

# *Administración y Organizaciones*

Special Issue 2024



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**AUTONOMOUS METROPOLITAN UNIVERSITY**

**Xochimilco Campus**  
Department of Economic Production

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**UNIVERSIDAD AUTÓNOMA METROPOLITANA**  
**Unidad Xochimilco**

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## Navigating the Sea of Knowledge: 50 Years of UAM

As we conclude the grand celebration of half a century of this esteemed institution, we aim to contribute in a particularly significant manner. The university stands as a nexus where diverse voices and perspectives converge, creating an intersection of visions that illustrates the vastness and depth of the ocean representing our journey through the waters of knowledge. Academic publications serve as the vessel for the transmission of this wisdom, as eloquently expressed by Pablo Neruda in his poem 'The Sea':

*The Sea*  
*I need the sea because it teaches me:*  
*I don't know if I learn music or consciousness:*  
*I don't know if it's a single wave or deep depth*  
*or a hoarse voice or a shining*  
*suggestion of ships and fish.*  
*The fact is that even when I'm asleep*  
*in some magnetic mode I move*  
*in the university of waves.*  
*It's not only the crushed shells*  
*like some shivering planet*  
*participating in a gradual death,*  
*no, from the fragment I reconstruct the day,*  
*from one grain of salt the stalactite*  
*and from one spoon the immense god.*

This metaphorical exploration of knowledge as an ocean aligns perfectly with our academic endeavor. Just as the sea holds countless mysteries and undiscovered realms, so too does the pursuit of knowledge in academia offer endless opportunities for exploration and discovery. Our publication, much like a ship navigating these intellectual waters, aims to chart new courses, explore uncharted territories, and bring to light the hidden treasures of academic inquiry.

As we commemorate this milestone, we reflect on the invaluable contributions that our institution has made to the vast sea of human understanding over the past five decades. This special issue stands as a testament to that journey, showcasing the depth and breadth of scholarship that has emerged from our academic community. Through the articles presented in this commemorative edition, we invite our readers to embark on a voyage across the diverse landscape of knowledge that our university has cultivated. Each piece represents a unique current in the greater ocean of our collective intellectual pursuit, contributing to the ebb and flow of ideas that have shaped our academic discourse over half a century.

Just as the sea teaches us and invites reflection, the research developed within university spaces finds its natural course in dissemination. It is through publication that

fragments of knowledge are explored, reconstructed, and given meaning, with authors and readers navigating an encounter in this infinity of wisdom. Academic publications play a fundamental role as vehicles for knowledge transmission, not only facilitating access to university-conducted research but also fostering interdisciplinary collaboration, thus enriching collective knowledge with the aim of understanding or addressing some of society's complex problems.

In celebration of the Universidad Autónoma Metropolitana (University Autonomous Metropolitan) half-century, it is important to highlight that the university has evolved significantly, becoming a space where diverse voices, perspectives, and disciplines converge, reflecting its commitment to the inclusion of disciplinary perspectives and the diversity of viewpoints.

Rigorous academic publication entails a peer review process, ensuring the quality and reliability of the knowledge disseminated. This process not only validates the research but also contributes to the ongoing dialogue and advancement within academic fields. It serves as a cornerstone in the construction and refinement of scholarly discourse, allowing for the critical examination and development of ideas.

The university's journey over these fifty years mirrors the dynamic nature of knowledge itself—ever-expanding, constantly challenging established paradigms, and continuously seeking new horizons. Through its academic publications, the university has not only documented this journey but has also actively shaped the intellectual landscape, contributing to the broader academic community and society at large. As we commemorate this milestone, we recognize the pivotal role that academic publications have played in the university's mission to explore, understand, and contribute to the world around us. They stand as testaments to the dedication, creativity, and intellectual rigor of our academic community, serving as beacons that guide future generations of scholars in their own voyages across the vast sea of knowledge.

Rigorous academic publication entails a double-blind peer review process, ensuring that published works have been evaluated and validated by a body of academic experts in the field, thereby enhancing the journal's reputation as a medium that validates the quality of presented results and discussions. Within this framework, our journal "Administración y Organizaciones" promotes dissemination by influencing research lines that contribute to the field of Administration and organizational studies, while staying abreast of current debates. It also fosters interdisciplinary collaboration, creating knowledge nodes that enrich networks addressing the complexity of social issues. Over time, publication formats have been adapted to align with new forms of scientific communication.

The era of digitalization has ushered in electronic support, with metadata becoming the language that expands the reach of journals. Our articles are published within the Open Science framework, promoting free and unrestricted access to research, allowing anyone, regardless of academic affiliation, political group, or ideology, to access scientific findings. This democratizes knowledge and encourages greater inclusion in the scientific community. Moreover, Open Science emphasizes the importance of transparency in both articles review and the editorial process, up to and including publication. This approach strengthens research reproducibility, bolstering confidence in scientific results and promoting a more collaborative academic environment.

The Division of Social Sciences and Humanities of the Xochimilco Unit, and the Department of Economic Production, proudly present a special issue of 'Administración y Organizaciones'. This issue highlights the most influential articles that have positioned our journal in the field of Administration and organizational studies. The articles presented in this special issue have been carefully selected and translated from Spanish to English, reflecting our journal's firm commitment to global dissemination and the expansion of knowledge on pioneering topics in the field of administration and organizations. This translation initiative not only broadens the scope of our publication but also allows crucial research and innovative perspectives to reach a wider international audience.

The selection of these articles is the result of a meticulous curation of the most cited works since our first issue, published in November 1998. Each of these articles has left a significant mark in the field, being considered pioneers in their respective areas of study and substantially contributing to the advancement of knowledge in administration and organizational theory. As part of this celebration, it is essential to recognize the vision and leadership of Professor Ricardo Estrada García, founding editor, whose direction was key to the foundation and initial development of the journal. Under his guidance, "Administración y Organizaciones" was created with the ambitious goal of approaching administrative and organizational reality in a rigorous and scientific manner. This approach was particularly significant at the end of the 20th century when research in the field of Administration in Mexico was considered unserious and lacked credibility within the broader academic community.

The journal's trajectory, from its foundation to the present, has been marked by editorial leadership, with each responsible party contributing their experience and vision to maintain and elevate the standard of excellence established by Professor Estrada. Below is an acknowledgment of the arduous work represented by overseeing our journal (Table 1). Thanks to their enthusiastic contribution and commitment, "Administración y Organizaciones" has, since 1998 to the present, earned its place as a specialized academic publication in Hispanic America.

**TABLE 1. EDITORS OF THE JOURNAL 'ADMINISTRACIÓN Y ORGANIZACIONES**

Name	Role	Period
Ricardo A. Estrada García	Founding Editor / Editor-in-Chief	1998 - 2002 2006 - 2011
Felipe de Jesús Martínez Álvarez	Director / Editor-in-Chief	2003 - 2006
Margarita Fernández Rubalcaba	Director / Editor-in-Chief	2011 - 2015
Alejandro Espinoza Yáñez	Director / Editor-in-Chief	2015 - 2017
Graciela Carrillo González	Director / Editor-in-Chief	2017 - 2022
Angel Wilhelm Vázquez García	Director / Editor-in-Chief	2022 - Present

This special English-language issue brings together articles addressing diverse and relevant topics, ranging from digital transformation in businesses to new trends in leadership and human talent management. Our authors recognized experts in their

fields, present rigorous research and innovative findings that significantly contribute to the advancement of knowledge in administration and organizational theory.

- Estrada García, Monroy Alvarado, and Cortés Cortés (2002) critique the current trend in administration that focuses on immediate benefits for specific groups without considering the social and environmental impact of decisions. This limited vision not only excludes certain sectors but also contributes to ecological and social deterioration. The need to integrate ethical-moral principles into management is emphasized, proposing a reevaluation of ethics as an essential component in the business sphere.
- Luis Montaña Hirose's (2000) research on administration in Mexico reveals its origins dating back to the independence period. The Commercial Institute, precursor to the Higher School of Commerce and Administration of the National Polytechnic Institute, was founded in 1845. During Maximilian of Habsburg's era, this institute transformed into the Imperial School of Commerce, offering a curriculum encompassing writing, arithmetic, English, and French.
- Silvia Pomar Fernández and Aracely Rendón Trejo (2000) discuss how corporate mergers provide organizations with a platform to acquire knowledge, develop innovations, and adopt sustainable strategies ensuring market permanence. This association modality has been crucial for business growth since the last century, generating synergies that allow risk-sharing and access to new technologies.
- Ayuzabeth De la Rosa Albuquerque (2002) explores organizational theory and new institutionalism in organizational analysis, focusing on the concept of organizational fields and their role in understanding organizational environments.
- Francisco Javier López Chanez, Alicia Casique Guerrero, and Julián Ferrer Guerra (2006) highlight qualitative differences in administrative models of analyzed companies, influencing staff job satisfaction. This satisfaction depends on factors such as salary, work relationships, growth opportunities, and working conditions.
- Antonio Barba Álvarez (2001) examines the culture of total quality in Mexico, noting the country's ascending and late process of institutionalizing total quality in the early 20th century. A key obstacle in this progress has been the patrimonialism character of management in many companies.
- Graciela Carrillo González (2011) traces the roots of sustainability to U.S. environmental movements, emphasizing the evolution of the concept over nearly 40 years of debate, maintaining fundamental ethical principles such as harmony with the natural environment and human equity.
- Anahí Gallardo Velázquez (2002) discusses the era of uncertainty, organization, and chaos theory, proposing that the complexity paradigm allows a more realistic understanding of organizations as systems of interpersonal relationships capable of renewal and transcendence.

- Adalberto Cabello Chávez, Rafael Reyes Avellaneda, and Pedro Constantino Solís Pérez (2004) identify the organizational profile of SMEs in the manufacturing sector, particularly family businesses, through analysis of various currents in Organizational Theory.

With these articles, we demonstrate how the journal acts as a beacon in this ocean, marking routes and illuminating critical debate, fostering dialogue between academics and those seeking to broaden their interpretation of topics of interest. In the first quarter of the 21st century, digitalization has transformed the realm of publications, making produced knowledge accessible and open.

We thank Denisse de la O for the translation of the original articles from Spanish to English, as well as all the assistants of the journal. For brevity and without omitting names that we do not have on record, we prefer to leave it open. Behind a publication, there are various individuals who have contributed to ensuring that the editorial care reflects the content. Thank you to the editorial assistants. Their talent has allowed the journal to continue thriving and is reflected here. For this special issue, we express our gratitude for the enthusiastic support of the current editorial assistant, Bianca Elizabeth Whitney Rosas, and the technical assistance of Ms. Gubisha Ruiz Morán.

We invite our readers to immerse themselves in these electronic pages, where they will find not only valuable information but also inspiration for future research and practical applications in the business world. We trust that this issue will stimulate academic debate and provide fresh ideas to face the organizational challenges of the 21st century. We thank all the authors, reviewers, and collaborators who have made this edition possible, and we reaffirm our commitment to academic excellence and the dissemination of knowledge in the field of administration and organizations.

Happy adventures in the ocean!  
Happy 50th Anniversary!

**Angel Wilhelm Vázquez García**  
**Graciela Carrillo González**  
**Editors**  
*'Administración y Organizaciones'*

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## Management and Ethics

† Ricardo A. Estrada García<sup>I</sup>,  
† Germán S. Monroy Alvarado<sup>II</sup> y  
Manuel A. Cortés Cortés<sup>III</sup>

Original article in Spanish published<sup>IV</sup>: July 2002

Translated into English<sup>V</sup>: January 2024


### Abstract

In the face of the accelerated changes that our societies have undergone in recent decades —both in scientific and technological realms, as well as in social, economic, and cultural spheres— it can be observed that certain fundamental and indispensable aspects for development remain forgotten, at individual, social, and humanity-wide levels. Within this context, concepts such as ethics seem to be marginalized when considering, for example, the high levels of corruption everywhere. This paper explores the importance of ethical issues in professional and academic activities related to management, which lean on a chance to improve efficiency and efficacy as well as individual, organizational, and social development.

**Keywords:** Administration, management, ethics, corruption

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<sup>IV</sup> Original article: <https://rayo.xoc.uam.mx/index.php/Rayo/article/view/319>

<sup>V</sup> Translated by: Denise de la O



*Only when anomalies accumulate to a point that cannot be ignored that new paradigms are given conscious thought. These new paradigms come not from the established order, but from the "new men", foreign people or young people uncontaminated by long exposure to the current way of thinking. The arrival of the new paradigms is accompanied by a crisis period, as the old is replaced by the new, which is a revolution.*  
- Handy Charles<sup>6</sup>

## INTRODUCTION

**T**he current crisis facing our society is a product of the prevailing socio-economic paradigm centered around the allure of wealth, complexity, private property, productivity, and the pursuit of profits as the ultimate goal of management in organizations. This realization has led to the concentration of the population in large urban areas, specialization in activities, unemployment, a decrease in overall well-being, an increase in violence, and widespread corruption, among others, as a result of poor wealth distribution. This compels us, as researchers, educators, and individuals connected to the development and practice of management in its various fields, we are compelled to seek alternative ways of understanding the theory and practice of this activity in organizations within an increasingly complex society, to foster the emergence of new paradigms.

This work focuses on providing a preliminary exploration of administrative theory from a philosophical perspective, with a systemic focus, employing a systemic approach, starting from the relationship between Ethics and Management as a human activity entrusted with satisfying social needs. In the first part, the revision of some fundamental concepts about Philosophy and Ethics is deemed crucial, then, once these concepts are established, the examination proceeds to review the development of administrative theory as a scientific discipline. In the third phase, the concepts of Ethics and Management are intertwined to propose ideas that might pave the way for a different paradigm than the currently prevailing one.

## ETHICS AS PART OF PHILOSOPHY AND ITS RELATIONSHIP WITH SCIENCE

For a better understanding of what Ethics is, we will begin by identifying it, along with science, as part of Philosophy and will explore its relationship with it, considering it generally as the love for knowledge or wisdom. Specifically, Gutiérrez Sáenz (1973) proposes a definition of Philosophy as: *the knowledge of the essences and the first principles of all being*, that is, of the supreme causes of all things. In other words, Philosophy is a form of knowledge distinguished by its rational apprehension. Its material object of study encompasses all things, and its formal object is determined by the *supreme causes*.

Thanks to the precision provided by the formal object of study in Philosophy, it is possible to distinguish this branch of knowledge from the set of sciences, since Philosophy deals with all beings, but from a viewpoint markedly different from that taken by the sciences.

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<sup>6</sup> Charles, Handy. *Los Dioses de la Administración*. Ed. Limusa, México, 1983. pp. 197-198.

Philosophy studies the supreme cause of all things, whereas the sciences focus on the proximate causes of some things. For example, man is a subject of study in various sciences such as Psychology, Anatomy, or History, but none of these sciences are confused with each other, due to the different aspects they examine within the same material object, which is the man. Similarly, Philosophy studies the same material aspect distributed among the sciences but distinguishes itself entirely from them due to its characteristic formal object: *the supreme causes*.

Another concept that is considered fundamental to understand the relationship between Ethics and Management, from the perspective of Philosophy, is that of Science. It can be defined as *a certain knowledge of things through their causes*, a concept that has been part of the philosophical tradition since Aristotle. Consequently, a body of knowledge is at the scientific level when it aims at the causes of what is studied, whether it be a physical phenomenon, a mathematical theorem, or the origin of the current administrative paradigm.

