A Comparison of Management Style for Mexican Firms in Mexico and the United States

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ABSTRACT

The literature indicates that managers of Mexican firms use an "authoritative" management style when compared to U.S. Firms which utilize a "consultative style". In this study, the management style for managers in Mexican firms in Mexico and comparable Mexican owned firms in the U.S. are compared using Likert's System 4 survey instrument. The results indicate a different finding from the literature in that managers' management style for Mexican firms in both locations is consultative.

Keywords: Management style; Culture; International location; International culture

I.   INTRODUCTION

The literature indicates that culture influences the way firms are managed. Mexico and the U.S., although very close neighbors, have different cultures and the literature reports that the management style of managers in each country is different. The literature further notes that location of foreign firms and their proximity to their central firm may influence managers to amend their management style to the culture prevailing where the firm is located. Important work has been done to understand the culture of different countries and its impact on the management style used in enterprises. The work of Likert (1967) in establishing a measurement system to assess the degree of employee participation in management has been crucial and his approach is widely used to compare the management style of managers operating across countries. Likert (1967) characterizes an organization's management system on a continuum ranging from exploitive autocratic (System 1) to participative (System 4). Later in his experimental work, Likert and Likert (1976) reported that in the most highly industrialized nations, management styles tend to be concentrated more on the System 4 of the continuum and away from System 1 while the reverse is true for less industrialized nations.

This paper seeks to determine if managers in Mexican firms located in Mexico continue to use the authoritative management style as indicated in the literature and to determine if Mexican managers in firms located in the U.S. have similar management style as their counterparts in Mexico or because of their U.S. location Mexican managers have amended their management style to more closely conform to the U.S. culture. This work adds to the literature in two ways: (1) the research compares Mexican managers operating in their own country and operating in the United States while most of the research in the literature compares American managers operating in two different countries or compares Mexican managers to American managers and (2) the management style of Mexican managers using the Likert questionnaire was last completed in the work of Morris and Pavett (1992), so this research will provide a current insight as to how Mexican managers are today managing their firms.

The importance of this study relates to the bilateral commercial relationship between the U.S. and Mexico and their proximate geographic location. In addition, in 1994, both countries signed the North American Free Trade Agreement (NAFTA) which has increased their mutual trade and foreign direct investment. Between1994 and 2005, the US-Mexico foreign direct investment flows increased substantially from $16,968 billion to $71,423 billion. By 2007, the Mexican commercial relationship with the U.S. almost tripled from $297 billion to $930 billion (Secretaría de Economía, 2005 and Office of the United States Trade Representative, 2008). This mutual increase in business inherently has had an attendant growth for the number of foreign enterprises who have situated in each country.

The growth of trade between the U.S. and Mexico and the increase in the number of Mexican firms who have established locations in the U.S. has created a need for understanding the way Mexican firms in the U.S. are managed and how they might differ from their counterparts in Mexico. This study reviews the management factors relating to goal setting, decision making, communication, leadership, motivation, and control that influence the management style of managers of Mexican firms located in Mexico and the U.S. Two research questions are considered in this study.

(1) Do Mexican managers of Mexican firms located in Mexico continue to use the authoritative management style?

(2) Do Mexican managers of Mexican firms located in the U.S. use the same management style as their counterparts in Mexico or do Mexican managers of Mexican firms located in the U.S. amend their management style to more closely conform to the culture in the U.S.

To pursue this interest, we identified Mexican firms located in the U.S. and their counterparts in Mexico and sent them the questionnaire which included demographic questions and the Likert questions regarding their management styles The next section, will review the literature on cross-national comparison of management styles followed by the findings, conclusions and recommendations.

II.   LITERATURE REVIEW

The literature review is organized in three parts as it relates to the study's questions and research methodology. The first part relates to the work done by researchers using the Likert questionnaire to measure management style: Morris and Pavett (1992) and Stanford (1992).   The second part reports on work done by researchers using observation and interviews to assess the cultures of managers in different countries: Kras (1989), De Forest (1994), and Shimoni & Bergmann (2006). The third part relates to the work of Hofstede (1980), Marchese (2001), and Teegen and Doh (2002). These authors assessed culture through the dimensions of power distance, uncertainty avoidance, individualism and masculinity.

