

Pest country analysis: cuba



**ASSIGN
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BUSINESS ENVIRONMENT**Country Origin**

Cuba is one of the largest islands in the Caribbean which was once inhabited by tribal people when Christopher Columbus visited the island during his first voyage. He discovered it and declared it as a territory of Spain 1762 this country was briefly held by Britain before being returned in exchange for Florida. A series of rebellions occurred during the 19th century which failed to end Spanish rule, but increased tensions between Spain and the United States, resulted in the Spanish-American War, finally led to Spanish withdrawal, and in 1902, Cuba gained formal independence.

American trade dominated Cuba during the first half of the 20th century. It was helped by US government policy measures assuring influence over the island. In 1959, Dictator Fulgencio Batista was overthrown in a revolution led by Fidel Castro. Cuba-United States relations froze while the island showed

its faith towards the Soviet Union, which kept its economy running in spite of being US against Cuba. After the dissolution of the east-west-confrontation Cuba remains as one of the only Communist countries in the world.

Past business

Cuban business has mainly revolved around United States & Soviet Union. Before 1958 everything was alright between US and Cuba and trade was carrying smoothly between them. In March 1958, when an armed conflict broke out in Cuba between rebels and the Fulgencio Batista government an arms embargo has been in effect. In July 1960, in response to Cuba's new revolutionary government's seizure of US properties, the United States reduced the Cuban import quota of brown sugar by 7, 000, 000 tons, under the Sugar Act of 1948; the Soviet Union responded by agreeing to purchase the sugar instead, as Cuba's new government continued to take further actions to confiscate American businesses and privately owned property.

In 1963, the 1963 U. S. embargo was reinforced in October 1992 by the Cuban Democracy Act (the " Torricelli Law") and in 1996 by the Cuban Liberty and Democracy Solidarity Act (known as the Helms-Burton Act) which penalized foreign companies that did business in Cuba by preventing them from doing business in the US. The justification provided for these restrictions were that these companies were trafficking in stolen U. S. properties, and should, thus, be excluded from the United States.

The European Union resented the Helms Burton Act because it felt that the US was dictating how other nations ought to conduct their trade and

challenged it on that basis. The EU eventually dropped its challenge in favor of negotiating a solution.

PEST Analysis

(P)olitical factors

- Cuba is a communist state. The departments of the state and the Cuban Communist Party are closely connected and their power is mainly devolved from the Executive Committee of the Council of Ministers.
- Their National Assembly which has legislative powers consists of 614 members. Their next elections for the provinces and nation are due in January 2012, the municipal elections in April 2010, even though there is only one legal party which is namely the Cuban Communist Party (PCC). The head of state and government of Cuba is Raúl Castro Ruz.

(E)conomic factors

- The consumer prices, or inflation rate, rose by 3, 4 % in 2008 which is, compared to other countries, an average figure, because they are number 47 on the world list.
- The Cuban labor force counts 4. 962 million people of which 78% work in the state sector and 22% in the non-state sector. This figure scores them number 74 in comparison to the labor forces around the world.
- The unemployment rate is low compared to other countries as they only have 1, 6 % jobless people and rank place 13 in the world. This rate even improved by 0, 2 % from 2007 to 2008.
- The buying power, GDP per capita, of each Cuban was \$9, 500 in the year 2008. Compared to other countries they rank place 108 in the

world's list, but seeing that the values improved over the years from 2006 until 2008 by \$1, 000 per capita, their score is still positive.

- Cuba produces several agricultural products such as sugar, tobacco, citrus, coffee, rice, potatoes, beans and livestock. Main export goods are nickel, fish, citrus, coffee, tobacco products, sugar and its by-products and medicines. A 2008 estimate for their export of goods is \$3. 78 billion which makes them number 119 on the list of countries by exports.
- Their main export partners are China, Canada, Spain, the Netherlands and Iran. Goods that have to be imported are petroleum, food, machinery and equipment and chemicals.
- Their main import partners are Venezuela, China, Spain, Canada and the USA.

(S)ociological factors

- Cuba has a population of estimated 11, 451, 652 people. The population grows by 0. 233 % each year.
- 18, 3 % of these people are between 0 and 14 years, 70, 4 % are between 15 and 64 years old and 11, 2 % are 65 years or older. Therefore the average age is 37, 3 years. 65, 1 % are white, 24, 8 % are mulatto and mestizo and 10, 1 % are black (2002 census).
- The most dominant religions are Roman Catholics and Protestants. Nearly the whole population is able to read and write (99, 8 %) at the age of 15 which enables them to pursue a good education.
- The majority (76 %) of the population preferably lives in urban areas.