In this manner, and continuing with the same perspective, there arises the need to relate Ethics to Science (Ackoff, 1949, p. 664), hence Ethics can be defined as a practical and normative science that rationally studies the goodness and badness of human actions. In general, Ethics is a form of knowledge distinguished by its rational apprehension, practical nature, and normative character, with its material object of study being human actions, and its formal object being the goodness or badness of these actions.

## CLARIFICATIONS ABOUT THE CONCEPT OF ETHICS

Given the complexity of the study of Ethics, it is considered necessary to establish the following clarifications based on some fundamental questions (Waddington, 1963, pp. 208-217):

1. Regarding the formal object of study in Ethics: What difference exists between an action labeled as good and one labeled as bad? Is there no objective difference, and does everything depend on individuals who judge based on customs, education, conveniences, and impositions?

Faced with this fundamental question about judging good and bad, there are many possible responses in daily life. For example, some people think that acting rightly is acting following "conscience" or according to one's utility, or the intuition of the moment, etc. Others believe that acting in accordance with "laws" is acting morally. According to them, acting under the law is behaving correctly. To refute these conceptions, one might ask again: under what conditions is conscience defined? By what criteria are laws deemed good? Are all laws good? In general, the definitive criterion for judging good and bad must be much broader than mere compliance with the law.

There is an infinity of people who commonly advise: "Whatever you do, the important thing is to do it with good intentions." Undoubtedly, these individuals have observed that morality is closely connected to a person's inner self, their intentions or purposes, and the secret of their aims. An extreme case is the famous thesis of Machiavelli: "The end justifies



the means". In this sense, it should be noted that the material object of study in ethics is provided by human actions, and the formal object is the goodness or badness of these actions. Ethics, therefore, focuses its activities on distinctly human areas such as human behavior, one's realization as a human being, free decisions, intentions, the pursuit of happiness, and one's noble, heroic, dark, or malicious feelings.

Thus, Ethics is not concerned, in fact, with human behavior as commonly performed (this would be of interest to Sociology), but rather provides norms of right conduct for executing human actions correctly, good actions, and in accordance with reason. Ethics, as a philosophical branch, shares characteristics with Philosophy, primarily due to its interest in the very essence of the human act in which it seeks its value of moral goodness, delving into the supreme causes of human behavior. In this definition of ethics, the expression "human actions" carries precise meaning, to the extent that any change in it could lead to serious confusion. Ethics does not study the acts of man (Veatch & Henry, 1972, pp. 39-62) Human behavior operates on two levels: there are human acts and acts of man. Human acts are consciously and freely performed, on a rational level, unlike acts of man, which lack consciousness, freedom, or both.

Human acts, with the described characteristics, are the only ones that can be judged as good or bad from a moral standpoint. Acts of man, as described, lack moral value; they are amoral, even though they could be good or bad from another perspective. Under these considerations, whenever judging the morality of an act, first, it must be determined: is it a human act or simply an act of man? If it belongs to the latter classification, one cannot proceed; it is indeed an amoral act, neither good nor bad from this angle, and Ethics has nothing more to say on the matter.

2. Regarding the universal validity of Ethics, a common question arises: are moral norms fixed or do they change over time? (Mackie, 2000, pp. 95-116) This is a fundamental question of moral relativism, which suggests that: All moral norms are a matter of customs or needs that change with time, place, and individuals. Each person must establish their norms. There are no effectively universal norms; each case is different from the other and, therefore, does not admit the same rule of solution. The flag of existentialism, as an extreme case of this way of thinking, is amoralism, which in practice is realized as a complete indifference towards all moral norms.

It is said to be practical because, unlike the so-called speculative or theoretical sciences, Ethics is a discipline whose main purpose is the realization of its knowledge. Ethics goes beyond knowledge for the sake of knowledge and only fulfills its proper purpose when it is embodied in human conduct. And it is normative because it studies what is normal, but not what is normal in fact, but what is normatively right. What is normal, in fact, is what usually happens, what is customary to observe. What is normatively right is what should happen, even if it does not always, or perhaps never, happen. In this sense, it studies what should happen, and what is established as correct in a rational manner, even when human conduct is typically carried out differently in practice.



3. Another common question regarding obligation and freedom in norms is: are there truly mandatory laws, and on what basis does this obligation rest? The obligation of duty to be is perhaps the most typical theme of Ethics. The feeling of obligation is a fact of which everyone is aware of. Internally, we perceive the obligation, the duty that impels us in a certain direction (Tugendhat, 1997, pp. 33-48).

Here, the issue of freedom is at stake, the authenticity of one's conduct: what is considered the most intimate and valuable in each person, their free and unpressured decision; through which one forges their own life. It seems that moral obligation robs a person of the only possibility of being themselves, according to their mentality, according to their judgment. Moral obligation has been widely misinterpreted, and far from being an obstacle to the authenticity and autonomy of humans, it is rather their condition.

Human freedom is a quality of the will through which one chooses a good over others, and it has the following characteristics: it is a quality by which something is chosen; it primarily depends on the will, but it has, as a necessary condition, prior deliberation, which depends mainly on the intellect; the chosen object is always good, which does not mean that one always chooses well; the object of choice is good, whether real or apparent; and, ultimately, it is an aspect of goodness, which can coexist with negative values within the same object. If a person saw absolutely nothing good in an object, they wouldn't even consider it for their choice. For the purposes of Ethics, four types of freedom are distinguished: physical, psychic, legal, and moral. The last three can be grouped under the name internal freedom, in contrast to the first, which is external freedom.

Physical freedom, also known as freedom of action and external freedom, consists of the absence of material constraints—chains, shackles, prison, and even violence—that suppress or at least diminish the physical freedom of a person. Psychic freedom is a purely psychological quality, entirely internal, residing in the intimacy of a person, regardless of whether externally they can execute what they have chosen internally. It could also be called freedom of will because, effectively, it is the will that, by deciding and choosing, positively wants a specific objective. Even if they cannot act on it materially, it is also known as free will. Legal freedom is the absence of conscience ties, the opposite of moral obligation. Where there is no moral obligation for a specific action, it is said that there is legal freedom for it. Moral freedom is located at a higher level but is also part of internal freedom, residing in the will, where a person comes to enjoy a special type of freedom called, strictly speaking, moral freedom.

Moral freedom is a rare state, characteristic of someone who navigates easily and spontaneously along the right, valuable, and moral path. Such a person has a positive commitment to moral values and their realization. They feel free from hindrances—resentments, passions, phobias, hatred, ideologies, etc.—to act not only honestly but also by choosing the best course among those available in each situation. Their real obligations do not weigh on them as tasks they must do, but rather they carry them out with genuine ease and even joy. They are truly free within themselves.

Internal freedom can increase over time. Psychic freedom typically grows with age: a person's will becomes more powerful as they psychologically mature. Legal freedom, on the other hand, usually decreases over time. Ordinary life situations—marriage, children, profession, interpersonal relationships—impose more and more obligations, leading to a decline in legal freedom. It remains paradoxical in human life that as one grows, psychic freedom strengthens but, simultaneously, due to life's commitments, legal freedom diminishes.

A person who voluntarily, autonomously, adheres to their own obligations and commitments, and uses their psychic freedom within the limits of their legal freedom, simultaneously acquires a more authentic and valuable freedom, which is moral freedom. This involves refraining from deceiving others when they can, avoiding engaging in dishonest or abusive business practices, and respecting the rights of others. All of this is not due to external pressures or fear of the "weight of the law" but stems from their conviction, a true self-determination that finds fulfillment in making good choices.

To the extent that freedom is lacking, the human act loses its human quality and can become a mere act of man, and therefore devoid of moral value. Among the obstacles to human freedom are: ignorance, which consists of a lack of knowledge; fear, which involves an emotional disturbance caused by the threat of imminent danger; passions such as infatuation, hatred, anger, sadness, jealousy, etc., which are inclinations or tendencies of the sensitive appetites of man; violence, which is an external force that cannot be resisted; and psychic illnesses, such as neuroses, which exhibit symptoms of distress, phobia, abulia, or a desire to evade all responsibility. Under the strict consideration that the aforementioned concepts may still appear questionable, as reality is even more complex, it is important to place them within a re-examination of the development of management concepts in modernity.

## DEVELOPMENT OF MODERN MANAGEMENT

Although it is said that management originated many centuries ago with the need for humanity's initial collective efforts to meet social needs, it was not until the beginning of the last century, with the needs posed by the emergence of the Industrial Revolution to "rationalize" production processes, that the conceptualization of modern management is formulated, mainly attributed to contributions from engineer F.W. Taylor (1911) with his theory of "Scientific Management," among many other precursors<sup>7</sup>.

From the early conceptualizations, management, like many other human activities, began to be influenced and driven by science. Unfortunately, in most cases, this influence has been through a concept of science devoid of comprehensive philosophical consideration and marked by a limited and, to some extent, questionable ethical conception due to the results produced. The concept of "rationalization" adopted by scientific management was primarily oriented by the requirements of the Industrial Revolution,

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<sup>7</sup> Consult Nelson, D. "Scientific Management, Systematic Management and Labor 1880-1915", Business History Review, Vol.XLVIII, No. 4, pp 479-500, 1974.

considering production processes as an economizing machinery that seeks to increase productivity, that is, the increase in production per unit of human effort. This led, among other things, to the formal organization's conceptualization of the worker as an "economic man" whose initiative is driven solely by purely economic aspects. Thus, the industrial organization and the individual were considered as production machines, in line with the Industrial Revolution.

Scientific Management, in this way, fostered the pursuit of improvement in productive efficiency, guided by ethical values that emphasize the pursuit of "profit maximization." The idea was that achieving greater benefits for industrial organizations would enable workers to receive higher remuneration. It was believed that achieving the good of the industrial organization through surplus gained from greater worker efficiency would primarily contribute to providing greater well-being for the workers. However, in most cases, this situation contributed almost exclusively to the increased reproduction and accumulation of capital<sup>8</sup>. Subsequent scientific efforts in the development of administrative theory highlighted the limitations of the previous conceptualization, emphasizing the need for a different conceptualization of the worker.

With the "Human Relations" movement, promoted, among others, by Elton Mayo<sup>9</sup>, where the social sciences, primarily psychology, anthropology, and sociology, allowed to emphasize, on one hand, that industrial organizations should be studied as social systems where interactions among workers were of paramount importance, and on the other hand, that the worker himself not only had and displayed solely economic characteristics, but should be considered as a whole system with multiple individual characteristics, mainly psychological, anthropological and social, and not be considered only as a machine or part of it.

The Human Relations movement prompted management to recognize the importance of considering workers as individuals who have and respond to needs and desires of various kinds. Taking these into account, trying to identify and satisfy them, results in the worker responding with greater effort to contribute to the organization's objectives and increase productivity.

By acknowledging the systemic interaction of these elements, this movement emphasized the existence of the informal organization. It proposed that to gain workers' cooperation in pursuing organizational goals, management should strive to understand and satisfy the "non-rational" nature of workers' psychological and cultural aspects, rather than designing work solely based on formal dictates.

While the Human Relations movement expanded the conceptualization of the worker, so that they were no longer considered solely as an economic machine, its ultimate concern translated into anticipating new factors that could improve productive efficiency, basing worker performance on maximizing profits and, like in Scientific Management, benefiting  
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<sup>8</sup> Consult Coriat B., (1982) "El Taller y el Cronómetro. Ensayo sobre el taylorismo, el fordismo y la producción en masa", Siglo 21 Editores, México.

<sup>9</sup> Mayo, E., *The Human Problems of an Industrial Civilization*, MacMillan, N.Y. 1933 y Roethlisberger, F.J.& W.J. Dickson, *Management and the Worker*, Harvard University Press, Cambridge, Mass., 1976.

the workers. However, in the same way, this situation contributed, in most cases, to the fact that the predominant ethical values of the good only reached workers in a limited way and again, only fostered greater wealth accumulation, without necessarily ensuring better distribution.

As an intermediate position between the two aforementioned approaches, the conceptualization of "Administrative Behavior" emerged, driven by Herbert Simon,<sup>10</sup> among others. This approach also served as a response to the practical impossibility of applying the concept of "rationality." The proposal of administrative behavior argues for the lack of construction of a theory for administration with more scientific foundations. This would allow, through the observation of human behavior, the development of statements or hypotheses that could be subjected to empirical verification.

Thus, among other aspects, it promoted the importance of decision-making in management within the concept of "bounded rationality," whereby administrative behavior and decisions seek to achieve "satisficing" results instead of "maximizing," somewhat corresponding to more realistic situations in organizations. Although the administrative behavior movement represented significant progress compared to the two previous, albeit scientific, efforts, in terms of ethical values of good, it did not represent any substantive change except for apparently tempering maximizing aspirations and replacing them with the attainment of satisfactory results.

Several scientific and technical efforts have followed these three movements in the construction of administrative theory. They have significantly contributed, such as sociology with its encouragement of organizational studies, economics promoting the consideration of economic and financial decisions, and engineering with the development of information and communication sciences and technologies, among other advancements (Roth, 2000).

Most of these efforts, primarily influenced by the scientific approach, separated from comprehensive philosophical questioning in general and ethical considerations in particular, have, in some way, only contributed to preserving the status quo. While there have been advances, with workers improving economically and socially in many cases, a significant portion now faces unemployment. Marginalization and inequality caused by an inadequate distribution of generated wealth mark humanity, and the biosphere is on critical paths to extinction. Should this situation continue?

## ETHICS AND MANAGEMENT

Relatively few academics and professionals associated with the field of management have questioned the forms that have influenced managerial practices, leading to the described critical situations. Among them, Churchman (1961) and Ackoff (1949) stand out. For over

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<sup>10</sup> Simon, Herbert A., *Administrative Behavior. A Study of Decision-Making Processes in Administration Organization*, The Free Press, N.Y., 1945.



fifty years, based on their solid philosophical background, they have directed their contributions toward promoting the importance of generating and using applied philosophy. They advocate recognizing the role of philosophy as the foundation of all knowledge and action, ensuring that all human endeavors incorporate integral philosophical and, especially, ethical aspects.

Among the numerous contributions and academic developments of Churchman and Ackoff, their formation of a philosophical stream based on the non-relativistic pragmatism of E. A. Singer Jr., their mentor, stands out. They emphasize the possibilities of new experimentalism, and their concern for applications led them to be major pioneers in operations research, closely linked to management. They were also key pioneers in the creation of administrative sciences, providing them with a comprehensive philosophical and methodological foundation. Additionally, their contributions are noteworthy in the field of planning (Ackoff, 1999).

The philosophical orientation that has nuanced all the contributions of Churchman and Ackoff also made them precursors and founders of the systems thinking movement<sup>11</sup>. This movement has not only influenced the field of administration but has given new meaning to many other human activities. In their philosophical position, they emphasize recognizing and operationalizing, as substantive parts of philosophy, the pursuit of ideals as ends that humanity pursues and never achieves but can asymptotically approach through a continuous process. The recognized ideals are "truth," "goodness," "beauty," and "wholeness."

Humanity carries out the pursuit of these ideals through different efforts that cannot be realized independently; that is, their pursuit must be systemic. Therefore, science, in its quest for the ideal of truth, cannot be pursued independently of ethics, as has been attempted many times before, and it cannot be separated from the other two ideals, here only the relationship between science and ethics under philosophy is emphasized.