In Morris and Pavett's (1992) study, the cultural values of the area determined the management style used by managers in the Mexican subsidiary regardless of the efforts of the U.S. company in duplicating the U.S. operation in Mexico. Morris and Pavett (1992) used Likert´s theories in a Mexico-U.S. cultural application to identify the productivity and management style differences in a Mexican Maquiladora operation located in Mexico and its parent plant located in the U.S. A "maquiladora" is a factory (typically on the U.S.-Mexico border) that imports materials and equipment duty- and tariff-free for assembly or manufacturing and re-exports the assembled product usually back to the originating country. Morris and Pavett used Likert's (1967) questionnaire to compare the management style of American managers in the U.S. and American managers working in a Mexican plant with the same production process and operating policies, both producing the same disposable plastic products, and using the same manufacturing methods, work place layout, packaging, and training. While the Mexican subsidiary was modeled exactly after the U.S. operation, the research found that the American managers of the Mexican firm tended more toward the authoritative management system (typical of Mexican owned firms) compared to the American managers of the U.S. firm. The authors related that in Mexico, there exists a "fatherly" relation of authority between management and labor. The father is the undisputed authority figure making all strategic and operational decisions and setting disciplinary standards. This attitude of authority influences the maturing child when he/she enters the work place, instilling the assumption that supervisors or managers will make decisions, take responsibility, and assume all accountability. Morris and Pavett (1995) concluded that employees in the Mexican firm related to the American managers as the

authority figure and this may have influenced the American managers to use a less participative style of management.

Stanford (1992) utilized the Likert System 4 questionnaire in an extensive study that matched pairs of U.S. companies and their Mexican subsidiaries to determine the degree of participative management used by each one. The study explored whether employee involvement practices, specifically participative management used in the U.S., are transferred to the Mexican "maquiladora" industry. In their study, top levels of the manufacturing enterprises were managed by American managers, who used a participative management style. One conclusion of the study was that American managers were to some degree using employee involvement practices in the "maquiladora" assembly plants in Mexico. This finding seems to indicate that the American managers may have been somewhat cautious in using participative management. Stanford concluded that this could have happened because the Mexican employees were very willing to get direction and at the same time treated the American managers as authority figures.

The following three studies explain how culture develops from family values and traditions. The studies provide further support for the influence of culture in work environments and management.

Based on observational and interview-based research, Kras (1989) described the cultural norms in the U.S. and Mexico as they relate to differences in managerial behavior. According to Kras, in the Mexican culture, family life is more important than in the U.S., where work often takes priority over the family. The majority of Mexicans consider work necessary to live but they have the attitude that life requires a balance between work and pleasure, and try to incorporate a modest amount of pleasure into their workday, thereby creating a more convivial atmosphere in the workplace. The hiring of relatives and friends is a characteristic pattern of Mexican social behavior and trustworthiness, loyalty and reliability are important to Mexican employers.

For the Americans in the study, work is seen as intrinsically worthwhile and enjoyable and leisure as a reward for work completed. Americans prefer not to mix business with pleasure. They prefer not to hire relatives and friends and see it as important to separate the work life of employees from their personal lives. Kras also observes that traditionally, time is a relatively imprecise concept in Mexico. "Mañana", (tomorrow) may not mean today but neither does it necessarily mean tomorrow. Time commitments are considered desirable objectives rather than binding promises. Kras noted that while this attitude is beginning to change, modern Mexican professionals still reflect "traditional" family influences in the management style of typical Mexican enterprises. For the Americans, time is "money". They are under constant pressure to meet time commitments. In contrast, Mexican workers prefer no conflict and confrontation in their work, since they are not strongly competitive with their colleagues. The U.S. employees work in a highly competitive environment, and thus, executives seem to thrive on the stimulus of competition. Kras's work identifies important differences in cultural values between Mexico and the U.S. These reported findings contribute to an understanding of differences in management style among managers in each country. One of the research questions for this study relates to whether Mexican managers of Mexican firms located in the U.S. may be influenced to amend their management style to more closely conform to the U.S. culture in order to be successful in conducting business in the U.S.

De Forest (1994) has many decades of experience with manufacturing in Mexico and he affirms that in comparing the U.S. and Mexico, Mexicans have a low tolerance for adversarial relations or frictions at work. When selecting among job applicants, Mexican employers typically look for a work history that demonstrates ability to work harmoniously with others and to cooperate with authority. They also tend to seek workers who are agreeable, respectful and obedient rather than innovative and independent. Cooperation with authority is important to an authoritative management style. These findings strongly suggest that the Mexican culture has a strong impact on the management style for Mexican managers.

