



# Rainmaking in Spain

**SERGEY FRANK AND COLIN LEHMANN  
GIVE A SPANISH PERSPECTIVE ON  
BUSINESS**

**V**iva España! Many people know Spain only from their annual holidays—but because of the country's development over the last few years, Spain has become a fascinating business marketplace.

The Spanish regions differ considerably. For example, manners vary in the capital Madrid, compared to Barcelona, the capital of Catalonia, where business plays an important role and where life seems to be more hectic than in other parts of Spain. There are also differences in the daily approach to life in the hard working Galizia, in the strongly Arabic influenced Andalusia and in the Basque region. Numerous regional differences exist which influence dialects, language, mentality and business behaviour. With this in mind, this article considers the most important general features of business behaviour, irrespective of whether one's location is Madrid, Barcelona or Malaga.

## Establishing relationships

To create a valuable contact and engender a degree of trust, it is imperative to establish a personal relationship with your Spanish counterpart. You will find your business partner friendly and very hospitable. A social invitation should be regarded as an investment in the establishment of a good and trustworthy relationship. Conversations on such occasions are likely to include discussions of family and children. Important business matters should be organised personally whenever possible and not remotely by phone or fax. It is also advisable to demonstrate integrity and professional understanding. Business issues can be negotiated at length so long as you ensure a personal atmosphere which is both, comfortable and friendly.

It is highly recommended that great care is taken in the selection of a local representative in Spain. The chosen individual should be able to open doors, have the respect of potential business partners and be connected with the relevant authorities. Once appointed you will find it difficult to turn to someone else.

Status is very important in Spain. To succeed, you must ensure that your local representative has the right pedigree. Issues such as having studied at the right university, living in the correct area and driving an appropriate car are essential for a Spanish executive's image.

In Spain not only do the clocks strike differently to the UK but time passes more slowly. This does not only apply to business life but also when dealing with public authorities and utilities where licences may be required. Time may not be of the essence. Be prepared for protracted negotiations and a lengthy implementation process.

You should not enter into contract negotiations with the expectation that the process will be similar to the UK. Be aware that unforeseen difficulties may arise which will mean you must maintain a good sense of humour and a high level of flexibility. Office hours are between 9.30am and 1pm and between 4pm and 7pm. Spain is well known for its excellent and long lasting lunches and dinners. Dinner doesn't normally start before 10pm. As a visitor it is possible you should be prepared to invite your business partner for lunch or dinner. Top executives in Spain sometimes use the social opportunity of lunches and dinners to agree business transactions in principle. The details of such transactions and their implementation are then carried out by middle management in the office.

If you expect negotiations to be protracted and lunch to be a part of the agenda, make sure you know how long lunch will take. If negotiations continue immediately after lunch, you should avoid eating a heavy meal and drinking wine. Your business partner may be used to doing so but your ability to concentrate after lunch as a consequence, and your performance in the negotiation process, may suffer to a great extent. It won't look good if you doze off at a critical point in the negotiation!

### Language barrier?

As a general rule you should not assume that all Spaniards are prepared to conduct business transactions in English. The younger generation may, but the older generation generally speak French as a second language. Before meeting you should determine whether interpreters are needed. Make sure that all documentation which you need is available in Spanish. Business cards should be printed in both languages.

Get used to lively business discussions. Spaniards tend to rely on quick thinking and spontaneous ideas. Negotiations in Spain can be very intensive and lengthy but also very creative, especially during joint brainstorming sessions. But a situation where a negotiation leads to the point where the counterpart obviously loses face should be avoided. In such situations, it is better to paraphrase the critical issues diplomatically to find a solution to the problem. This will lead to a more harmonious outcome. Even in potentially imbalanced situations such as the traditional buyer/seller scenario where the buyer has more leverage than the seller, if the negotiation is too imbalanced a breakdown in negotiations may be likely. Here, the local representative may help to lead out of a possible impasse.

The accounting and tax environment in Spain will not be unfamiliar to those coming from an Anglo Saxon background. There are two main forms of legal entity, the first being an SL (*Sociedad de Responsabilidad*

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*Limitada*) which is a limited liability company with a minimum capital of 500,000 Ptas. About 90% of companies are of this form. An alternative legal entity is the SA (*Sociedad Anonima*) which has a minimum capital of 10,000,000 Ptas.

As in the EU generally, there is increasing harmonisation in accounting, but in Spain there is rather more reality to this harmonisation than in some other countries. Accounts, which are drawn up in accordance with a “National Accounting Plan”, which follows the EU 4th Directive, must be prepared three months after the year end and are filed at the *Registro Mercantil* (the Companies House equivalent) within seven months of the year end. The accounts are available to the public from the *Registro Mercantil*. There are heavy penalties for non compliance. As in England, it is possible to file abbreviated accounts if the company complies with two out of three small company criteria. Auditors are appointed for a minimum of three years.

In general, members of the accounting profession are proud of the standard of these accounts, though unofficially they do warn that in the event of an acquisition, full due diligence is advisable.

Corporate tax is calculated on the basis of the profits set out in the annual accounts and the present tax rate is 35%. A lower tax rate of 30% does apply to smaller companies but unfortunately this does not apply to the subsidiaries of foreign companies. There are very useful tax incentives for a variety of investments such as R&D and they are well worth looking into.

If you are looking for accounting and/or legal advisers, you will often find these under one roof as multi-disciplinary practices are becoming more common.

### Dress code

Despite possibly high temperatures, business wear of Spanish business partners is likely to be rather conservative. Trendy combinations are not to be found in most Spanish industrial sectors. Spaniards often dress more formally than many other Europeans and wear navy blue and dark grey suits and on hot summer days possibly brighter ones. Ties are not only common but a must. That which applies to housing, cars and education applies also to clothing: in Spain, it is recommended that you convey an image of good taste and propriety and wear well-made, name-branded conservative attire!

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