This way of observing reality makes scientific and ethical questioning indispensable in all human endeavors simultaneously. Regarding administration, only a few key aspects of this interaction are highlighted here. Firstly, as emphasized by G. Vickers (1983) and others, in the management of organizations, they must be conceptualized as systems—very special human systems. Therefore, they should be perceived through special processes of appreciation, where each participating individual perceives the system in various meaningful ways, all of them meaningful, and in which this process of appreciation is intimately imbued with values, individual and collective values that present a very special dynamic of permanence and change, which must be taken into account.

Secondly, as mentioned before, decision-making processes are one of the fundamental components for action in management. While there are various ways to make decisions, all of them must, in some way, consider values or preferences about possible outcomes of  
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<sup>11</sup> 10 Among other pioneering works, Churchman's is identified., C. W.: *The Design of Inquiry Systems*, Basic Books, N.Y., 1971; y *The Systems Approach and its Enemies*, Basic Books, 1979. Así como el de Ackoff, R. L., *Scientific Method-Optimizing Applied Research Decisions*. Wiley, N.Y., 1962.

actions, and values or preferences about possible action alternatives. All these elements interact systemically, and here, the aspects of value or preferences are highlighted, as they are intimately linked, primarily to ethical aspects. The consideration of the ethical value of "good" may seem challenging due to the need for a definition of what "good" is. However, the operationalization proposed by Ackoff (1949) and Churchman (1968), using the concept of an ideal, eliminates this difficulty.

The ethical value of "good," as an ideal, seeks the absence of contrary and contradictory ends within each individual and the absence of conflicting ends between individuals. Only with the absence of such conflicts, every individual can achieve their purposes. "Good," then, promotes cooperation that allows the achievement of aims that might otherwise be unattainable. The values or preferences used in any decision-making process must undergo scrutiny regarding their contribution to the pursuit of the ethical value of "good" as an ideal. Otherwise, one would be acting against it, promoting conflict rather than cooperation.

Thus, "ethics" provides the means for questioning what "should" be done in every decision-making process, while "morality" generally provides the means for questioning what "should not" be done. Ethics, therefore, articulates the difference between "good" and "bad," and morality between "right" and "wrong." Unfortunately, these are not purely dichotomous situations; there are different degrees among them, making ethical-moral questioning even more indispensable.

The persecution of the ideal of "good" as an ongoing process of asymptotic approximation, along with the existence of different levels between "good" and "bad" and between "right" and "wrong," highlights the inevitable existence of conflict and the need to learn ways to confront it. Therefore, the search for the ethical-moral value of "good" as an ideal allows for the human consideration of the continuous pursuit of cooperation: peace for individuals within themselves and among others, reducing internal conflicts and conflicts with others. The existence of conflicts within the individual, between individuals, within the organization, and between organizations is one of the main obstacles to development.

Decision-making processes in the management of organizations, besides involving ethical-moral questioning of values and preferences for alternatives and results, also entail questioning regarding the understanding of who and what is affected by solving the problematic situation faced. Ethical-moral questioning should extend to the understanding to define which system is being considered and what its context is, where the boundary of the system is perceived, and how the elements of the system and its context affect and are affected by the situation at hand.


Organizations are human systems in which each individual and/or social group has very particular appreciations that must be taken into account, along with the values and preferences for alternatives and results, and all the actors and/or their representatives who affect and/or are affected by decisions and actions. The definition of the system, its context,

and the decision-making process must be participatory in the continuous pursuit of individual and collective "good," essential in the management of organizations.<sup>12</sup>

## CONCLUSIONS

The absence of ethical questioning in the processes of defining the system at hand and its context, as well as in decision-making in management, is what has led to the extreme situations we now face, not only unethical or corrupt situations. Many times, values and preferences are assigned only considering the benefits for an individual, a group, or an organization, without appreciating the values and preferences of others and without understanding the interaction of decisions, actions, and outcomes in the system and its context.

The consideration and questioning of ethical-moral values, specifically the "good" in management, become indispensable and unavoidable with a systemic vision. It is neither possible nor acceptable to benefit only a few, only a few organizations, and only a few countries, causing marginalization and deterioration for everyone else and for the biosphere.

Ethical aspects are fundamental in the management of organizations, not as recently proposed, supposedly promoting ethical consideration by claiming that "ethics is good business." Ethical-moral considerations are not about business; they are fundamentally essential, a matter of life or death, individually, socially, and ecologically. Their conscious consideration is crucial, not only in management but in all human endeavors. 

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<sup>12</sup>Mitroff I.I., R.O. Mason, and C.M. Pearson, Frame Break-Radical Redesign of American Business, Jossey-Bass, San Francisco, 1994.

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# Investigation in Administration: Reflections on the Case of Mexico

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## Abstract

The importance of academic research on Administration in Mexico is revisited in this paper. Firstly, we trace the most significant antecedents of Administration in our country, from the Independence period to the repercussions of the current public policy of evaluating academic activities in public universities. In the same way, we place the administrative discipline within the framework of social sciences and within the university setting. We then present a characterization of its limited development in academic research. Administration in Mexico has a long way to go, but this path will not be traversed without the development of research focused on local issues.

**Keywords:** administration, educational public policies, development of local administrative research

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<sup>III</sup> Translated by: Denise de la O

## INTRODUCTION

The main objective of this work is to highlight the importance of research in Administration. To achieve this, the first section will trace some of its most significant historical antecedents, from the late nineteenth century to the present. In a second section, relevant elements of the current state of research in Administration will be presented within the framework of the Social Sciences. Finally, some discussion points will be presented aimed at raising the level of research in this discipline.

## HISTORICAL BACKGROUND OF ADMINISTRATION

It is necessary to point out the significant relationship between socio-cultural aspects and economic development. In this sense, Weber's analysis has undoubtedly been masterful in relating the Protestant ethic to the spirit of capitalism. The Protestant ethic succeeded in moralizing and giving spiritual meaning to mundane activities such as the pursuit and attainment of economic benefit. However, as Weber himself notes, it is in the United States, the birthplace of Administration, where, after experiencing enormous splendor, it will quickly be relegated to oblivion<sup>16</sup>. The triumphant capitalism, Weber remarks with dismay, lost its way by losing its religious spirit and surrendering to obscure forces of "mechanical bases." The mechanical metaphor, attempting to synthesize rationalist progress, will become one of the foundations of the development of Administration (Barba and Solís: 1997).

The first indications of Administration, as we know it today as a specialized discipline, can be traced back to the second half of the last century in the United States. Indeed, the construction of the railway in that country, starting in 1860, will make a landmark in the development of this activity. The significant capital concentration, combined with the need to establish remote control devices, the diversity of services, and the large number of workers, implied the need to develop administrative systems that addressed this organizational configuration, unique at that time. This is the first precedent of the so-called Managerial Revolution - or directors - involving the arrival of a specialized group in the operation of these organizational configurations (Chandler: 1977).

The stream of Systematic Administration, which began to take shape in the 1880s, had as its central concern to confront some of the negative effects of the advancement of the division of labor. Indeed, while this division brought significant productivity increases, it also generated a series of major problems, among which the horizontal and vertical fragmentation is noteworthy. Both questioned the foundations of harmony and order upon which productivity was built and established the need to create coordination mechanisms to reduce this issue. The response mainly came from the field of Engineering. Let's remember the significant role played by the famous American Society of Mechanical Engineers, founded in 1880, and the foundational role of Frederick Taylor in incorporating Administration into the scientific domain.

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<sup>16</sup> In Weber's own words: "In the United States of North America is where the fervent desire for profit took root most vigorously, now stripped of its ethical and religious sentiment." (Weber:1991:112)



In Mexico, the early indications of Administration date back to the Independence period. In 1845, the Commercial Institute was founded, a precursor to the School of Commerce and Administration of the National Polytechnic Institute. During the reign of Maximilian of Habsburg, this institute would become the Imperial School of Commerce. The students' ages ranged from 12 to 24 years, and the curriculum consisted of four subjects: a) writing, spelling, and commercial geography, b) arithmetic and accounting, c) English, and d) French. The institute was closed in 1847 and reopened in 1854. Students were required to have primary education, and the curriculum expanded to four years, incorporating 11 subjects, becoming the Special School of Commerce. Graduates had preferential access to positions in the Public Administration.

On another note, it's interesting to recall that the National University - a direct predecessor of UNAM - was closed in 1865 by Emperor Maximilian, reopening only in 1910, under Justo Sierra's direction. However, Sierra prohibited the teaching of disciplines related to the industrial world, especially Economics, Chemistry, and Commerce<sup>17</sup>. It wasn't until 1929, when the University gained autonomy, that the National School of Commerce and Administration was founded, eventually becoming the Faculty of Accounting and Administration. The short courses offered included Expert in Public Accounting, Bank Official, Industrial Official, and Commercial Engineer. In the same period, the Higher School of Accounting and Administration offered courses such as Broker and Bookkeeper, Cashier, Calculator, Traveling Agent, Publicist, Display Manager, Stenographer-Secretary, Stenographer-Parliamentarian, and Consular Agent (Lazarín: 1996).

It wasn't until 1943 that the Monterrey Institute of Technology was inaugurated, establishing the School of Business Administration in 1947 and creating the Business Administrator career. In 1957, the Ibero-American University established the Bachelor's degree in Business Administration, followed by UNAM in the same year. This approval was not easy; among the obstacles it had to overcome, three types of criticism can be mentioned: a) it was a foreign discipline, originating from the United States, unrelated to national needs and conditions; b) it was a discipline that sought only material economic objectives, detached from ethical and social values; and c) due to its pragmatic nature and the absence of a scientific method, it did not fit into the university environment (Ríos and Paniagua: 1985). Finally, in 1977, the Doctorate in Administration was inaugurated.

Twenty-five years ago, the Autonomous Metropolitan University was founded, incorporating the Bachelor's degree in Administration and making the Theory of Organization one of its fundamental formative axes, especially at the Iztapalapa Campus. Two important characteristics of this institution are placing the study of Administration in the context of the Social Sciences, attempting to expand interdisciplinary spaces, and emphasizing the connection between research and teaching. In 1995, the Master's and

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<sup>17</sup> A similar idea had been expressed by *El Imparcial* in 1907, as noted by Bazant (1993): 'It was concluded that this school (preparatory) prepared not for a specific profession but prepared for life. (...) The fields of industry, commerce, and administration did not necessarily require professional men, but rather, fighters prepared with the teachings of the ENP.'

Doctorate programs in Organizational Studies were inaugurated, immediately being included in the National Council of Science and Technology's Registry of Excellence in Postgraduate Programs.

In the 1980s, a public policy aimed at evaluating higher education institutions began in the country, significantly influencing research efforts. The National Program for Public Education 1984-1988 (PRONAES) and the National Commission for the Evaluation of Higher Education (CONAEVA) were established. The National Association of Universities and Higher Education Institutions (ANUIES) adopted the general guidelines outlined in the Program for Educational Modernization and defined the evaluation process in three general areas: a) Institutional Evaluation, carried out by each institution, including both academic and administrative activities; b) System Evaluation, aiming to diagnose higher education as a whole, assigned to specialists; c) Interinstitutional Evaluation, focusing on specific academic programs and projects, entrusted to institutional peers.

Evaluation has been primarily conducted through indicators, leading to unexpected calculability schemes by various interested parties, sometimes deviating from the initial objectives. The indicator ceases to be just that, as it is reappropriated and becomes another means for stakeholders to achieve goals sometimes divergent from the true institutional principles.

The Evaluation as a public policy has had a significant impact due to the considerable economic resources it involves. Crozier *et al.* (1990) initially proposed dissociating the allocation of financial incentives from the evaluation task to prevent this type of reappropriation. At the institutional level, evaluation can represent a significant portion of the income received from the State, while at the individual level, it constitutes a necessary supplement to the income of academic workers. This dual nature has led to both institutional and individual reappropriation, resulting in loosely coupled processes that seem to follow their own logic, sometimes disconnected from the true objectives of the institution (Montaña: 1999a).

## ADMINISTRATION IN THE CURRENT MEXICAN ACADEMIC CONTEXT

In this section, we will position the discipline of Administration in the academic context, first within the framework of the Social Sciences and then in a broader university setting. To do this, we will rely on two recent surveys. The first, conducted by Béjar and Hernández (1996), covered 292 research centers from a universe of 353 (83%). Of these, 10 corresponded to Administration, compared to 45 in Education and 43 in Economics<sup>18</sup>. For analysis, we will only consider the most prominent disciplines in the research field.

At first glance, the number of centers conducting research in Administration seems relatively significant, representing 3.4% of the total. However, when examining its relative distribution, the importance decreases significantly since the number of researchers in Administration is quite low compared to other disciplines. Administration represents 1.93%

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<sup>18</sup> It is important to note that the Department of Economics at the Metropolitan Autonomous University-Iztapalapa Campus did not participate in said survey.

of researchers, while Education contributes 18.59% and Economics 15.26 (Table 1). Furthermore, researchers in Administration are generally younger, with 26.76% being under 34 years old.

This data contrasts with Anthropology and Education, with percentages of 14.29 and 17.14, respectively. In the case of Administration, it can be considered that research activeness is much more recent and is partially undertaken by young researchers. However, these young researchers have been less integrated into these centers. Only 62.16% maintain contracts for more than 30 hours, while Sociology and History represent higher percentages, 85.39 and 84.26, respectively. Regarding formal studies, there is a significant number of master's degrees in Administration in the country. Therefore, it is not surprising that a significant portion of academics in research centers hold this degree (21.67%). However, at the doctoral level, the participation in Administration decreases considerably, with only 5% holding such a degree, in contrast to more traditional research disciplines in the country, such as Sociology and History (23.21% and 14.29%, respectively).

The limited research output in Administration is reflected in its participation in publications. This discipline contributes only 0.55% of the total published books and 4.03% of journals. The publication of books is mainly concentrated in History, contributing 31.68%, followed by Anthropology with 13.26%. In the case of journals, there is a greater dispersion: Economics is the most active discipline in this field, with 27%, followed by Education with 18.39%. It is interesting to note that, within the publication practices, Administration shows the least academic rigor, as indicated by the practice of peer review. Only 25% of publications undergo peer-review, which contrasts significantly with History (72%) and Anthropology (64%). Regarding worldwide publications, Administration is also at a disadvantage, as only 17.30% of researchers have made at least one international publication in recent years, compared to 48% in Anthropology and 44.86% in History.

If we consider the characteristics of the projects, we can note that the Administration conducts its research mainly through institutional projects, not related to other institutions (87.80%). History takes the first place this time with 88.19%, and Administration comes second. Regarding the number of projects per center, considering the low number of researchers affiliated with the Administration, it has the lowest average number of projects (2.69 projects per center). At the same time, History and Sociology stand out with high numbers (16.69 and 14.52, respectively).

