currency crisis in December 1994, the Mexican economy deteriorated rapidly. Inflation initially soared to more than 100 percent while wages were held relatively constant. As economic conditions grew worse, Mexico City began to experience a sharp increase in street crime. Tourists, expatriates, and Mexicans were all targets for armed robbery, pick pocketing, and purse snatching.

Mexico City police offered little relief and, in fact, were often reported as the perpetrators of crime. Police routinely stopped vehicles with illegitimate charges of traffic violations in order to demand money. Most of the Martel team had been forced to pay police for alleged traffic violations, often on more than one occasion. Police would even accompany them to an automated teller machine to withdraw funds. According to one manager experienced in Mexico, "The police in Mexico City are not your friends. I go to great lengths to stay away from them."

Another executive who had previously lived in Mexico said,

> Mexico is quite dangerous in some places. It is a much more dangerous place now than it was 15 years ago. If you go around the city and engage in lots of activities, you have more exposure. Some people isolate themselves.

Some of the expatriates, regardless of experience or language ability, had frightening experiences. One of the older, traditional managers had a friend murdered in another city and one of the young "international" managers was robbed at gunpoint. Another executive survived an attempted kidnapping:

> I was driving home from work about 8 p.m. A car was stopped in traffic in front of me and I noticed another on an angle behind me, blocking me in. The next thing I knew, there was a noise like something was hitting the window of the car. I thought it was kids throwing stones. I looked over my shoulder and saw a gun pointed at me. I looked out the passenger window and saw another gun. When I opened the door, I was hit on the head with a gun as they tried to force me to move over and allow them into the car. I tried to move over but couldn't because my car had a center console in the front seat. Then, realizing I didn't want to go anywhere with these guys, I pushed the door open, jumped out, and then dove over the car next to mine. A shot was fired as I jumped and I heard another shot as I ran. When I finally looked back, my car was still there with the doors wide open, but the attackers were gone.

The spouse and son of one of the Canadian managers were stopped by police, dragged from the car and searched for drugs.

The company, in its country and security allowances, had taken steps to compensate employees for the level of country hardship and risk. IHR used an external consulting service to conduct an independent hardship evaluation of the countries in which the company operated. This evaluation had three components, 1) threat (personal), 2) discomfort (availability of medical services), and 3) inconvenience (availability of goods and services). It was updated twice a year. Mexico ranked 26 of 51 countries and IHR checked this ranking against other sources. Martel managers received twice the percentage allowance for Mexico compared to the US State Department. Because of the number of expatriates sent to Mexico there was an increased risk of something happening.

The company's security consultant was sent to Mexico to evaluate the situation. The consultant had travelled to most of the countries where the company had offices, and commented to employees that he had never seen anything as bad as the situation in Mexico.

On the Martel team were some very senior executives, as well as middle to upper level managers. The different ranks received different levels of security such as drivers and alarms for their houses. Many families became upset at the differences. One manager commented:

> Security should not be a perk. Basic common safety should be for everybody; it shouldn't depend on rank. Some of the lower level managers had to ask "Why is that person's life more important than mine?"

The expatriates felt that they were experiencing random crime. There was no pattern of kidnapping or assaulting senior managers of multinational corporations. Employees realized, however, that managers with drivers had not had a single incident; those without drivers all had problems.

There was an internal debate at headquarters whether to provide additional money and let the employees purchase their own security services and hire a driver or to reimburse them for the actual expenses incurred. The company decided to provide additional funds that were distributed to individual employees to use as they saw fit (for example, hire a driver). The Security Department promised to hire security consultants to advise each family on their particular security risks, but three months later that had not happened. Jeff York commented that those services were supposed to come directly from Lerida, which made it more difficult for them to control.

> A Mexican firm represented itself as being able to deliver security services in English, but it couldn't.

Company employees became more sensitive after the attempted kidnapping. Although they were upset at the security situation, they were more upset by the manner in which the situation was handled:

> If we had known about the security risks before we had come, we would probably still be here, but we would be better prepared emotionally.
>
> After blaming the company for all of the problems on earth, at one point I had to ask myself "if I was in their shoes, what could I realistically do"? Other than being on the other end of the phone and being a little more understanding, there was little more I could realistically do. Just a kind word once in awhile would mean a lot.

Monterrey was felt to be a safer city than either Mexico or Guadalajara. An executive who lived in Guadalajara had multi-level security – a security system in the house, a 10,000-volt electric fence, and a neighborhood security guard.

Work and Compensation

Martel had lost three employees with previous Latin American experience to companies that offered more money. Team leaders believed there was a risk of additional losses among the younger managers.

Frank Kelly felt that one of the biggest problems was the compensation system. He explained:

> It's very competitive here. The European salaries are higher than the American salaries, which are higher than the Canadians' salaries. A person could be transferred from the Miami office of the company and earn more than his Canadian boss. That's wrong.
>
> We've lost three good young executives in the last couple of months. Other companies just buy them out.