The Research by Shimoni & Bergmann (2006) regarding management practices in different countries is important to this study because this study seeks to determine if management style will be modified to more closely fit the culture of its environment in a foreign country. The work by Shimoni & Begmann (2006) revealed that a standard multicultural approach no longer suffices to describe the global business system. Interviews with Thai, Mexican and Israeli managers of two global American and Sweden enterprises indicated that local managers retain their local managerial cultural style, even though they are indoctrinated about the culture of their parent corporations. Shimoni & Bergmann's study shows that the U.S. culture is highly "individualistic". Personal goals are typically placed ahead of the group, and focus is placed more narrowly on financial return for the organization's enterprise. Mexico on the other hand is considered to have a "collectivist" culture and group goals have priority over individual goals. This is reflected in the importance of "trust" in Mexico.

The findings by Hofstede (1980) are important to the present study because the sample includes Mexican managers in their home country (Mexico) and Mexican managers in a host country (U.S.). In this study, the sample is similar to the sample in Hofstede--Mexican managers in Mexico and Mexican managers in the U.S. Hofstede (1980) compiled extensive data between 1966 and 1978. The work involved assessing cultural values of one world wide company operating in forty (40) countries. Hofstede reported that national cultures differ along four dimensions—(1) power distance, (2) uncertainty-avoidance, (3) individualism and (4) masculinity. His model defines (1) power distance as the degree to which people accept the unequal distribution of power in organizations; (2) uncertainty avoidance as the degree to which people tolerate uncertainty and ambiguity in situations; (3) individualism as the preference of people to belong to a loosely knit versus tightly knit social framework; and (4) masculinity as the degree to which people prefer values of success and competition over modesty and concern for others. Through this analysis, Hofstede concluded that the cultural distance between the home country (headquarters of parent company) and the host country (expansion country for subsidiary) influences the mode of management within the host.

The Marchese (2001) study is important to this study because its findings indicate that Mexican employees are comfortable with inequalities of authority whereas American employees prefer sharing of authority. Does national culture supersede the influence of culture in the location of the firm? Marchese (2001) describes the results of a study conducted by five researchers (Robert, Probst, Martocchio, Drasgow, and Lawler, 2000) about management practices in four comparable plants located in the United States, Mexico, Poland and India. This study analyzed management practices, empowerment and continuous improvement to practice-culture fit. Empowerment is a process by which employees are given certain amounts of autonomy regarding their

work. Comparing the employees in a U.S.-based management company located in Mexico with one located in the U.S., the authors found that the U.S. employees scored lower in power-distance-culture, presumably because of their cultural belief that power should be shared or is at least attainable. In contrast, Mexican employees showed a higher score for power-distance-culture, reflecting that in the Mexican culture, common inequalities in authority were expected and accepted. Here we see that Mexican managers accept inequalities in authority while in the United States, the employee expectations tend more towards sharing authority.

In another study using the four dimensions from Hofstede (1980) (power-distance, uncertainty-avoidance, individualism and masculinity), Teegen & Doh (2002) studied 55 Mexican enterprises and reported that compared with the United States, Mexican firms demonstrated higher scores of power-distance because the Mexicans readily accept the unequal distribution of power in society; they also have a high score in uncertainty-avoidance, because Mexican businessmen tolerate constant turmoil and uncertainty in their economy and political environment. The Mexicans had lower scores for individualism, reflecting Mexico's more collectivist cultural orientation. Here again, it is shown that Mexican businessmen deal better with turmoil and uncertainty and prefer to work in a collectivist versus an individualistic work environment.

Similarly, Teegen and Doh (2002) reported that the ideal paradigm of working conditions in Mexico is the family model: everyone working together, doing his/her share, according to designated roles. In fact, in the majority of instances, particularly in small and medium businesses in Mexico, authority is concentrated in the upper levels of the organization; there is no tradition of delegation of authority. The perspective of "we're in this together," places a greater reliance on trust.

In contrast, in the U.S., the fatherly authority is not so prominent but rather is often shared with the mother. Presumably, American family culture contributes to values and behaviors of self-sufficiency, independency and individualism and thus fosters a less autocratic work environment with employees maintaining lower levels of supervision or authority. Moreover, U.S. workers tend to be more independent and self-sufficient in their work with each person making pertinent decisions without having to report to an authority figure. In addition, it has been shown that values of loyalty are not so important in labor relations in the U.S.