**TABLE 1. ADMINISTRATION IN THE CONTEXT OF SOCIAL SCIENCES. SOME GENERAL CHARACTERISTICS. (%)**

DISCIPLINE	PER.	< 34y/O	> 30 H	MA	PH.D.	BOOKS	JOURNALS	PEER-REVIEW	INT. PUBLICATIONS
Administration	1.93	26.76	62.16	21.67	5.00	0.55	4.03	25.00	17.30
Anthropology	10.52	14.29	83.17	21.43	12.50	13.26	12.00	64.00	48.00
Economics	15.26	25.25	79.18	18.59	11.56	5.71	27.00	56.57	37.35
Education	18.59	17.14	75.07	16.67	4.87	6.63	18.39	32.35	21.95
History	10.26	21.67	84.26	15.27	14.29	31.68	14.36	72.00	44.86
Sociology	11.41	22.42	85.39	11.90	23.21	8.83	11.34	52.63	43.97

Other	32.03				33.34	12.88			
DISCIPLINE	PROJECTS W/O COLLAB (%)	AVERAGE PROJECTS	MET	ELEC. MEANS	CONT. TO KNOWLEDGE	CONT. TO TEACHING	MA STUDENTS	PH.D. STUDENTS	SNI
Administration	87.80	2.69	Surv: 35.48	46.15	17.07	12.19	16.923	83	28
Anthropology	78.57	10.12	Obs: 23.21	46.30	56.86	7.19	171	246	246
Economics	81.67	12.55	Cen: 37.76	69.08	42.63	4.74	2.104	158	165
Education	82.46	11.63	Bib: 20.14	41.09	27.68	18.09	10.455	668	98
History	88.19	16.69	Arch: 58.19	43.02	69.96	3.16	454	206	357
Sociology	81.90	14.52	Int: 20.99	73.47	58.71	3.67	603	342	191
Per: Affiliated Personnel by Discipline					Ave Projects p/Center: Average number of projects per center				
< 34 y/o: Personnel under 34 years old					Met: Main Methodology Used: Surv: Surveys; Obs: Observation Records; Cen: Censuses and official data; Bib: Bibliographic material; Arch: Documents and archives; Int: Interviews				
> 30 h: Personnel working at least 30 hours per week at the center					Elec: Use of electronic means for information processing				
MA: Personnel with a Master's degree					Cont. to Knowledge: Contribution to knowledge as the main objective of research				
Ph.D.: Personnel with Ph.D.					Cont. to Teaching: Contribution to teaching as the main objective of research				
Books: Book production					MA Students: Students enrolled in Master's program, 1997. Absolute numbers.				
Journals: Journal production					Ph.D. Students: Students enrolled in the Ph.D. program, in 1997. Absolute numbers.				
Peer-Review: External peer review					SNI: Members of the National System of Researchers, 1998. Absolute numbers.				
Int Publications: International publications in the last five years									
Projects w/o collab (%): Projects carried out without collaboration with other centers									

Source: Compiled based on Béjar and Hernández, 1996; Conacyt, 1999; Anuiés, 1998.

Methodology is a central element that characterizes every research process; it relates to the conceptualization of the object and the ways of questioning it. Each discipline favors a particular methodology. History stands out for its use of documents and archives, adhering significantly to this procedure; 58.19% of the research is characterized by the use of these instruments. On the other hand, the Administration concentrates 35.48% of its methodological efforts on surveys. These surveys, as we know, are generally translated into scales, such as Lickert or others, and processed using computer devices. In fact, 46.15% of the research in Administration relies on this electronic data processing. Sociology, which privileges interviews, albeit in a more diversified manner, 20.99%, is the one that uses electronic means the most, followed by Economics. Economics, by prioritizing the processing of information from censuses elaborated by specialized institutions, INEGI, Banco de México, and others, resorts to electronic means in 69.08% of cases.

What is the object of research? The answer to this question conditions the work itself. The contribution to knowledge guides, for example, the efforts of historians, 69.96%, and

sociologists, 58.71%, while it has less importance for administrators, 17.07%. For the latter, teaching is relevant; as a result of research, it represents 12.19%. Only Education, for obvious reasons, presents a higher percentage, which is 18.09, while for the other disciplines, teaching has less importance, 3.16% for History and 3.67% for Sociology.

The training of researchers has, as one of its fundamental mechanisms, doctoral studies. Administration has been characterized by being oriented toward teaching development rather than research; therefore, master's degrees have seen significant development. The number of students enrolled in master's programs in Administration is close to 17,000, a figure that is very high when compared to the 170 in Anthropology. The relationship is reversed dramatically when we observe the number of doctoral students: 83 in Administration, and 246 in Anthropology. All of the above leads to the fact that the number of researchers recognized by the National Researchers System is reduced to only 28, while in History, there are 357, and in Anthropology, 246.

Furthermore, the research conducted by Gil *et al* (1994), which covered 3,764 surveys, allows us to place Administration in a broader disciplinary context. In addition to Economics and Education, considered in the previous case, we have included Medicine and Surgery, Biology and Ecology, Physics, and Electrical and Computer Engineering. There are disciplines where the correspondence between training and affiliation is high, such as Medicine (88.9%); however, the other disciplines show an intermediate level, with Administration presenting the highest dispersion, as the correspondence is only 46.3%. We know, in fact, about the "interdisciplinary" nature of Administration: it involves social disciplines such as Economics and Psychology, or "hard" disciplines like Mathematics (Table 2).

The formal education of parents, contrary to popular belief, is not related to the scientific nature of their children's studies. The most outstanding case in this survey is Physics, where it is observed that in only 27.3% of cases, the parents of academics have higher education. In the case of Administration, this percentage is 32.6. Doctorates, on the other hand, are associated with the type of discipline. Only 2.4% of administrators have a doctorate, compared to 32% of physicists and 16.8% of biologists.

Regarding inclinations toward the type of work to be done, Administrators preferentially lean towards teaching (13%), while biologists lean towards research (7%), and physicists towards professional practice (5%), although the latter engage in a greater number of combinations than the former. Physicists are the most numerous academics in terms of full-time positions (82%), while those in Education represent the other extreme, with 21%; administrators hold an intermediate position (45%). Moreover, academics in the fields of Medicine, Education, and Administration simultaneously practice their profession (82%, 72%, and 71%, respectively). However, in the field of research, we can observe that biologists are the relative group that is most involved in research tasks (93% of the total), closely followed by physicists (90%). In contrast, the group least associated with this work is precisely administrators, with only 25%.

The parameters of academic prestige reflect the values and orientation of the various disciplines. Thus, with few doctors in the field of Administration, academic degrees are not

a central element of prestige (8.1%). Professional recognition is the privileged element among these academics (23.2%). Publications also play a relatively unimportant role (6.1%). These indices contrast significantly with those presented by the group of biologists, a community much more anchored in the tradition of research. Their corresponding percentages regarding degrees, professional recognition, and publications are 10.8, 16.9, and 18.7, respectively. The latter group also has a significant number of doctoral students (589), far surpassing those in Administration (83). This group of biologists also has high participation in the National Researchers System, with a total of 973 members, compared to 83 in the Administration.

## RESEARCH IN ADMINISTRATION

As we have observed throughout this work, the Administration in our country has been characterized by a significant historical difficulty in research development. Its main task has been the transfer of knowledge generated in other regions, mainly in the United States. The textbook<sup>19</sup> has played a crucial role in this transfer, although it entails a series of serious limitations, as pointed out by Mills and Helms (1999):

TABLE 2. ADMINISTRATION IN THE SCIENTIFIC LANDSCAPE. SOME GENERAL CHARACTERISTICS. (%)

DISCIPLINE	CORR.	EDU.	PHD.	RESEARCH	TEACHING	PRO. PRA.	TIME	PROF.	ACA. RESEARCH	
Administration	46.3	32.6	2.4	3.9	13.0	3	45	71	25	
Economics	58.1	32.8	10.6	5.1	5.1	—	37	48	57	
Education	53.8	28.0	—	5.9	12.3	—	21	72	45	
Medicine and Surgery	88.9	35.9	2.9	2.4	3.7	1	27	82	52	
Biology and Ecology	57.1	42.0	16.8	7.0	—	—	58	29	93	
Physics	52.3	27.3	32.0	1.2	1.5	5	82	45	90	
Elec. and Comp. Eng	48.9	31.5	4.5	5.9	3.2	4	55	50	41	
PRESTIGE INDICATORS										
DISCIPLINE	AC. DEGREE	PUB.	LEAD.	PREF.	SCHO.	REC.	ADM. POS.	MA	PHD	SNI
Administration	8.1	6.1	8.5	15.5	19.3	23.2	1.5	16.923	83	28
Economics	10.7	19.5	7.1	8.4	14.4	7.4	1.1	2.104	158	165
Education	—	5.9	—	15.2	2.9	29.9	9.3	10.455	668	98
Medicine and Surgery	20.1	15.3	4.2	9.0	12.7	14.9	0.5	445*	91	410
Biology and Ecology	10.8	18.7	11.2	6.4	6.7	16.9	—	924	589	973
Physics	11.2	19.1	15.7	6.8	5.0	25.3	—	623	413	650
Elec. and Comp. Eng	14.7	6.0	10.1	23.9	11.3	11.6	4.4	3,092**	224**	143
Corr: Correspondence between training and affiliation					Pub: Publications					

<sup>19</sup> The fact that some texts are easily obtainable in supermarkets and newsstands speaks more to their popularity and ease of reading than to their seriousness and depth.

Edu: Higher education of at least one parent	Lead: Leadership among colleagues
PhD: Personnel with a doctorate	Pref: Student preference
Research: Inclination to perform only research	Scho: Scholarships or incentives
Teaching: Inclination to perform only teaching	Rec: Professional recognition
Pro. Pra.: Inclination to prioritize professional practice	Adm. Pos.: Administrative positions
Time: Full-time dedication	MA: Students enrolled in Master's programs, 1997. Absolute numbers
Prof: Percentage of academics simultaneously practicing their profession	PhD: Students enrolled in Doctoral programs, 1997. Absolute numbers
Aca. Research: Percentage of academics conducting research	SNI: National System of Researchers members, 1998. Absolute numbers
Ac. Degree: Academic degrees	* There are 6,714 students in the specialization
	** Includes Electrical Engineering

Source: Elaborated based on Gil, 1994; Conacyt, 1999; Anuiés, 1998.

*"We will point out that the typical book on commerce or administration constitutes a narrative built around the reality of the white American male, with liberal ideas. This narrative lacks dynamism due to an extensive process of theoretical dispersion, imitation, and political timidity; which success, if any, is due to its ability to stimulate an anti-intellectual approach towards the study of administration, to separate theory from practice, and to legitimize a particular view of the business world."*

The transfer of organizational and administrative models begins with a double recognition, usually simultaneous: own weaknesses and external strengths. The transfer can consist of simply copying some devices –structures, or simple processes–; it can also involve the decoding of a theoretical model with a high level of abstraction. We have called the first relocation, the latter transfer (Montaño 1999b). In both cases, there is a process of resemantization, that is, resignification, and reappropriation, thereby generating hybrid models (Barba and Solís: 1997). However, theoretical elaboration often implies the generation of an ideal model against which to compare local possibilities of realization. Historically privileging transfer in the field of Administration has not only led to an inability to act but also to the emergence of a distorted image of our organizations, exacerbating the problems of constructing our own identities.

The organization is a diffuse object, with social boundaries that do not correspond to the physical and legal ones. The organization is not the result of environmental forces as it isn't of strategic desire. It is a multidetermined object, crossed by contradictory logics of action; complex, due to its diverse and dynamic nature, and incessantly changing. It is an object that is cultural, political, economic, and historical, far from the orthodox view that defines it as a transparent, monolithic, harmonious, orderly, and rational community in pursuit of efficiency. How to apprehend an object with such characteristics? What predefined methodology could account for such a reality?

Without aiming to answer this question, we could simply advance the following ten ideas for reflection:

1. Research is a social construction that, in the form of a paradigm, assumes a worldview and generates specific devices to interrogate it.



2. Research is always interpretation: proposing common meanings, it is not the truth but verisimilitude that characterizes it.
3. Research is an increasingly collective act rooted in the object rather than in discourse.
4. Research is different from consultancy. The "problem" is not defined a priori by institutional hierarchy.
5. Research is not aimed at approaching idealized models, overcoming obstacles, and resistances. Instead, it simply seeks a better understanding of reality.
6. The methodology is a construction derived from the aspects to be addressed.
7. Methodology does not consist of finding the best possible method, like Taylor's approach, but is always discussion and constant reworking.
8. The methodology does not lead to conclusions but provides connections.
9. The method does not guarantee an understanding of reality or define an academic discipline.
10. Interdisciplinarity, which characterizes Administration, comes from the nature of the object it applies to. Therefore, Administration should be one of the most rigorous disciplines in terms of study requirements and should enjoy significant social and academic prestige. Consequently, it should be at the forefront of discussions regarding research and methodology.

## CONCLUSIONS

Administration is a relatively recent discipline in Mexico with little tradition in research and is primarily oriented toward teaching tasks. Idealized models are generally taught—from optimization to excellence—representing the "hard," "scientific" part, relatively easy to transfer but challenging to operate. Administration is grounded in concrete organizations, distant from the ideal conditions of these models. The study of Administration cannot be abstract; it must always be referred to the specific conditions of the organizations applying these devices.

In Mexico, historically, little attention has been given to this issue, and the Administration has been focused, from an instrumental perspective, on solving problems—a process elegantly named decision-making—regardless of their nature. These are solutions in search of applications. The dignification of the discipline, from our point of view, involves investigative processes that find out both the complexity and particularities of our organizational forms and their management modalities.

Researching does not mean applying a specific method, generating many figures, or writing many pages. Research is a collective act that requires critical, respectful, and constructive confrontation, allowing the confrontation of hypotheses, findings, and doubts in an effort to build a scientific community that can coexist around consensus based on

ethical interpretations for the benefit of society. Being critical does not mean rejecting what comes from the outside; that is simply intolerance. Being critical means escaping versions of the world constructed from common sense, and perception, without reflective argument: observing what goes unnoticed in everyday life. The importance and difficulty of research lie precisely in the possibility of constructing from the invisible.

The administration in Mexico has a long way to go. However, this path cannot be traveled without the development of research. Research can provide not only functional but also ethical elements. Therefore, it is of utmost importance to focus our efforts on building a scientific community that learns not only from others but from itself and is open to interdisciplinary communication without losing its identity. Doctoral programs will undoubtedly be one of the most important mechanisms at our disposal, but they must be directed toward the training of young researchers. Doctoral studies should not be seen as an extension of master's degrees, a possibility for professional retraining, or a way to align one's academic career with new educational policies. Above all, they should be a breakout for those who dare to rediscover the old world.✍

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# The Mergers. Their importance in the current competitive environment

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## Abstract

Over the last decades, a competitive business environment has led firms to make a great deal of changes. Several business strategies have been implemented to keep consistency and even growth faced by strong global economic forces. Agreements and joint ventures are today's common actions to look for strength, a bigger share market or new markets, access to new technology, etc. These agreements are negotiated among businesses in all regions and countries all over the world. Actual economic conditions clear the way for some alliances to end as acquisitions of the strongest firms. Mergers, understood as the union of two or more firms to build a new enterprise to make several ends meet, constitute a present phenomenon nowadays. In some cases, firms are merged as a common agreement. Some other cases are a result of hostile acquisitions, as opportunities to expand or as newcomers to other regional markets. A merger involves productive, distribution, and commercial activities reorganization. Goals are increasing efficiency, wider possibilities for innovation, and a better market position. Our purpose is to outline fusions' relevance as an entrepreneurial and strategic partnership for organizations in an actual competitive environment. Firstly, merger history examples are outlined and a theoretical presentation is aborded on concepts, types, reasons to go through, and success and failure factors. Several fusion cases are shown and a final reflexion is outlined.