The company based its international compensation on salaries of similar managers of other Canadian multinationals with expatriate managers, but a situation had developed where there were differences between the Canadian and international market for telecommunications professionals.

In the international marketplace for managers, competition for talented professionals had driven salaries higher. This effect was multiplied in Latin America as international companies continued to expand rapidly throughout the region. Demand for experienced managers with Latin American experience drove salaries well beyond what a typical manager working in Canada with similar experience could expect.

> They can go work for any company in the world that does business in Latin America and double their salary.
>
> One year of experience here is worth 10 years anywhere else. You see so many problems that you have to solve.

Some of the Martel managers working in Latin America did not think that the compensation packages were competitive with the marketplace. The company had begun to offer additional benefits, and some came in the form of salary increases:

> The company seems to be very careful about what they will give you because they want to make sure that when you go back to Canada, they can take it all away. Additional benefits always seemed to be directly associated with working in Mexico such as athletic club memberships.

The work hours were long and there was not a lot of opportunity to take advantage of clubs:

> I've never worked harder in my life. I leave the house at 6:30. Two nights ago I got home at 11:30 and last night at 10:30. And this was not cocktail circuit stuff. Everybody is working hard. The rewards are high but the costs are high also.

However, managers felt that the challenging work was an important motivating factor. Interesting work compensated for lower salaries, at least in the short term. One of the most attractive aspects of the jobs in Mexico for the Canadian managers was the perception that they could make a difference. This was true regardless of their age, seniority or experience. Their high level of autonomy, coupled with the challenge of modernizing Lerida in this competitive market provided a level of satisfaction that many managers believed was the greatest reward for their efforts.

A senior executive thought the company did well in recognizing that it could not run Lerida from Ottawa.

> We have a lot of autonomy. It is not necessary to clear everything with Ottawa. It's my plan and I'm committed.

And it was not just the senior executives that experienced that satisfaction. One of the young managers worked with 12 people on his immediate team and had over 200 people reporting to him:

> The strength of the company is its strategy. That's what interests us. We want to implement change – that's fun. We want to be involved in decision making regarding the strategy. We are doing real value-added stuff and making a difference that you don't get back in Canada being one of thousands.

Another echoed this sentiment,

> I would love to live in Ottawa for the quality of life, but not for the job. We are living on the edge here. Home is a bureaucracy.

A Rewarding Experience

Along with the many challenges that Mexico provided, many of the expatriates found a plenitude of new and rewarding experiences. The families enjoyed travelling, new friends, food, and culture:

> Mexico has a rich culture. We've tried to appreciate the history and culture as much as possible. The first Christmas we spent in Mexico, our children came to stay with us and we were invited for Christmas with a Mexican family which was really a highlight. We had a piñata and later enjoyed the Mexican tradition asking for *posada*.[2]

Mexican hospitality, however, was not the only benefit bestowed upon the Canadians. Martel managers began to relate to their Mexican counterparts in new ways. At one point, a group of Mexicans provided a senior Canadian manager with a comic sculpture with the caption: *To the Mexicanised Canadians from your Canadianised Mexicans.*

Many felt they had learned a great deal from their Mexican counterparts:

> I have a subordinate who really helped me in many ways. Some were attitudinal things like how to approach Mexicans in various situations. I think he realized that I had a yearning to understand the Mexican way of doing things, so he openly offered suggestions.
>
> I have a tremendous respect now for most Mexicans. They work hard. They aren't afraid to work at all. They lack some management skills and some infrastructure, yes; but hard work is never a problem.

And, of course, the expatriates realized they had learned a great deal about themselves and their homes:

> At one point, I had to address all the pros and cons and make a personal decision to go or stay. On questions like security, I had to ask myself if I was really angry with the company or just frustrated as I adjusted. I finally had to identify which issues I could control and which ones I couldn't. You can't walk around unhappy all the time. I decided to stay, and things started to get better from that point.
>
> Little things don't bother me as much now.
>
> My self-definition has changed. I'm proud of Canada but I can see both sides. I'm also more self-confident and willing and prepared to tackle difficult decisions.
>
> You glamorize things back home – everything is good. But it isn't.

The Future

There was also agreement across the groups of expatriates that more development of executives was necessary:

> We need to have people in the pipeline – junior and senior people. We need to identify 25 to 30 promising people at all levels and develop them to run our Latin American operations.
>
> We need a structured, publicized development program like some of the top American companies like P&G.

The purchase of Latin American companies meant that soon Spanish would be the first language of almost one-half of Martel employees. Executives were wondering what they could learn from the Mexican experience to develop managers to run the expanding Latin American operations?

Notes

1. Expatriate Human Resource Policies, Marconi Telecommunications Corporation, February, 1997.
2. In Spanish, Posada means guest house or inn. The traditional celebration of asking for posada represents the search for an inn by Mary and Joseph on Christmas Eve. Guests stand outside the home and sing by candlelight, asking for lodging for the night.