In summary, this body of research documents that cultural environment impact management style and as a result the management of Mexican firms tends to be authoritative and collectivist when compared to management of firms in other countries.

III.   METHODOLOGY

Our study used the Likert System 4 instrument for assessing management style because of the following reasons: (1) it has been validated in a large-scale study; (2) it is familiar to management researchers and (3) it has been used to measure management systems in a variety of cultures, including the U.S., Western Europe, Eastern Europe, Asia and Latin America. Likert (1967, 1976) provides two versions of the "Profile of Organizational Characteristics" questionnaire, the original 1967 version and the revised shorter 1976 version. The most recent 1976 revised shorter version of the questionnaire was used for this study.

To measure each system, Likert developed a questionnaire corresponding to six traditional components of management-goal setting, decision making, communication, leadership, motivation, and control. The questionnaire is divided into four sections, defining the management style with the least amount of employee participation as System 1 and the style with the greatest amount of employee participation as System 4. Systems 1 and 2 are both considered to be authoritative styles, while Systems 3 and 4 are participative. These were designed to assess six management components within organizations that could be used together to characterize the degree of participation found in the workplace. Scores are obtained for each component and a composite score is calculated for each of the four systems of management-exploitive authoritative, benevolent authoritative, consultative, and participative.

Table 1
Likert´s system descriptions of management style

System	Description	Scale Value/Score
System 1 Explotive Authoritative	The system utilizes an autocratic, top-down approach to leadership. Employee evaluation is based on punishment and occasionally on rewards. Downward communication is predominant and there is little lateral interaction or teamwork. Both control and decision-making reside at the top levels of the organization.	0.-4.9
System 2 Benevolent Authoritative	This system is similar to 1 but management tends to be more paternalistic. Employees are given more freedom than in System 1. Management defines the limited boundaries for interaction, communication, and decision-making.	5.0-9.9
System 3 Consultative	Employees have more interaction, communication, and decision making than in System 2. Although employees are consulted about problems and decisions, management make the final decisions.	10.0-14.9
System 4 Participative	This system makes extensive use of employer participation, involvement and groups. The groups are highly involved in setting goals, making decisions, improving methods and appraising results. Communications occurs both laterally and vertically. The linking-pin concept is used.	15.0-20.0

A list of Mexican companies doing business in the Southwestern U.S. was obtained from the following sources: (1) Directory of Foreign Firms Operating in the U.S., (2) The Free Trade Alliance, San Antonio, Texas (3) Business and Industry Data Center, and (4) the Mexican offices of BANCOMEX in San Antonio and Houston, Texas. The final sample count included 137 U.S. based Mexican firms and 66 Mexican counterpart firms for a total of 203 firms. This questionnaire was sent to the general

managers of the firms. Two different "reminder" mailings were sent as well as follow up telephone calls and electronic mail. A preaddressed return envelope was included with the questionnaire. Thirty responses (21.8% response rate) were received from the one hundred thirty seven (137) Mexican firms in U.S. and 20 responses (30.3% response rate) were received from the sixty-six (66) Mexican firms in Mexico. The composite response rate is 24.6%.

The questionnaire also included questions related to general information about the characteristics of the Mexican enterprises located in the U.S. and Mexico. The methodology used to compare the management styles of firms operating in Mexico and the United States can best be accomplished if the profiles of both samples are similar. In developing the samples, careful attention was given to selecting a sample stratified along three variables: firm type, firm size (number of employees), and sales volume. A statistical analysis using Chi Square and T-Test was performed to statistically validate the similarity of the two samples. The analysis of the profile confirmed the similarity of the firms in Mexico and the United States based on the three variables. The profile of the firms is reported in Table 2.

Table 2
Profile of survey respondents indicating similarity on three variables

	US	Mexico
Number (%)	30 (60%)	20 (40%)
Type of Firm[1]		
Manufacturing Firms	10 (33%)	7 (35%)
Distribution Firms	16 (53%)	10 (50%)
Other	4 (13%)	3 (15%)
Average Number of Employee[2]	97	111
Average Annual Sales[3]	$4.5M	$3.1M

Notes:
1.   Pearson Chi-Square value of 2.505 with 2 degrees of freedom and a probability of .286.
2.   T-Test with a t value of 1.843 and a probability of .198.
3.   T-Test with a t value of .692 and a probability of .484.

IV.   FINDINGS

T-Tests and profile analysis were used to explore differences in management style. Table 3 contains both the results of the T-Tests and information on the six different management components of Likert's Scale: goal setting, decision making, communication, leadership, motivation and control.