(T)echnological factors

- Cuba is a recognized leading country in the field of biotechnology, but there are still sectors that lack development.
- Internet access is for example only provided by one provider at high costs which shows an inadequate telecommunications infrastructure.
- The information technology system in Cuba still has to be improved, because the profitable sectors such as tourism and biotechnology require good and continuously updated communication structures and instruments which are not sufficient at the moment. “ Castro sees that modern communication and computer networks are necessary for the economy and is willing to open new doors in order to make this possible.” (Information technology in Cuba, 2009)

Cuba & World Economy

- In 2005 Cuba had exports of \$2. 4 billion, ranking 114 of 226 world countries, and imports of \$6. 9 billion, ranking 87 of 226 countries.
- Its major export partners are China 27. 5%, Canada 26. 9%, Netherlands 11. 1%, Spain 4. 7% (2007).
- Cuba’s major exports are sugar, nickel, tobacco, fish, medical products, citrus, and coffee; imports include food, fuel, clothing, and machinery.
- Cuba presently holds debt in an amount estimated to be \$13 billion, approximately 38% of GDP.
- According to the Heritage Foundation, Cuba is dependent on credit accounts that rotate from country to country.
- Cuba holds 6. 4% of the global market for nickel which constitutes about 25% of total Cuban exports. Recently, large reserves of oil have been found in the North Cuba Basin.

BUSINESS CULTURE OF CUBA

- DRESS
 - Dressing is quite informal in for both men and women,
 - For men: Depending on the situation, a guayabera shirt with nice slacks may be as formal as it gets. Business casual for a warm climate should suffice.
 - For women: A pair of pants and nice shirt should do. Skirts are fine as well.
 - Jeans and business casual attire are generally acceptable.
- TITLES AND BUSINESS CARDS
 - Titles are very important and it is best to address people directly by using their professional title (or Mr., Mrs., or Miss) followed by the surname.
 - It is advisable, although not required, to have one side of your business card translated into Spanish. Present your business card with the Spanish side facing the recipient.
 - There is no specific ritual surrounding the giving of business cards.
- MEETINGS
 - Arriving on time for a meeting is important even though you may have to wait 30 minutes or more.
 - There is usually 5-15 minutes of small talk before getting down to business. It is best to allow your host to begin the business discussion.
 - It is considered acceptable to interrupt someone who is speaking.
- NEGOTIATIONS

- Cubans value relationship building and harmony so it is important to avoid hard selling, pressure tactics and any sort of conflict or confrontation.
- Decisions are made from the top down and can take sometime.
- GIFT GIVING
 - Gifts are not brought to a first meeting.
 - When giving gifts it is best to bring something very modest as anything else could be misconstrued.
- COMMUNICATION STYLE
 - Cubans tend to be direct and some what louder than what the norm is in North America.
- GESTURES
 - Cubans tend to speak very quickly and loudly. They use their hands and bodies for emphasis when speaking and tend to be emotionally expressive.
 - Cubans will point by puckering their lips in the direction or person they are referring to.
 - Wrinkling or scrunching up of your nose usually means, “ huh” or “ what?”

Geert Hofstede's Model

After seeing some of the business culture and country's culture we can draw some conclusions based on the five dimensions of the above mentioned model.

- POWER DISTANCE

As Cuba is a Communist country, it is expected to have higher power distance than other capitalist countries. Geert Hofstede has not conducted his survey in Cuba so there aren't any scores regarding it.

- **INDIVIDUALISM Vs. COLLECTIVISM**

In Private sector individualism is practiced to achieve results with greater efficiency. While the majority of Cuba which is communist in nature has a greater faith in collectivism.

- **LONG TERM ORIENTATION**

On observing the past and future business culture of Cuba, we can easily comprehend that in past it was more of short term oriented. Now while the country is growing , it has become more of a long term oriented country.

HALL'S MODEL

High Context

Cuban's seem to pretty much fall in this category. I would like to state that because they behave in the following mentioned way :-

- Less verbally explicit communication, less written/formal information
- More internalized understandings of what is communicated
- Multiple cross-cutting ties and intersections with others
- Long term relationships
- Strong boundaries- who is accepted as belonging vs who is considered an " outsider"
- Knowledge is situational, relational.
- Decisions and activities focus around personal face-to-face relationships, often around a central person who has authority.

HRM PRACTISES IN CUBA

Human resource management (HRM) practices in Cuba are still incipient and close to what may be called the traditional Soviet-style model. In other words, HRM in Cuba mainly comprises a set of practices that emphasise cost control and administrative concerns, resource allocation being controlled by the administrative hierarchy and not by the market characteristics.

Additionally, human resource management is an undervalued function compared to other areas. Those “ who are not good enough for anything else, go to the HR function”, as one manager noticed.

