

# Memo

**To:** All Baldwin Consulting Employees  
**From:** Mr. Devin Baldwin, President & CEO  
**cc:** Mr. Coltrane Baldwin, Vice President of International Relations  
**Date:** March 3, 2014  
**Re:** Costa Rica Expansion Project

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Greetings everyone, as many of you are aware, we will be opening a new facility to offer our business consulting services in Costa Rica. This is an exciting time for Baldwin Consulting LLC and we are anticipating a successful and long-term relationship with the Costa Rican business community—with the potential of expanding to other regions of Central and possibly South America. The purpose of this memorandum is to provide all employees with important geographic, economic and cultural background on the country; we will examine the unique cultural features of Costa Rica that could potentially impact our operations; lastly we will review best practices and recommended strategies for successfully conducting business within the region.

**BACKGROUND:** The capital city of Costa Rica is San Jose'; the country is bordered to the north by Nicaragua and to the southeast by Panama. The official language is Spanish and the official religion is Roman Catholicism. Agriculture is Costa Rica's main industry; primary agriculture products include: sugarcane; coffee; bananas; and pineapples. Most of the country's manufacturing is concentrated in the Meseta Central region and major products include food

and beverage processing, clothing and shoe production, and electrical appliances. (Morrison 1998, 130-132)<sup>1</sup> The Costa Rican currency is the Colon, which according to the currency converter website, Coinmill.com 545 Costa Rican Colons is equivalent to 1 U.S. Dollar (Coinmill.com The Currency Converter 2014)<sup>2</sup>.

In terms of business and economic stability, Costa Rica is still one of most thriving economies in Central America. In 2001, Costa Rica's GDP was US\$31.9 billion. Panama to the south weighed in the same year with a GDP of US\$16.9 billion, and Nicaragua to the north clocked US\$12.3 billion (Rheenen 2004, 39)<sup>3</sup>. The country is unique among its Latin American counterparts in the sense that "Costa Rica has no standing army, no guerrillas, and no political prisoners. For more than half a century, power has changed hands peacefully and voter turnout has been high" (Rheenen 2004, 31). Although, unlike the United States, Costa Rica has historically opted for greater government involvement; for example, "institutions like ICE, the state electricity and telecommunication monopoly, exert influence over national policy and everyday life. Along with ICE, the Caja (Social Security) and RECOPE, the state oil agency, are important players on this field" (Rheenen 2004, 33). This climate of increased government involvement will remain a consideration and potential factor that could impact our operations within the region. However, due to increasing financial support from agencies such as the IMF and World Bank, Costa Rica is gradually opening some of their state-run industries to privatization and foreign investment. "In 2004, Costa Rica signed the Central American Free

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Morrison, Marion. *Costa Rica Enchantment of the World*. Children's Press, 1998.

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Coinmill.com *The Currency Converter* . March 03, 2014.

[http://coinmill.com/CRC\\_USD.html#CRC=545](http://coinmill.com/CRC_USD.html#CRC=545) (accessed March 03, 2014).

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Rheenen, Erin Van. *Living Abroad In Costa Rica*. Emeryville, CA: Avalon Travel Publishing, 2004.

Trade Agreement (CAFTA, this region's NAFTA) with the United States...by 2007, private investors will have a crack at broadband internet service, cell phone service, and private data networks. The country also agreed to open up its state-run insurance sector by 2011" (Rheenen 2004, 37). The increasing trend towards privatization and foreign investment in Costa Rica will benefit not only our operations within the region—but also serve us in our plans for expansion into South America. According to the U.S. Department of State, "The United States is Costa Rica's most important trading partner accounting for almost half of Costa Rica's exports, imports and tourism, and over half of its foreign direct investment" (United States Department of State 2013)<sup>4</sup>.