Table 3
Mean responses on Likert´s management style and organizational dimensions for
Mexican enterprises in U.S. and in Mexico

Organizational Dimension	No. of Questions	Mexican Firms in U.S.		Mexican Firms in Mexico			
		M	SD	M	SD	t	p
Goal Setting	2	12.27	3.8	11.12	3.5	1.14	.286
Decision Making	3	11.90	3.3	12.14	3.9	-.240	.820
Communication	7	13.97	1.8	12.84	2.1	1.13	.064
Leadership	3	14.36	2.3	12.93	2.6	1.43	.050
	4	13.61	2.4	12.27	3.5	1.33	.115
	3	12.88	2.1	14.35	8.9	-1.45	.482
Total Management System	22	13.17	2.62	12.61	4.08	1.23	.065

Score of 0-4.9 =(Exploitive) System 1, 5.0-9.9 = (Benevolent) System 2, 10.0-14.9 = (Consultative)
System 3, 15.0-20.0 = (Participative) System 4.

The total mean scores for Mexican managers in Mexican firms in Mexico and the U.S. were 12.61 and 13.17 respectively. Therefore, by Likert's scoring system, the Mexican managers in Mexican enterprises in Mexico and in the U.S. reflect System 3 (scores 10.0 –14.9) - the consultative management style.

As indicated in Table 3, leadership is the only one of the six management components which is statistically different at a significance of 0.05. For the leadership component the mean scores of the Mexican managers in Mexican firms in Mexico were 12.92 and 14.36 for the Mexican managers in Mexican firms in the U.S.

A review of the questions relating to leadership seems to suggest that the managers in the Mexican firms located in the U.S. score higher for the comfort level that the employees feel in talking to superiors about their jobs and the leaders' inclination to seek and use subordinates ideas.

Overall, the study's results show that Mexican managers use similar management styles for Mexican firms on both sides of the border with the exception that those on the U.S. side scored higher on participative leadership than did their counterparts in Mexico.

V.   CONCLUSIONS

The study produced an important finding: Mexican managers of Mexican firms In Mexico and the U.S. use the consultative management style based on Likert's System. The total score for Mexican managers in the U.S. and Mexico on all six management components places them in Likert's System 3, the consultative management style. In System 3, employees have more interaction and communication in decision making

than in System 2. Although employees are consulted about problems and decisions, management makes the final decisions.

This finding answers the first research question--Do Mexican managers of Mexican firms located in Mexico with close counterparts in the U.S. continue to use the authoritative management style? The results indicate that the Mexican managers of Mexican firms in Mexico and in the U.S. use the consultative management style. More appropriately perhaps, management style of Mexican managers is not monolithic. This finding is interesting because it is contrary to reported findings in the literature. Likert and others' (Morris and Pavett; 1992; Stanford, 1992) have reported that Mexican managers of Mexican firms have an authoritative management style. Thus, our finding is anomalous since previous literature finds that Mexican companies manage authoritatively and operate under Likert's System 2.

Other studies report findings that explain why Mexican managers centralize decision making. Marchese (2001) found that Mexican employees showed a higher score for power-distance-culture, presumably because in the Mexican culture, some of the inequalities in authority were common and accepted. Teegen and Doh (2002) reported that the ideal paradigm of working conditions in Mexico includes characteristics where everyone works together. Everyone does his/her share according to designated roles. The working conditions in Mexico have authority concentration manifested in the upper levels of the organization with no tradition for delegation of authority.

In our study, the decisions are still found to be controlled by managers of the company but the ideas of employees are solicited and considered in finalizing decisions. Our findings suggest a shift towards a participative style of management by Mexican companies. This could have resulted from the increase in trade between the U.S. and Mexico after the North American Free Trade Agreement thereby providing a higher exposure for Mexican managers to the management culture in the U.S. In addition, the determination to be competitive in international trade could have motivated managers to include employees' ideas in decisions in the firm.

This finding confirms in part the second research question: Do Mexican managers of Mexican firms located in the U.S. use the same management style as their counterparts in Mexico or do Mexican managers of Mexican firms located in the U.S. amend their management style to more closely conform to the culture in the U.S.?

The Mexican managers in the U.S. do use the same management style as their counterparts in Mexico. The total score for Mexican managers in Mexico was 12.61 and 13.17 for Mexican managers in the U.S. within a Likert consultative score range of 10.0 – 14.9. Mexico and the U.S. are border countries and as close neighbors the Mexican culture may have a stronger impact for the management style of its managers than the culture in the U.S.