**Keywords:** fusions, reorganization, entrepreneurial association

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<sup>III</sup> Original article: <https://rayo.xoc.uam.mx/index.php/Rayo/article/view/344>

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## INTRODUCTION

**T**he rapid changes in the global economic environment have led to transformations in countries and economic organizations. In the 1980s, the opening of economies, the subsequent reduction of trade barriers, and favorable conditions for foreign capital entry marked a significant shift. In the 1990s, the formation of regional blocs and the proliferation of productive links, such as alliances and subcontracting processes, further characterized this evolution.

This progression has rendered obsolete the political division of the world with customs protecting markets. New conditions determine the creation of new corporate strategies that recognize the strengths and weaknesses of organizations, production methods, ways of thinking, and the business environment. Threats, risks, and opportunities are acknowledged.

Technological innovations in information technology and telecommunications are integral to these changes. The introduction of new technologies signifies the transition from bureaucratic and rigid organizations to decentralized and dynamic ones. Technological advancements contribute to the creation of network relationships within and among companies. These relationships foster cooperation between companies of all sizes and even different nationalities to achieve greater stability and growth.

Mergers, defined as the union of two or more companies to form a single entity, represent a strategy employed by businesses to ensure their survival in a competitive and globalized environment. Mergers enable increased competitiveness, broader market coverage, risk-sharing, and resolution of financial problems, among other benefits.

This paper aims to highlight the importance of mergers as a form of business and strategic association in the competitive environment. The work is organized as follows: firstly, historical background on mergers is presented; subsequently, a theoretical approach is taken, addressing their conceptualization, types, advantages, disadvantages, success and failure factors, as well as reasons for or against their implementation. Finally, mergers in Mexico are discussed.

## HISTORICAL BACKGROUND

The phenomenon of mergers and acquisitions has a markedly cyclical nature. It is not a continuous but rather irregular movement that arises in very different periods, highly relevant in some and barely significant in others. The cyclical nature of this phenomenon does not mean that it moves in tandem with the general fluctuations of the economy. Mergers and acquisitions during times of crisis aim to contribute to restructuring a sector that may suffer from excess capacity (Ballarin, 1994).

In the economic history of the Western world, three major stages can be distinguished in the movement of mergers and acquisitions. Ballarin (1994) describes the following: the first dates back to the early decades of this century and is primarily recorded in the United States. It consists of a wave of horizontal mergers in which some major companies from various sectors (automobiles, banks, oil companies, etc.) acquired smaller companies to



consolidate their sector and gain a certain market power. This period saw the creation of large companies in the United States<sup>24</sup>. However, the possibility of excessive concentration of economic power in a few hands led political and economic authorities, driven by strong popular pressure, to limit these operations through "anti-trust" legislation, which peaked during this time. The characteristic of this first significant wave of mergers is that they involve operations among companies within the same sector with significant rivalry.

The second period of this phenomenon began in the mid-1950s in the United States and continued in Europe with less intensity until the first oil crisis. The main characteristic of this second wave of mergers is the dominance of vertical integration operations, unlike the horizontal mergers of the early century. In a way, the phenomenon that occurred before the Great Depression of the 1930s in the United States, where efforts were made to secure the supply of raw materials through significant improvements in the communication network, is repeated on a larger scale. After World War II, this trend gained even more momentum.

One characteristic of vertical mergers in the 1960s was to try to overcome difficulties created by regulations imposed by the public sector in certain sectors of the economy, such as minimum prices or limited production quotas. By directing part of a company's production to domestic consumption, it was possible to eliminate controls imposed by government bureaucracy.

The diversification of activities began in the 1960s in the context of a booming economy, during which conceptual approaches proliferated in an attempt to justify the rationality of diversification actions (the so-called business portfolio models). However, the crisis of the 1970s halted the momentum of this type of merger. The third period is situated in the 1980s with a notable growth in corporate diversification actions; primarily in the first half of the decade - until 1987 - in the United States and in the second half of the decade in Europe.

The reasons for the boom of this phenomenon are different in the European and American continents. In the United States, the movement gains strength as a result of a revitalization of free enterprise and the deregulation movement in various economic sectors. In Europe, on the other hand, the trigger is the single market. The need to internationalize operations and readjust productive capacities to the new dimensions of the European market has driven unprecedented growth.

## **THEORETICAL APPROACH OF MERGERS**

### **MERGER CONCEPTUALIZATION**

The development of companies has a limit. That is, with the characteristics they have at a given moment, they cannot continue to grow; changes in production organization, distribution, marketing, etc., are necessary. A company that wants to expand can do so in three ways: internal growth, external growth, and through the establishment of networks.

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<sup>24</sup> In the United States of America, there were over two hundred automotive and parts companies, some of which ceased to exist while others were acquired by General Motors in the early 1920s (El Financiero, January 18, 2000).



Internal expansion involves direct investment in facilities, machinery, and equipment. This should be done with the best possible technology, keeping in mind that managing a larger company is different. External growth involves the purchase of companies or their divisions already operating in the market. Thus, mergers and acquisitions are another means through which companies can expand and strengthen. These are associated with the search and need to improve companies' positions in the markets in which they operate or as a means of accessing certain resources or assets controlled by another company. They are also a means to quickly reach new markets - including geographical ones - and to face competitive pressures in a globalized economy.

In general terms, a merger has been understood as the union of two or more companies to create a single organization. The absorption of one company by another implies the acquisition (purchase) of another (Soldevilla, 1985)<sup>25</sup>. According to Penrose (1962), the term merger refers to any method of combining existing companies in the following ways:

- The absorption (acquisition) of one company by another.
- The combination of two companies on similar terms.
- The acquisition of one of another company's businesses.
- The reorganization of an entire industry through the integration of all companies.

Other contributions state the following:

"A merger between two companies consists of the acquisition of one company by another and the absorption of the acquired company by the acquiring company" (Ballarin, 1994).

"It is the combination of two or more companies in which one retains its initial identity and simply absorbs the others" (Gitman, 1993).

"It is a special case of dissolution of companies by which a company is extinguished by the total transmission of its assets to another pre-existing company or one that is constituted with the contributions of the assets of two or more companies that merge into it" (Mantilla, 1996).

In summary, a merger refers to the union of two or more companies to form a new organization aimed at achieving various objectives, including strength and the ability to enter new geographical and product markets, achieve a size that protects against competitors (both real and potential), and reduce financial costs, among others.

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<sup>25</sup> According to Soldevilla, absorption admits various forms of organization: Cartel, consists of companies that group and belong to the same production cycle. It retains its management autonomy; trust: a vertical coalition of companies with different phases of the production cycle aiming to achieve a more efficient organization and broader market coverage; holding, a company that controls other societies; conglomerate: it's a concentration of companies that combine various activities under a single company direction

## TYPES OF MERGERS

Once the concept of merger has been established, it is important to note that mergers do not have the same characteristics. Depending on the direction they take in the production chain, they can be horizontal or vertical.<sup>26</sup>

### HORIZONTAL MERGERS

These occur between two companies in the same sector with relatively similar product lines. Mergers like those between Banco Santander and Grupo Financiero Serfin, or between Grupo Bancomer and BBVProbursa, carried out in 2000 in Mexico, are examples of horizontal mergers.

The objectives pursued through a horizontal merger are related to economies of scale, i.e., achieving a larger size that gives the new company greater market power, as well as a volume of operations that allows for cost reduction (Cabral, 1997).

### VERTICAL MERGERS

The second type of merger is called vertical merger and occurs when companies join forces to operate at different levels of the activity chain within the sector (Cabral, 1997). For example, in the petroleum sector, there are four basic activities: exploration, production, refining, and marketing. A vertical merger occurs when an exploration company decides to merge with a refining or distribution company. In Mexico, this is not the case, as Petróleos Mexicanos (PEMEX, by its acronym in Spanish) is a monopoly with a wide range of integrated activities.

Vertical mergers respond to a different economic logic than horizontal mergers: "They involve vertical integration upwards or downwards. The reasons are numerous, some related to supply security; others, to costs; others, to access to distribution channels; others, to the use of a brand image" (Ballarin, 1994). Companies like Toshiba, Hitachi, and Sony, leaders in electronics, leverage their highly valued brand image across a wide range of products, allowing them to share costs among different business units.

Vertical mergers are less problematic than horizontal ones for two reasons: the first one has to do with the integration process. A horizontal merger usually involves workforce adjustments of some of the companies, as well as a consolidation of production or manufacturing capacity. In contrast, a vertical merger usually does not entail this type of decision, as the companies involved are clearly complementary. The second difference is that governments tend to be more flexible towards a vertical merger because the risk of increased monopoly power is lower. Furthermore, in the context of the European Community, authorities' concern has been to avoid excessive concentration within a particular stage of the production process (Ballarin, 1994). The type of mergers conducted depends on the needs and conditions of the environment in which the company operates.

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<sup>26</sup> Some authors consider a third type of merger, conglomerate mergers, or groups of unrelated companies, meaning companies that operate in clearly different industrial sectors. This type responds to diversification decisions ranging from traditional or basic activities to new businesses whose relationship with the former is more or less close.

Some of the reasons for which mergers can be carried out are addressed in the following section.

## **REASONS FOR CONDUCTING MERGERS**

Companies may desire to undergo a merger for multiple reasons. The ultimate purpose is to increase the market value of the company. Some reasons that lead companies to merge include the following: (Sudarsanam, 1996; Mascareñas, 1993)

### **ACQUISITION OF ASSETS AT A PRICE LOWER THAN THEIR REPLACEMENT COST**

Sometimes a company will become a candidate for a merger or acquisition because the replacement value of its assets is considerably higher than its market value.

### **ACCESS TO INPUTS**

To gain access to raw materials to ensure a constant supply; access to technology, the latest innovations, or to cheap and productive labor.

### **EXPLOITING UNIQUE ADVANTAGES**

To exploit companies' trademarks, prestige, design, production, and administrative capabilities, among others.

### **DEFENSIVE PURPOSES**

To diversify products and markets to reduce profit instability, reduce dependence on exports, avoid political and economic instability in the country, compete with foreign rivals, and bypass trade barriers in other countries.

### **KNOW HOW**

There are companies whose assets are the knowledge, skills, and experience of their staff. In these cases, the ability to work as a team, the "know-how" incorporated into the continuous work of many people in a particular company, the talent of innovators, or the management skills of executives are factors that can drive a decision to merge companies.

### **ECONOMIES OF SCALE**

The pursuit of economies of scale is one of the most common and significant reasons for conducting a merger. Economies of scale are achieved when the average unit cost decreases as production volume increases. "This allows for large-scale investments, allocation of research and development costs over a base of higher sales and assets, for example, achieving economies in the production and marketing of products.

Additionally, Mascareñas mentions that an important factor contributing to achieving economies of scale is indivisibility, which can be found in individuals, infrastructure, or equipment. The specialization of men and machines can also lead to achieving economies of scale through learning, and even administrative costs can be reduced through the coordination of related activities.

## **ELIMINATION OF INEFFICIENCIES**

In this case, every acquiring company must ensure that there is potential for significant improvement in yields through good management in the company being acquired. Some products and companies have a low potential for generating yields due to inefficient management. Furthermore, it may be considered that decision-making regarding the risks assumed (too conservative or risky) is not appropriate and that another management could assume better strategies.

## **UNUTILIZED TAX ADVANTAGES**

A company with losses that can be carried forward for tax purposes may wish to acquire one or more profitable companies to utilize that movement. Otherwise, the ability to carry forward losses may expire at the end of the five-year period due to a lack of sufficient profits to use it in its entirety. For this reason, a company may be willing to acquire a profitable enterprise. It should be clarified that the reverse could also occur, that is, a profitable company acquires a less profitable one with the idea of reducing its profits and, therefore, its tax payment.

## **COMBINATION OF COMPLEMENTARY RESOURCES**

Many small companies are acquired by larger ones because they can provide components that are necessary for the success of the resulting merged company and that the acquirer lacks. The small company may have only one product, but it lacks the necessary production and distribution capacity to produce it on a large scale. The acquiring company could develop the product from scratch, but it is faster and cheaper to acquire the small company. In this way, both companies are complementary and are more valuable together than separately. This also occurs between large companies, but the real gains of this nature are more common when large companies acquire small ones.

## **GROWTH**

A company may not be able to grow at a fast rate, or sufficiently balanced, based on its internal expansion. It may be found that the only way to achieve the desired growth rate is through a merger or acquisition with another company.

## **PERSONAL REASONS**

Owners of a fairly controlled company may want their company to be acquired by another that has an established market for its shares. They may have too much of their wealth tied up in the company, and by merging with a company whose shares are held by the public, they obtain a significant improvement in their liquidity, allowing them to sell some of their shares and diversify their investments.

## **SUCCESS AND FAILURE FACTORS IN MERGERS**

Not all mergers have the same characteristics or seek the same objectives; therefore, the success or failure factors can be different. Some of the most relevant success factors are

(Ballarin, 1994; Mascareñas, 1993; Del Toro, 1992; McCann, 1990; Schein, 1990; Sudarsanam, 1996):

- Achieving economies of scale as the company's activity volume increases. This means reducing unit costs as the company's size increases.
- The existence of economies of scope derived from the possibility of sharing costs or investments in various lines or different business units. Brand image, the development of basic innovation processes applicable to many products, or managerial capacity are examples of investments or expenses that can be distributed across several business units or different product lines.
- Achieving certain market power – allowing a market fee to reduce unit costs or charge higher prices – or improving bargaining ability with suppliers or customers.

There are also factors that lead to failure. Some mentioned by various authors are:

- Clash between management styles and cultures due to differences in both systems of values and convictions. In some cases, especially by foreign companies, new executives appointed by the acquiring company are not experts in the sector. This has led to failures in the integration process and, ultimately, mediocre or negative results, particularly in sectors with very special characteristics.
- The company is undervalued by the market relative to its real possibilities probably due to its slow and apparent poor performance. One reason for this undervaluation is that markets only look at the short term, while there are companies with a large investment in R&D, whose results will be observed only after a few years.
- Differences in wage scales, supplementary benefits, pension plans, career paths, or economic incentives.
- Expectation by the acquiring company that the executives of the selling company take on more risks than they actually could or would, i.e., lack of initiative in assuming risks.
- Demanding information from buyers to sellers, as the latter consider that information is the only source of power that executives have in an unbalanced situation of power. The company being bought considers information extremely valuable when the other company tries to handle it at its convenience. For this reason, many executives, when carrying out a merger, do not want to share all important information with the acquirers.

There are cases where some companies do not want to merge. Under current economic conditions, the financial environment leads to the value of companies' stocks decreasing to the point of becoming an attractive target for a hostile acquisition. Other companies may see the purchase of another troubled company as an opportunity. Administrators or owners of companies that become merger targets have to decide whether to accept, reject, or resist. The best defense is to prepare. Defenses can be prior or subsequent.

## PRE-MERGER DEFENSES

Pre-merger defenses can be internal or external. Internal defenses are those decisions and actions that modify the internal structure or nature of the company's operations. External defenses are measures taken to influence third-party perceptions of the company and provide warning signals about potential "hunters" (Sudarsanam, 1996).