With respect to differences in cultural norms, there are some significant factors that expansion staff needs to be cognizant of in working with the Costa Rican locals or "Ticos." First, one substantial difference between Costa Rican society and U.S. culture is what constitutes a work week. In Costa Rica "Forty-eight hours is the maximum work week, ten hours the maximum day shift, and six hours the maximum for night shift. Managers and executives can be asked to work 12-hour days" (Rheenen 2004, 186). In addition to the abridged work week, personal relationships are extremely important in Tico culture. For example, "Ticos rarely accept blame for mistakes and usually take care not to embarrass others, especially in public...Being scolded or corrected, especially in front of others, is not something a Tico will easily forgive" (Rheenen 2004, 189). Family and interpersonal relationships are extremely important in Tico culture—more so than in North American society; staff should give additional attention and respect to these cultural values if we hope to establish and maintain mutually beneficial business relationships in the region.

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United States Department of State. *U.S. Relations with Costa Rica*. November 19, 2013. <http://www.state.gov/r/pa/ei/bgn/2019.htm> (accessed March 03, 2014).

This expansion provides an excellent opportunity to capitalize on Costa Rica's stable economy, ideal location as a natural passageway between North and South America, and the increasing trend towards privatization. With the United States providing over 50 percent of the country's foreign investment and the strength of the dollar in comparison to the Costa Rican Colon, it creates ideal conditions for U.S. business expansion in the region.

Specifically, targeting our consulting services to the manufacturing sector, represents an opportunity for increased profitability, "Between 1996 and 2005, Foreign Direct Investment (FDI) in the manufacturing sector accounted for 68 percent of the total FDI inflow" (Paus 2008)<sup>5</sup>. In addition to investment in manufacturing; "What sets Costa Rica apart even further from most Latin American countries are significant amounts of foreign investment in high-tech industries, namely in electronics and medical instruments" (Paus 2008, 3). Increasing FDI, coupled with Costa Rica's strong investment in 'Human Capital' make Costa Rica an ideal headquarter location for our expansion into Central and South America, "Costa Rica's adult literacy rate is close to 100 percent, and primary school enrollment is nearly universal...Costa Rica also provides stability, economically, politically, and with respect to capital-labor relations, again mostly due to the social democratic model and strong institutions developed in the past" (Paus 2008, 5).

In conclusion, initial expansion staff should be bilingual in Spanish and English, possess an understanding of Tico culture and the importance of personal, business and familial relationships and have a broad knowledge of the country's thriving industries, including: agriculture, manufacturing and electronics. Expansion staff will also be given and expected to review the Intercultural Business Etiquette Guide, outlining information such as appropriate

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Paus, Jose Cordero and Eva. *Foreign Investment and Economic Development in Costa Rica: The Unrealized Potential*. April 2008.  
[http://ase.tufts.edu/gdae/Pubs/rp/DP13Paus\\_CorderoApr08.pdf](http://ase.tufts.edu/gdae/Pubs/rp/DP13Paus_CorderoApr08.pdf) (accessed March 03, 2014).

greetings, business appearance, gift giving policies, Costa Rican communication style, appropriate gestures, business behavior and effective approaches to negotiation (Praxi and InContact n.d., 11-12)<sup>6</sup>. Our staff training department is currently working to compile a more comprehensive guide for Costa Rica expansion staff covering these topics. We also plan to utilize the Rosetta Stone Language Learning System, as a tool for our non-Spanish speaking staff. We believe these initiatives, as well as the research we have done regarding the economic, governmental and social climate in the region—will adequately prepare us for the opening of Baldwin Consulting's Central America headquarter in March 2016. Please address any thoughts, questions or concerns regarding the Costa Rica Expansion Project to Vice President of International Relations, Mr. Coltrane Baldwin.

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Praxi and InContact. *Intercultural Business Etiquette*. n.d. [http://www.ncp-incontact.eu/nkswiki/images/b/b4/Intercultural\\_Business\\_Etiquette\\_document\\_v1.pdf](http://www.ncp-incontact.eu/nkswiki/images/b/b4/Intercultural_Business_Etiquette_document_v1.pdf) (accessed March 03, 2014).