The second part of the research question arises from the work of Hofstede (1980) and Shimoni and Bergmann (2006). Hofstede (1980) reported that the cultural distance of the parent company from its host firm located in another country will influence the management style of its host firm. Shimoni and Bergmann (2006) reported that local managers retain their local managerial culture even though local managers are indoctrinated about the culture of their parent corporations. This study did not produce any evidence to support the findings of Hofstede (1980) and Shimoni and Bergmann (2006).

Figure 1
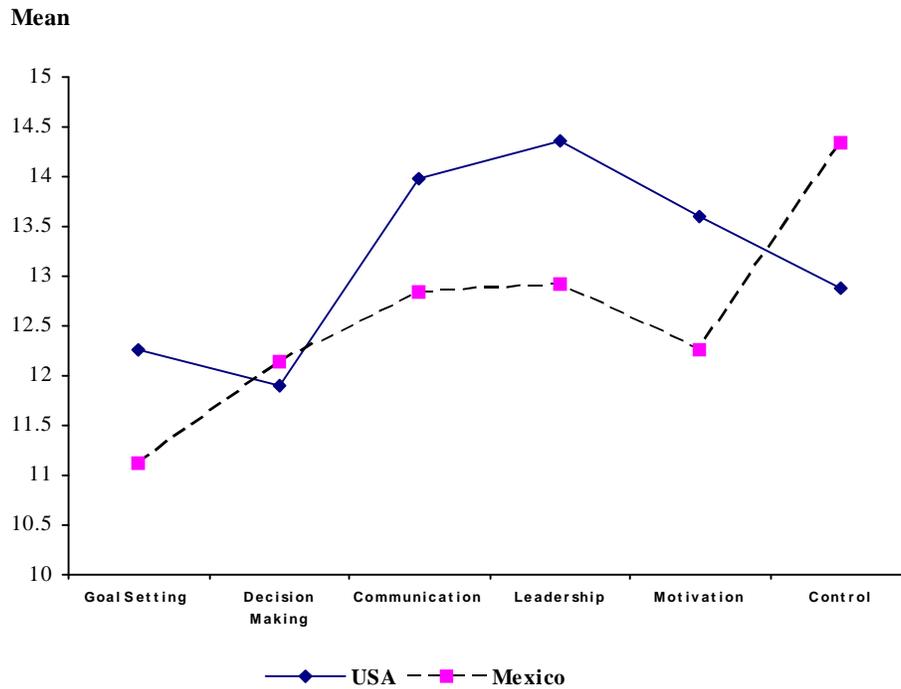Comparison of Mexican firms in the U.S. and in Mexico Based on Likert's System

Figure 1 compares the Mexican companies' total scores on the Likert System for each of the six management components. This data reveals similar scores on all the six management components—goal setting, decision making, communication, leadership, motivation and control. The T-Tests performed on each of the six management components indicated no significant difference on five of the six management components. Only the leadership dimension shows a statistically significant difference at the .05 level between the leadership mean scores of the Mexican firms in Mexico (12.92) and the mean leadership score of the Mexican firms in the U.S. (14.36).

The U.S. based Mexican managers seemed to indicate a somewhat higher Likert score indicating a tendency toward a more participative style of management. It is important to note that decisions made for both the Mexico and U.S. firm managers are almost identical. But for the Mexican firms in the U.S the confidence and trust shown to subordinates is higher, i.e., the employees feel more comfortable in talking to superiors about their jobs and leaders indicate a stronger inclination to seek and use subordinates ideas. A possible interpretation of these results is that Mexican managers are moving towards inclusion of employee ideas but remain steadfast to their culture in centralizing control. Progressive change in managing style is indicated while at the same time Mexican managers may be indicating an affinity for their culture.

VI.   RECOMMENDATIONS

Further research should be conducted to secure a larger sample. It is advisable to conduct another study to see if these results can be replicated and to devise ways to discover impacts. Future research is indicated to reveal whether cultural characteristics may be blending and manifesting in management style across borders even if only to the extent permitted by respected cultural traditions as reported by Kras (1989) and DeForest (1994). Further, the North American Free Trade Agreement, which may have lead to greater participative management styles among Mexican managers, includes the U.S., Mexico, and Canada; thus, it would be interesting to extend the study to a perspective that includes Canadian managers as well.

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