Some methods of defense are presented in the following tables:

**TABLE 1**

### DEFENSIVE STRATEGIES

INTERNAL	
ACTION	OUTCOME
Increase operational efficiency and reduce costs.	Improved Earnings per Share (EPS), higher stock prices, and increased company value.
Enhance strategic focus through restructuring, divestment, etc.	Increased EPS and higher company value. It becomes difficult for the buyer to dispose of assets.
Change ownership structure, e.g., dual-class shares, high leverage, share buybacks, "poison pill." <sup>27</sup>	Buyer control becomes difficult. Limited scope for Leveraged Buyout (LBO) acquisition.
Change management structure or incentives, e.g., staggered board, "golden parachutes." <sup>28</sup> Strengthen relationships with organizational groups such as unions and the workforce.	Buyer's control is delayed and the cost of the offer is increased. Useful alliances against the buyer, support for actions from pension funds, etc.
EXTERNALS:	
Strengthen relationships with shareholders and investors, e.g., use investor relations advisors to report on performance, prospects, and company policies.	Ensures loyalty and support during the merger from key shareholders.
Inform analysts about the company's strategy, financing policies, and investment programs.	Reduces the risk of undervaluation of stocks and increases the cost of the offer.
Make strategic defense investments, e.g., joint venture/company shareholding mutual participation with other target companies.	Buyer's control is hindered.
Monitor share registry to detect unusual purchases of share packages: force disclosure of buyers' identity.	Early warning signal about potential buyers.
EPS: Earnings Per Share LBO: Leverage Buyout Source: Sudarsanam P. S. The Essence of Mergers and Acquisitions, Prentice Hall, 1st edition Mexico 1996	

The pre-merger defenses aim to create conditions that discourage the intentions of potential buyers.

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<sup>27</sup> It is a strategy used to make a firm less attractive as an acquisition target. For example, incurring debt portrays the company as more financially risky.

<sup>28</sup> It is a form of financial burden in which certain executives of the company are offered compensation packages (quite burdensome) in case they lose their jobs as a result of a merger or acquisition.

Post-merger defenses respond to merger proposals from companies, often presented in the form of hostile takeovers. Among the actions that target companies can take are primarily the following:

DEFENSE	DESCRIPTION AND PURPOSE
First response and priority letter	Attack the logic and price of the offer; recommend to shareholders of the target company not to accept.
Earnings Report / Projection	Report or project higher earnings for the past/current fiscal year to make the offer appear less generous.
Litigation	Enforce antitrust rules or force disclosure of nominal shareholders or strawmen.
Unions / Workforce	Obtain support for lobbying before antitrust authorities or politicians and attack the buyer's plans for the target company.
Customers / Suppliers	Obtain support for lobbying before antitrust authorities or to show that relationships with them will be jeopardized if the buyer succeeds.

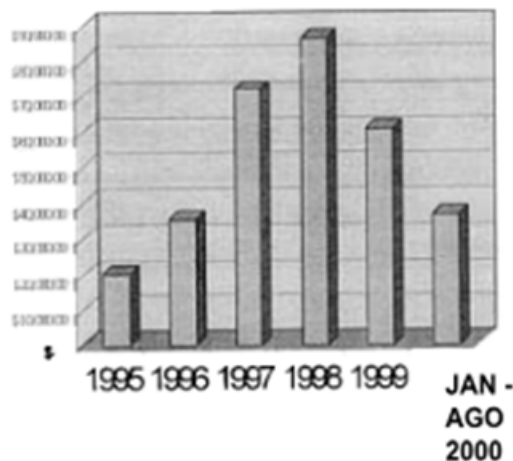
Source: Sudarsanam, P. S. The Essence of Mergers and Acquisitions, Prentice Hall. 1st edition, Mexico (1996).

In summary, the desire or necessity to carry out a merger is favored by changes in the economic environment, such as increased competition and the achievement of a strong position through a certain company size. Additionally, for example in the United States, new technologies have increased investors' preferences for companies in the new economy (technology companies, telecommunications), which, in contrast, has decreased the stock prices of companies in various industries producing consumer goods and food.

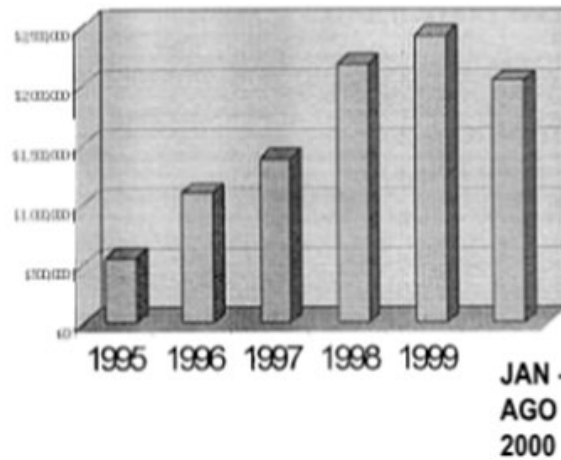
## MERGERS, CREATING STRONG COMPANIES

Mergers and acquisitions take place worldwide and in almost every existing economic activity. In the Latin American context, they have been continuously developing, with noticeable growth in 1998, where investment reached a total of 86,129 million dollars. Globally, the highest investment was 2,431,155 million dollars in 1999, and by August 2000, the investment reached a figure of 2,005,754 million dollars, as can be seen in the following graphs:

GRAPH No.1 MERGERS AND ACQUISITIONS IN LATIN AMERICA



**GRAPH No.2 MERGERS AND ACQUISITIONS WORLDWIDE**



Source: Garzón Faro Marcos, "La valuación de Empresas: lujo o necesidad," article in Contaduría Pública No.338, year 29, October 2000, Mexico City, taken from Thomas Financial Securities Data.

According to data from Thomson Financial Securities Data, in 1999, these transactions reached a total volume of \$68.9 trillion in Latin America, while in Mexico, the amount was \$5.4 trillion. Some of the most renowned mergers worldwide are shown in Table 3, which have established themselves as powerful companies. An example is the merger between Exxon and Mobil (\$86,000 million).

**TABLE 3 MERGED COMPANIES (VALUE AS OF MAY 1999)**

participating companies	value in millions in dollars
exxon – mobil	86,000
sbc comun – ameritech.	72,000
bell atlantic- gte	71,000
at&t – tele-comm	70,000
british petroleum - amoco	55,000

Source: Mundo Ejecutivo No. 241, May 1999, with data from Citibank Mexico.

In the automotive sector, growth and development have been favored by large-scale mergers and strategic alliances. One of the most significant mergers was between the German company Daimler-Benz and the American company Chrysler Corporation, both with a significant presence in various regions of the world. Other notable operations include "the acquisition of the Swedish heavy vehicle manufacturer Scania by its compatriot Volvo AB, where the latter sold its car division to Ford Motor Company for six billion four hundred million dollars, and now Volvo Cars is listed as another division of the American corporation, along with Mercury, Lincoln, Aston Martin, and Jaguar were also acquired by Ford in the late 20th century" (El Financiero, January 18, 2000).

In Latin America, mergers and acquisitions carried out between January and December 1998 are shown in the following table. The acquisition of the Colombian company Suramericana de Seguros by Colombian investors stands out for the amount of its



operations, totaling 1.5557 billion dollars (100%). Equally important were the mergers between ABN-AMOR Holding NV (Netherlands), which acquired 40% of Banco Real de Brasil (Brazilian bank) for 2,100 million dollars, and Valores Industriales S.A. from Mexico, which acquired 47.6% of FEMSA in Mexico.

As observed, the sectors where these phenomena occurred most frequently were banking and insurance. By nationality, the companies that made the most purchases in different parts of Latin America were from the United States, Spain, and Brazil. It is interesting to note that Brazil, Argentina, and Mexico were the countries that sold the most companies that year.

**TABLE 4**

**MERGERS AND ACQUISITIONS OF COMPANIES IN AMERICA**

COMPANY	SECTOR	COUNTRY	BUYER	COUNTRY	US \$ 1000	% ACQUIRED
Hoesch-Tyrevira	Chemical	Germany	Koch Industries, Imasab	Usa	3000	
Banco Real S.A	Banks	Brazil	Abm-Amr Holding Nv	Mexico	2100	40
Femsa	Beverages	Mexico	Valores Industriales S.A	Netherlands	1886	47.60
Suramericana De Seguros	Insurance	Colombia	Mexico Investors	Mexico	1155	100
Banco Exel Economico S.A	Banks	Brazil	Banco Bilvao Vizcaya Sa	Colombia	878	100
Grupo Industrial Camesa S.A	Chemical	Mexico	Grupo Privado Empresarial	Spain	815	60
Banco Pontual S.A	Banks	Brazil	Banco De Credito Nacional	Mexico	756	100
Cei Citicorp Equity Holding	Investments	Argentina	Hicks Muse Tate & Furst Inc.	Brazil	717	32.70
Banco Garantia	Banks	Brazil	Cs First Boston	Usa	675	100
Ericsson Telecomunicacoes S.A	Telecommunications	Brazil	Sielte Sa	Usa	623	46.75
Grupo Modelo Sa De C.V	Beverages	Mexico	Anheuser-Bush Companies	Brazil	556	13.20
Ypf S.A	Petroleum	Argentina	Brandes Investment	Usa	535	
Mandeville Cable Partners	Telecommunications	Argentina	Cablevision Sa	Usa	535	100
Forestal Angol	Pulp And Paper	Chile	Empresas Cmpc	Argentina	476	50
Emdersa	Electricity	Argentina	Gpu Inc.	Chile	435	100
Supermercados Norte	Retail	Argentina	Promodes	Usa	420	49
Banco De Colombia S.A	Banks	Colombia	Banco Industrial Colombia	France	418	51
Cia Siderurgica De Tubarao	Iron And Steel	Brazil	Usinor S.A	Colombia	388	18.9
Disco/ Ahold International	Retail	Argentina	Koninklijke Ahold Nv	France	368	50
Tabacalera San Cristobal	Tobacco	Honduras	Tabacalera Cigars Int'l Sa	Netherlands	360	100
Banco Bandeirantes S.A	Banks	Brazil	Caixa Geral De Depositos	Spain		
Portugal					358	
Empresa Distribuidora Electricidad	Electricity	Argentina	Aes Corp.	Usa	350	90
Bhif	Banks	Chile	Grupo Bbv	Spain	350	55

Multicanal S.A	Media	Argentina	Grupo Clarin	Argentina	322	25
Klim (Boerden Foods)	Foods	Colombia	Nestle S.A	Switzerland	331	100
Occidente Y Caribe Cel.A	Telecommunications	Colombia	Bell Canada International	Canada	302	68.40
Occidental De Hidrocarbu.	Petroleum	Venezuela	Union Texas Petroleum	Usa	294	100
Inversiones Azteca S.A De C.V	Foods	Mexico	Panamerican Beverages	Mexico	283	24
Siembra Seguros	Insurance	Argentina	Argentaria	Spain	280	50
Corvin Investment	Cement	Colombia	Cia Valenciana Cementos	Spain	262	100
Deustche Bank Argentina	Banks	Argentina	Bank Boston Corp	Usa	255	100
Rede Barateiro De Super.	Retail	Brazil	Cia Brasileira De Distrib.	Brazil	244	100
Acesita	Iron And Steel	Brazil	Unisonor S.A	France	235	27.68
Mercadorama	Retail	Brazil	Modelo Continente Sggs S.A	Portugal	230	100
Banco Del Buen Ayre Sa	Banks	Argentina	Banco Intaur	Brazil	225	100
Femsa	Beverages	Mexico	Labatt Brewing Co Ltd	Canada	221	8
Seguros Bital	Insurance	Mexico	Ing North American	Usa	220	49
Copebras	Chemical	Brazil	Columbian Chemicals	Usa	220	100

Source: América Economía, March 11, 1999.

In the national context, these phenomena have also been significant. For example, in the textile industry, the manufacturer "Flexico" emerged in the state of Hidalgo as a result of the merger between the textile companies Zaga and Moore Company. This factory will create 300 permanent jobs, with additional new jobs to be added when it begins operations in the first quarter of 2001. The new manufacturer will increase textile operations in Hidalgo and boost state exports to Caribbean and Central American countries. Flexico's advantage will be to capitalize on the opportunities offered by free trade agreements with North America, the European Union, Israel, Colombia, Venezuela, Bolivia, and Chile. The merger will increase the capacity to serve the current market and capture new markets.

In the petrochemical industry, Grupo Dermet acquired Grupo Provequim, making it the largest chemical and petrochemical product distribution company in Latin America. The acquisition creates a series of synergies that allow it to grow and participate in new niches and market segments. Dermet is a leading company in the marketing and distribution of specialized raw materials, both domestically and internationally. It operates in sectors such as the food industry, animal feed, agrochemicals, and the chemical industry. The company's history dates back to 1983 when Dermet de México, S.A de C.V. was founded. The sequence of its actions is shown in the following table:

**TABLE 5 CHRONOLOGY OF GROUP MERGERS**

YEAR	% OF SHARES	MERGED OR ACQUIRE COMPANY
1995	51%	Alfred L. Wolff Mexico
1997	100%	Quimicos Argostal
1999	100%	Suplia
1999	100%	Grupo Provequim

Source: Mundo Ejecutivo No. 229, June 1998, Mexico City.

Within the radiophonic environment, it was recently announced the merger - in their radio divisions - of Televisa Group and Grupo Acir to form Grupo Acir-Radiopolis. Their goal is to project themselves as the most important radio consortium in Mexico, with operations in 116 radio stations covering the entire Mexican Republic. The capital structure is composed of 50.010% from Televisa and 49.990% from Grupo Acir. This strategic decision will allow them to jointly reach other Spanish-speaking markets (El Financiero, September 2000).

In the food sector, in the 90s, responding to the needs of the global market, Casa Pedro Domecq and the international firm Allied Lyons consolidated a strategic partnership to form Grupo Allied Domecq Spirits and Wine LTD, which has become one of the world leaders in the production and commercialization of wines and spirits, also with a significant retail sales market. Allied Domecq offers drinks, hospitality, and entertainment around the world, managing brands of recognized prestige for sale in America, Europe, and the Asia-Pacific region with the aim and commitment to exceed the expectations of its customers and consumers.

In the pharmaceutical industry, Aventis Pharma was created as a result of the partnership between Hoescht Ag (German) and Rhone Poulenc Rorer (French) laboratories. Since research and development of new drugs require high investments, the union of financial resources and capabilities is necessary. For example, to introduce a new drug, an investment of at least 500 million dollars and a minimum of eight years is required. The merger of these pharmaceutical companies will allow the development of substances to help alleviate and eradicate diseases (Mundo Ejecutivo, June 2000).

In the construction industry, ICA, a leading company in Mexico and one of the most important in Latin America, formed a key partnership in 1994 with Fluor Daniel to create ICA Fluor Daniel, becoming a leader in EPC (Engineering, Procurement, and Construction). ICA has made the following agreements: the merger with the French company Vivendi, the merger with Vulcan Materials, and with the Philippine company International Containers Termical Services. These are examples of mergers that have occurred in various sectors of the Mexican economy as a result of strategies to reach new markets, access technology, or according to the needs of each involved company.