Within the last few years, and in the context of perfeccionamiento empresarial, new concerns with the quality of human resource management have arisen. The new goals, in industries that aim to achieve a competitive position in the international arena, include the development of staff competencies.

Capacitacion (qualification) became HRM’s recent major buzzword in the country. Qualification is the major human resource management challenge for Cuban companies, and is viewed as a necessary means for achieving a series of new business goals, including quality, customer service and independence in the execution of work, all of which are new descriptors in the national business vocabulary.

The new market-oriented logic, which is emerging particularly in the globally exposed tourism sector, is far from being the normal. That is possibly one of the reasons why so many people try to work in tourism, the other being easier access to foreign currency. This has led to what is called the inverted

pyramid: a hotel waiter can earn more money (in tips) than the best university educated specialist or “ work hero”.

Macro-level administration of human resources is thus being challenged by micro motives and is forcing companies to develop and implement incentive systems that stimulate individual motivation, while trying to respect the ideological orientation towards a more altruistic and disinterested motivated behaviour, such as the one mentioned above.

In fact, as a traditional rule of the Cuban enterprise, incentivos (incentives) are non-material. They are called “ spiritual incentives”, and may include a letter, a diploma, an appreciation from the company or, at a more material level, “ a dinner including lobster”. Managers’ attitudes towards the effectiveness of material rewards are highly ambivalent. On the one hand, they deny the importance of material incentives. On the other hand, they enthusiastically refer to the possibility of obtaining material rewards in the more progressive firms.

BUSINESS GROUPS OF CUBA

SHERITT INTERNATIONAL

Sherritt International is one of the biggest business giants of Cuba that operates in Cuba & Canada. Sherritt International Corporation is a diversified natural resource company that produces nickel, cobalt, thermal coal, oil and gas, and electricity. It also licenses its proprietary technologies to other metals companies. Sherritt’s 293. 1 million common shares trade on the Toronto Stock Exchange under the symbol S. The company also produces oil from assets in Cuba, Spain and Pakistan, and manages 376 megawatts of power generation capacity in Cuba.

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HUMAN RESOURCE MANAGEMENT PRACTISES

The most important HRM practices practiced in Sherritt are

1. HR planning (i. e. to forecast and foresee the future business and employee needs and plan for them)
2. Recruitment and selection job descriptions, selection tools, background checks, offers
3. Compensation (i. e. methods, consistency, market)
4. Employee relations (i. e. labor agreements, performance management, disciplinary procedures, employee recognition)
5. Mandated benefits (i. e. social security, unemployment insurance, worker's compensation, COBRA/HIPPA)
6. Optional group benefits (i. e. insurance, time off benefits, flexible benefits, retirement plans, employee assistance programs, perks)
7. Payroll (i. e. internal vs. external options, compliance)
8. Recordkeeping (i. e. HRIS, personnel files, confidential records, I-9, other forms)
9. Training and development (i. e. new employee orientation, staff development, technical and safety, leadership, tuition reimbursement, career planning)
10. Employee communications (i. e. handbook, newsletter, recognition programs, announcements, electronic communication)

RECRUITMENT & SELECTION

The process of hiring begins when new recruits are sought and ends when their applications are submitted.

The result is a pool of applications from which new employees are selected.

Compensation

Compensation is the remuneration provided to an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees.

Training

Training is also provided for increasing the knowledge and skills of people for a specific purpose. It helps the trainees acquire new skills, technical knowledge, and problem-solving ability etc. It also gives an awareness of the rules and procedures to guide their behavior thereby improving the performance of employee on present job and prepares them for taking up new assignments in future.

Performance Appraisal

Performance appraisal is a method of evaluating the behavior of employees in the work spot including both quantitative and qualitative aspects of job performance. A process in which employee's strengths and weaknesses are identified to improve the performance on the present and future jobs.

Performance appraisal is a systematic review of individual or a group's performance on the job.

Pay Roll Section:

After employee placement/joining the recruitment section handovers the details of the employees enclosed in a file to the payroll department. Pay Roll process starts from 25th of every month. First part is attendance, which will be coming from last 26th to 25th of the month. Salary is paid for 1st to

31st but attendance is calculated from 25th to 26th of the month. The Pay Roll department then looks after the following aspect of the employees.

HSEQ

HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Every job involves certain risks. In order to provide a safer and healthy atmosphere at work place HSEQ is strengthened at all levels in the company.

There is a possibility of occurrence of risk either from external and internal sources. External sources here referred to infrastructure and internal sources referred to Behavior of employees. HSEQ is involved in regulation and controlling the risks involved in jobs.

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