Within the banking sector, mergers have been more significant than in other sectors of the Mexican economy due to the opening that has occurred in this field. Therefore, Mexican commercial banking has joined the global trend imposed by globalization to create large entities through mergers or acquisitions of financial groups, competing to consolidate

leadership in the opening of new markets. New colors, more striking logos, and more sophisticated products and services are the elements that characterize today's banking system. In one year, the banking map has changed radically not only in the number of participants but also in the offering of new savings and credit placement products.

The global trend of mergers accelerated in Mexico following the problems faced by the banking sector in 1995 when authorities considered opening the sector to foreign bank investment to inject capital into national institutions. After the financial problems in December 1994, national banks faced a structural imbalance because users could not meet their credits. Foreign investors were limited to a 30% stake in Mexican banks. This restriction was lifted in 1999, and currently, 100% of the shares can be acquired. In this way, a series of mergers or acquisitions begins in the country as part of the "wave" of strategic alliances that have materialized worldwide to compete in the opening of markets imposed by global economic globalization<sup>29</sup>.

The following table shows the evolution that, since 1995, the Mexican banking system has experienced through mergers, acquisitions, and participation among different banks.

**TABLE 5. EVOLUTION OF THE MEXICAN BANKING SYSTEM SINCE 1995**

DATE	BUYER BANK	SELLER BANK	% SHARES	TYPE	NEW ENTITY
may 1995	BBV	Banco Mercantil Probursa	70%	Merger	BBV-Probursa
April, 1996	Bank of Montreal	Grupo Financiero Bancomer (GFB)	20%	Stake	
August, 1996	BBV-Probursa	Banca Cremi Banco Oriente	nd	Acquisition	
may, 1997	Banco Santander	Grupo Financiero Invermexico Banco Mexicano	51%	Merger	Banco Santander Mexicano
August, 1997	Citibank	Banca Confía	nd	Acquisition	
December, 1997	Banco Internacional	Banco del Atlántico Banco del Sureste e Interestatal	100%	Merger	
may, 1998	Grupo Financiero Bancomer	Promex	100%	Acquisition	
may, 2000	Banco Santander Mexicano	Grupo Financiero Serfin	100%	Merger	Grupo Financiero Santander Mexicano
June, 2000	BBV-Probursa	Grupo Financiero Bancomer	32.20%	Merger	Grupo Financiero

Source: Own elaboration with data from El Economista. August 2000.

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<sup>29</sup> Luis Niño de Rivera, Regional CEO of Dresdner-Bank Mexico, considers that the new banking competition implies greater pressure on the service providers, which will contribute to intermediaries operating with lower costs and better margins of intermediation. He asserts that more than the mergers, the important aspect of the process is that the customer perceives the changes (El Economista, August 2000).

Therefore, mergers have had the following effects: they have allowed accessing new markets by the merging companies, as is the case in the radio sector, textile industry, and petrochemical sector, among others. In the pharmaceutical sector, mergers have aimed at developing new products by combining technologies, knowledge, skills, etc. It can be stated that mergers have allowed accessing new niches, new segments, and new markets, sharing information and technology, developing new products, reducing risks, and achieving longer-term sustainability based on greater competitiveness and resources.


## REFLECTIONS

In the global economic context, connections between companies are becoming increasingly common. Some of them end up in mergers. Mergers provide a platform where companies can acquire knowledge and greater capabilities, develop and adopt innovations, and implement active and reliable strategies to achieve market sustainability. The different types of mergers that have taken place since the last century show that this form of association has contributed to the development of companies.

The union of two companies to form a new one often transcends the success possibilities that the companies had before merging, advantages and multiple synergies arise to share risks, information, access to new technologies, adopt a new corporate culture, and above all, a shared vision that can guide the company's activities.

However, some successful experiences and mergers and acquisitions face problems or end up being failures that still predominate. So, it begs the question: What leads a merger to failure? It is essential to have a clear and shared vision among entrepreneurs about the risks of the merger, the strategies to be implemented, and the existing organizational cultures. Otherwise, problems that a company has and are not discovered will likely be transferred to the merged company.

To properly conduct a merger, one must ask: How would the merger contribute to the company's growth? What are the potential savings, economies of scale, or other possible gains? Can unforeseen risks be overcome? Can corporate cultures be adopted? These and other questions help clarify whether a merger is advisable or not. It should be noted that organizations are very different, so it is necessary for entrepreneurs to have their intentions and strategies well-defined and to take into account important factors such as price, future results, asset quality, customer and executive opinions, economic incentives, and future projects.

Finally, mergers have grown on a global scale. This has been driven by the development of financial markets, which have led to the prices of certain companies' stocks falling, making them desirable targets for others. In the case of Mexico, few domestic companies have merged, with one of the exceptions being in the banking sector due to the opening up to foreign banks. Many of the mergers in Mexico involve transnational companies with a presence in global markets. Therefore, it can be concluded that deep and rapid organizational transformations took place in the 1980s and 1990s, and now Mexican entrepreneurs have the opportunity to strengthen the growth of their companies through decisive and bold actions. 



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# Theory of Organization and New Institutionalism in Organizational Analysis

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## Abstract

This article deals with the theoretical implications of New Institutionalism in organizational analysis. To show it, the importance of studying organizations and institutions is briefly exposed. Organization Theory and its most recent developments are revised and its principal neo-institutionalism points. Afterward, based on the previous facts, New Institutionalism theoretical argumentative links are established concerning Organization Theory. Finally, the limits and contributions of New Institutionalism for the organizational analysis are analyzed and possible research lines are suggested.

**Keywords:** Organization Theory, Institutionalism, Organizational analysis.

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## INTRODUCTION

When considering why organizations constitute a relevant subject of study today, Etzioni's perspective is significant: "We are born into organizations, we are educated by them, and most of us spend a good part of our lives working for organizations. We spend much of our leisure time spending, playing, and praying in organizations. Most of us will die within an organization, and when the day of burial comes, the largest organization of all –the State– must grant its official permission." (Etzioni, 1986: 1). Living in a world of organizations means that individuals are related to them in various ways. It also means that the social, cultural, economic, political, and even organizational processes that develop in various societies are closely related to organizations.

Spending a great deal of time in organizations influences individuals' lives –psychically– and their relationships –social, economic, cultural, etc.– both inside and outside the always-diffuse boundaries of the organization. Even without being part of organizations, individuals' contact with them is almost inevitable. Moreover, the influence of organizations on society is evident; for example, public policies –developed within organizations– have various effects on different sectors of society. Similarly, the efficiency of organizations can determine the quality of life and the balance of society. In turn, inter-organizational relationships influence both directly and indirectly at the individual and social levels; for example, the dispute between political parties to gain and maintain power can lead to improved efficiency of public services. Thus, organizations have both positive and negative outcomes for individuals and society (Hall, 1996).

As both a symbol and instrument of modernity (in Weberian terms), organizations are present in the various spaces of modern life. There are few non-organizational spaces –such as the family– where individuals develop their lives. Additionally, organizations increasingly infiltrate numerous spaces of modern life: just as individuals carry various social spaces with them into the organization, when they leave it, they carry that organizational space into other areas of their lives. Furthermore, organizations increasingly infiltrate the numerous spaces of modern life. Just as an individual carries various social spaces into the organization<sup>33</sup>, when they leave it, they take that organizational space into other aspects of their life.

Therefore, since organizations are present in almost all types of social, economic, political, cultural, etc., relationships –or rather, since most of these relationships develop within organizations– and because of this, we can consider them as elements that articulate and structure society<sup>34</sup>, the study of organizations becomes relevant. From this perspective, the study of organizations is fundamental to the development of social and

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<sup>33</sup> In this sense, we can consider organizations as a space where various social and organizational spaces overlap. When these spaces merge with the practices and processes of the specific organization, they are reformulated and acquire a specific character depending on the structural identity of the organization, its management style, its goals, etc.

<sup>34</sup>For example, organizations stratify society by creating roles and identities not only outside the organization –such as doctor, teacher, worker, politician, etc.– but also within them –such as director, supervisor, etc.

human sciences as most social, cultural, economic, and political processes involve organizational aspects.

Thus, both functionally and theoretically, the study of organizations is crucial.<sup>35</sup> However, not only do we live in a world of organizations, but we also live in a world of institutions. Institutions are present in various social spaces and are a structuring part of individual and societal life. Therefore, the study of institutions is, like the study of organizations, both functionally and theoretically significant.

Organizations and institutions are essential components of modern society, and understanding the ways they relate is vital for the knowledge of social, human, and organizational aspects. This work is developed within this context. It is an attempt to establish theoretical links between the discipline conventionally responsible for studying organizations and the institutional perspective of organizational study; in other words, it is an attempt to recognize both the neoinstitutionalist foundations housed in Organizational Theory and the neoinstitutionalist contributions to the knowledge of organizations and, based on this, to envision possible lines of research. To achieve this, it is necessary to briefly review both Organizational Theory and its recent developments, as well as neoinstitutionalist knowledge.

## **ORGANIZATIONAL THEORY: A BRIEF OVERVIEW**

Despite the development of a discipline – Organizational Theory (OT) – that has the organization as its object of study, it has not been definitively defined. In short, the multiple interpretations conceived around it make it difficult to establish a consensus about the term organization. This is largely due – as will be explained later – to the diversity of the object of study of OT, the variety of elements or parts that constitute it, the different levels of study under which it is approached, and the multiplicity of specific interests of the researchers. These characteristics of the object of study of OT – along with other factors – have made it a discipline with very specific features, as will be detailed below.

## **ORGANIZATIONAL THEORY: A PANORAMIC VIEW**

To better understand OT, the development of this discipline is summarized below. Given the limited space available, the most important aspects that, in our view, offer an overview of the development of OT are presented in a table (see Table 1). As shown in Table 1, OT is composed of a set of theoretical currents; however, it is necessary to delve into their interstices to contextualize the synthetic content of the table.

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<sup>35</sup> From a functionalist perspective, the study of organizations is important because it allows the formation of a theoretical foundation that, in turn, serves as a basis from which to prescribe better organizational forms with a higher degree of certainty for the improved performance of organizations. If organizations influence our lives, then proposing alternatives for them to function better is relevant. From a less functionalist and more critical perspective, the study of organizations is also important. For example, from a humanist perspective, we can study the physical and psychological repercussions that various management forms have on individuals.

## Scientific Management (Taylorism/Fordism)

Although there is no consensus about the birth of OT as a discipline, some authors consider Scientific Management (SM) as the starting point of OT since it represents the material basis (Ibarra, 1991; Ibarra and Montaña, 1986) from which OT develops. SM, as its name indicates, is not a theoretical current that explains the organization; rather, it is an effort to establish – through a series of techniques – the best way to perform a task (Taylor, 1961). However, without SM, it is difficult to conceive the historical development of OT, since the Human Relations movement – as the first attempt to theorize the organization – is, to some extent, a continuation of SM. Therefore, we will dedicate significant space to it.

When Taylor reflected on productive inefficiency, he realized the existence of natural laziness and systematic laziness, and that management systems were ineffective (due to the growth of organizations). He decided to seek increased efficiency; in his own words, “to increase production per unit of human effort” (Taylor, 1994: 84). This required eliminating one of the sources of subsistence for the workforce: their know-how, their craft, as this was both a condition (due to their knowledge and the labor power it represented) and an obstacle (also due to their knowledge and because it implied a relative scarcity of unskilled labor) for the establishment of large-scale industry and capital accumulation. Therefore, in the late 19th and early 20th centuries, capital launched an attack on the craft through the machine, the child, and the pieceworker, thus initiating a series of benefits for its productive logic (Coriat, 2000)<sup>36</sup>. However, this was not enough to eradicate the craft as a zone of uncertainty (Crozier and Friedberg, 1990: 60-61) for the worker and as an obstacle to significantly increasing production per unit of human effort.

In these circumstances, Taylor steps onto the scene with his four famous principles of SM<sup>37</sup>. These four principles allowed for a considerable reduction in the inherent power of the craft, diminishing worker control over work processes and operational methods. Essentially, what was required was to strip the worker of their know-how, destroy it (fragment it, standardize it, reformulate it), and return it to them without any element of danger for capital. That is, return their knowledge but nullify their power, rendering ineffective what allowed the worker to resist capital. This demand was met by SM<sup>38</sup>.

In this sense, Taylorism, as a socioeconomic phenomenon developed around Taylor's SM, marks a new power relationship between classes and initiates a new mode and regime

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<sup>36</sup> Reduction of manufacturing costs, increase in work pace, reduction of worker organization and their insubordination and indiscipline (Coriat, 2000).

<sup>37</sup> Namely: 1) the reformulation of work through its decomposition into simple activities; 2) the scientific selection of the worker; 3) persuading the worker to accept this new form of work; and 4) the separation between the conception and execution of work (Taylor, 1994). According to Taylor, these four principles are based on scientific knowledge, making them universal. In this way, Taylor establishes his famous principle: “one best way.”

<sup>38</sup> Nevertheless, at the socioeconomic level, other conditions had to converge – such as the change in the composition of the American working class, anti-union and anti-worker militias, and the economic boom in the United States due to the war – for the progressive overthrow of the craft (Coriat, 2000).

of capital accumulation: mass production, which in turn creates a change in state practices of regulation and social control (Coriat, 2000). It is under these changing conditions, where the order of knowledge and power in the workshop has shifted (in favor of capital), that the chronometer liberates a new space for such capital accumulation and mass production (Coriat, 2000). However, Taylorism alone would not have achieved such transformations; Fordism, unlike Taylorism, introduced a new element: chain conveyors, belt conveyors, and the assembly line (Coriat, 2000). This element came to complete what Taylorism started: total control over operational modes<sup>39</sup>. While Taylor emphasized notions such as meticulousness, static nature, wage-bonus, method, etc., Ford emphasized notions such as movement, dynamics, work conditions, technique/machinism, etc. (Friedman, 1985); these notions, when intertwined and concretized in techniques and production processes, achieved total control of the work process at its operational level.

Thus, Taylorism/Fordism brought significant changes at various levels: at the individual level, the deskilling of the worker and their alienation in production processes; at the production level, increased efficiency and productivity<sup>40</sup>; at the organizational level, a new form of organization based on the rationalization of work; and at the socioeconomic level, mass consumption<sup>41</sup> and production.

## Human Relations

Thus, within the Taylorist/Fordist environment of industrial capitalism, immersed in an ideological context infused with the institutional frameworks of progress and economic rationality<sup>42</sup>, and under the practice of "time is money," the Human Relations movement emerged—accidentally—starting in the 1930s. With the same objective as scientific management—to find ways to make production levels more efficient—but using different techniques—establishing the best environmental and physical conditions such as lighting and breaks—the Human Relations movement, given the logical inconsistency in the results of their experiments, stumbled upon the human psychosocial aspect of the individual within the organization. That is, while being interested in issues of efficiency, they "discovered"<sup>43</sup>

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<sup>39</sup> In other words, while in Taylorism the worker manages their strength within the assigned time, in Fordism the worker cannot manage their strength because the production time is constant: the elimination of downtime is taken to its limit

<sup>40</sup> At this level, the institutionalization process of Taylorism-Fordism culminated in the implementation of productivity standards, that is, the advances ensured by the assembly line concerning techniques for extracting surplus labor (Coriat, 2000).

<sup>41</sup> Also, at this level, the institutionalization process of Taylorism-Fordism culminated in the implementation of production standards, that is, the mass production of standardized goods whose value in terms of necessary labor time has been reduced (Coriat, 2000).

<sup>42</sup> Economic rationality can be understood as productive activity that is measurable, quantifiable, calculable, and predictable. That is, any activity that can be rationalized in economic terms, where the factors of such activity can be expressed, regardless of their nature, in a single unit of measurement: cost per unit of product (Gorz, 1991). This means any activity that can be made more efficient and where costs can be minimized and profits maximized.

<sup>43</sup> It is important to mention that recent studies (Gillespie, 1993) show that many of the supposed discoveries of human relations are not really discoveries. Both the researchers and the managers who participated in the Hawthorne experiments at the Western Electric Company already had notions of the importance of psychosocial factors for organizational performance.

without that being their initial objective, that more than environmental factors, it is the psychosocial factors that can increase organizational efficiency. In this way, researchers shifted their focus towards the human aspect within the organization, leading to the first theoretical developments on organizations. Their propositions are important in at least four ways:

1. They introduce the "human" variable into organizational analysis as a psychosocial being, desirous of speaking and being heard.
2. They highlight the new role of the manager as an elite who must be able to balance the disparity between technical advancement and the social instability caused by Taylorism/Fordism.
3. They emphasize the importance of the group for organizational efficiency.
4. They introduce the analysis of the organization as a socio-technical system (self-regulating), highlighting the notions of the formal and informal as structuring parts of any organization; moreover, the notion of the organization as a system that does not merely adapt to the environment, but includes it, is also present.

In this way, Organizational Theory begins to take shape, but it is not until the following theories and schools that it starts to become institutionalized.

## Theories of Bureaucracy

Bureaucracy can be understood—in terms of common sense—as the state apparatus that governs society, as those individuals behind the counters, or as the endless procedures necessary to achieve a goal. However, this tells us little about what bureaucracy really is. Therefore, the obligatory reference point for the analysis of bureaucracy is found in Weber. Let's briefly examine Weber's conception of bureaucracy.

Starting from the notion of power, Weber develops his analysis of bureaucracy. While bureaucracy can be understood as a mechanism for exercising power, it represents a specific form of power rather than a generic one. This specific form of power, conceptualized by Weber as domination, is used by this author to analyze bureaucracy. Specifically, domination is a special type of power characterized by its ability to find obedience and be legitimate<sup>44</sup>, and bureaucracy is a special type of domination: legal-rational<sup>45</sup>. Therefore, for Weber, bureaucracy is the technically purest type of legal-rational domination<sup>46</sup>. However, this domination finds its place in organizations: bureaucracy is, therefore, the most modern form of organization.

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<sup>44</sup> to any relationship of domination. In other words, the individual obeys because the command makes a minimum of sense to them or aligns with their own interests. Hence, Weber is considered an early institutionalist.

<sup>45</sup> Remember that Weber identifies three forms of domination: traditional, charismatic, and legal-rational.

<sup>46</sup> Bureaucratic power is legitimized by the fact that it is exercised according to rationally established norms or rules: 'one obeys the norms, not the people'; people obey because they believe the rules are 'right', and they are right because they are based on technical knowledge.

Nevertheless, this form of organization (or bureaucratic administration) is not real; it simply symbolizes the "ideal type" that Weber used to understand and predict the development of modern society. Hence, all the attributes that make bureaucracy a superior form of organization compared to other forms. In this way, Weber's ideal bureaucratic type finds its foundation in specialized professional knowledge, the system of rules, and the hierarchical system. These aspects are what allow bureaucracy—as an ideal type—to be precise, continuous, and reliable, but above all, rationally effective.

However, it would take years for this Weberian ideal type to be studied concretely as an 'ideal mode'. The first author to transfer the Weberian ideal type to the organizational field was Merton (1984). But unlike him, in the 1950s, it was Blau (1969) and Gouldner (1964) who conducted concrete case studies for bureaucratic analysis. Nonetheless, Merton's legacies are valuable: bureaucratic dysfunctions, vicious circles, displacement of means, latent functions; in fact, this author provided the conceptual basis for Blau and Gouldner's studies. Shortly thereafter, in the 1960s, Crozier – under the same methodological orientation of case study – delved deeper into bureaucratic analysis, highlighting the strategic nature of actors and defining the bureaucratic organization as one that does not correct itself based on its own errors or, in other words, as a relatively stable set of vicious circles (Crozier, 1974: 70-79). In very concrete terms, Bureaucratic Theories have conceived bureaucracy as a form of organization designed for the domination of the individuals who make it up and as a form of organization with the ability to adapt itself but with an inability to adapt to its environment.

## The Behavioral School

With the theories of bureaucracy and the behavioral school, Organizational Theory (OT) gains more substance. Alongside Bureaucratic Theories (between 1950 and 1960), but from another analytical perspective, the Behavioral School finds its main representative in Simon. The focus of analysis for this school is behavior, and the methodological element through which this was studied was decision-making<sup>47</sup>. From this, two contributions are valuable. On the one hand, the distinction between programmed and non-programmed decisions is important because it allows the organization to be conceived as a system of decisions or a structure of decisions: the fact that decisions are made at all levels of the organization implies conceiving the organization as a decision-making system<sup>48</sup>. Programmed decisions guide the daily actions of the organization, but non-programmed decisions direct the course of the organization. On the other hand, decision-making explains the equilibrium of the organization, that is, the organization offers the individual, in exchange for their participation, collateral payments or incentives that the individual

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<sup>47</sup> To the question of how organizations influence the behavior of their members, the answer given is that the study of decisions that delineate the various (operative) behaviors of the organization's members can help answer this question.

<sup>48</sup> Thus, in Simon's terms (1988: 10), "the organization removes part of the individual's decision-making autonomy and replaces it with an organizational decision-making process."



perceives as rewards for their participation. The equilibrium of the organization results from the "decision to participate" or not in the organization<sup>49</sup>.

However, Simon's main contribution is the introduction of the notion of 'bounded rationality'<sup>50</sup> of man as a critique of the economic conception of (absolute) rationality. This is to say, as a basis that allows us to begin to understand decision-making not as a process that develops under assumptions of perfect knowledge of alternatives and consequences, but as a process that develops under conditions of imperfect knowledge of alternatives and consequences. In this way, the economic man maximizes, the administrative man satisfies.

It is from this contribution that March deepens the understanding of decision-making processes. For March (1994), decisions are not only made under circumstances of bounded rationality but also under circumstances of uncertainty and ambiguity. Likewise, the organization is not only a decision-making system but a set of political coalitions fighting for power (March, 1989). Thus, March's later studies converge on one point: the ambiguous, non-linear, and timeless nature of decision-making processes. The break with the "positivist" notion of decision-making is clear. In this way, the Behavioral School constitutes—as will be discussed later—one of the foundations of the new institutionalism.

## The Contingency Movement

This movement, immediately following bureaucracy and behavior (1960s), represents a break with previous movements, schools, and theories. The Contingency Movement symbolizes a watershed moment within Organizational Theory in two senses. On one hand, the interest of contingency is no longer in individuals or groups but in the structure of the organization—the structure thus becomes the identity of the organization. On the other hand, the interest of contingency does not lie in the organization itself but in organizations—thus, methodologically, the specific case study is replaced by the comparative analysis of a diversity of organizations.<sup>51</sup>

In this way, at least three main contributions of contingency can be identified:

- 1) the introduction of the notion of the organizational environment through Lawrence and Lorsch and Burns and Stalker
- 2) the introduction of the notion of organizational context through Pugh et al.
- 3) the replacement of the principle of "one best way" with the principle of "it all depends."

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<sup>49</sup> For Simon (1988: 106), "The organization survives and grows if the total contributions are sufficient, in quantity and quality, to provide the necessary amount and quality of incentives; otherwise, it declines and eventually disappears, unless a balance is achieved."

<sup>50</sup> Understanding –briefly– by this, the limited cognitive capacity in terms of knowledge (information) and its processing.

<sup>51</sup> From this point of view, contingency comes closer than previous movements to what should be an 'Organizational Theory'; that is, a movement that studies various types of organizations, not just one, thus having greater predictive power and theoretical generalization.



In concrete terms, what contingency proposes is: that the structure of the organization depends on environmental variables, that the structure of the organization depends on contextual variables, and that there are not just one but many best ways of doing things, depending on both the type of organization and the contextual/environmental variables.<sup>52</sup>

Now, the scientific validity of these causal relationships rests on the support offered by the statistical methods used by these researchers. However, establishing causal relationships without explaining the why of these relationships implies falling into determinism. Thus, the Contingency Movement, by objectifying the organization through structural and contextual variables, denies the autonomy of the human construct underlying every organization (Crozier and Friedberg, 1990). In this way, the contribution of contingency becomes its own criticism. Despite these criticisms, the Contingency Movement represented an institutionalization of the discipline for Organizational Theory.

### The New Human Relations

Finally, between the 1960s and 1970s, considered both as continuity and discontinuity of the Human Relations (Montaño, 1991), the New Human Relations propose a new approach to man, but this time, not through satisfaction, but through motivation. Thus, what is at stake in the New Human Relations is the balance between human needs and organizational requirements (Argyris, 1986). Recognizing the individual as a being capable of self-development, they take self-actualization (Maslow, 1970) as the banner of the new conception of man: the "Y" man (McGregor, 1972).

Man does not need hygienic factors; he needs motivational factors (Herzberg, 1966). Therefore, decentralization of decisions, delegation of responsibilities, job enlargement, and self-assessment of performance come into play.<sup>53</sup> In this sense, if we return to Taylorism/Fordism, we can see how the history of organizations is the history of the refinement of the exercise of power: from open conflict to latent conflict. Indeed, these proposed techniques are more than subtle mechanisms of power for increasing organizational efficiency and performance. The new human relations and the contingency movement are perhaps the movements that possess a greater degree of functionalism and pragmatism.

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<sup>52</sup> As the reader may have noticed, the notions of environment and context have different implications. Contextual variables for Pugh et al. are size, technology (in this sense the recovery and critique towards Woodward are present), ownership, location, and market. Meanwhile, for Lawrence and Lorsch, the environment is not entirely defined, but the market and competition can be included. However, the contingent conception of this movement is due to the latter: "By examining and comparing some select current studies, we have attempted to bring to light the possibilities of a new research-based approach which, provisionally, we have called the contingency theory of organization." (Lawrence and Lorsch 1973: 202-203).

<sup>53</sup> It is important to note that unlike Human Relations, the New Human Relations propose a greater proportion of techniques to improve work performance.

## ORGANIZATIONAL THEORY: CHARACTERIZATION, EXPLOSION, AND IMPLOSION

### ORGANIZATIONAL THEORY: A CHARACTERIZATION

Given the difficulty in answering what Organizational Theory (OT) is, the following simply presents a characterization of this discipline. Since the object of study of OT is modern organizations and since these appeared in the mid-19th century—and therefore can be considered as daughters of industrial modernity, organizational rationalization, and economic rationality—OT can be considered in the first instance as the theoretical response to the problems faced by the modern large enterprise, that is, problems of productivity, structure, strategy, market, competition, technological development, etc.

Organizational Theory (OT) can also be considered a battlefield where each school of thought fights to establish its interpretations and explanations about organizations based on its analytical interests (Reed, 1996). For this reason, and as explained in the previous section (2.1), OT cannot be conceived as a uniform theoretical body but rather as a body composed of diverse theoretical frameworks, meaning OT is diverse. These frameworks have been forged under the roof of various disciplines—economics, psychology, sociology, anthropology, among others—so OT can be considered a multidiscipline<sup>54</sup>. Thus, OT is constructed from continuities and ruptures, but the knowledge that emerges from it is built more by accumulation than by evolution. The diverse and multidisciplinary nature of OT makes it a complex discipline.

However, this complexity of OT is also related to the specificity of its object of study, which indicates some of OT's characteristics. The diversity of organizations, the variety of parts or elements that compose them, the different levels under which they can be approached for study, and their dynamism make the study of OT's object of study a complex subject.<sup>55</sup> An OT that manages to coherently integrate the challenges presented by this complexity is difficult to achieve. Therefore, the complexity of OT's object of study makes it an equally complex discipline; but it also makes the study of organizations complex. Thus, organizations have been studied not only from diverse disciplinary perspectives but also partially. Below, we will briefly present the development OT has taken.

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<sup>54</sup> It is interesting to observe that although this process of multidisciplinary construction and formation of OT continues, its importance has become such that an inverse process is occurring simultaneously: "...organizational theory has been considered as a kind of multidisciplinary field that does not fully fit within the framework of undergraduate studies, but is increasingly relevant for the rest of the social sciences specialties—economics, sociology, political science, psychology, education, public administration, and others—especially at the graduate level..." (Montaño and Rendón, 2000: 79).

<sup>55</sup> For example, it is not only problematic that organizations possess multiple levels and variables of study, but it is also problematic that these change over time as organizations evolve. This means that interpretations of an organization may not be valid if the organization is studied again years later; thus, OT has a dynamic character. Moreover, the specificity of each type of organization (for example, the decision-making processes of a university differ from those of a private company) complicates the degree of generalization of theoretical frameworks.

## THEORY OF ORGANIZATION: EXPLOSION AND IMPLOSION

As can be seen in Table 1, OT is characterized by a functionalist/positivist bias and by its pragmatic and utilitarian orientations. Some authors have referred to this set of theoretical currents that possess these characteristics as Conventional Organization Theory (Ibarra, 1991; Ibarra and Montaña, 1986). This distinction is useful for differentiating the previously discussed currents from their later development.

Conventional Organization Theory (COT) has been criticized for various aspects. Zey-Ferrell's (1981) critique of the contingency movement, though extendable to the other currents of COT, represents a good example of the diverse critical aspects of COT. Among them, the most notable are: the overly rational view of organizational functioning, the significant importance placed on organizational goals as powerful guiding axes, the view of the organization as a reproducer of the status quo, the view of the organization as a harmonious system where a consensus of conflict interests prevails, the ahistorical view of the organization, the little interest in analyzing power relations, and the view of the

organization as overly environmentally and technologically determined. Specifically, COT has been criticized for its functionalist and positivist nature (objective view of the researcher, conception of the object of study as external to the researcher, rationality as the basis of knowledge creation, maintenance of the status quo, utilitarian view, mainly).<sup>56</sup>

It is this set of criticisms that has paved the way for the development of organizational studies. In other words, this study has developed largely from the critique of the functionalist vision of COT. In trying to propose alternative visions, interpretations, and explanations to those formulated by COT, various researchers have led to the explosion<sup>57</sup> and implosion<sup>58</sup> of organizational studies. They delve into the study of some variables established by COT in a critical manner – such as decision-making – and add other variables of study – such as gender, power – and new perspectives under which to study organizations – such as metaphors, symbolism, or discourse. Alongside these, themes of analysis like organizational postmodernism or new forms of organization coexist.

Thus, in the face of the explosion and implosion of organizational studies, Organizational Studies have embraced a significant portion of the various 'new' approaches under which organizations are studied (Clegg and Hardy, 1996). However, there are perspectives that,

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<sup>56</sup> To delve into the ontological, epistemological, and methodological foundations of OT, see: Burrell and Morgan (1979).

<sup>57</sup> Explosion refers to the quantity and variety of scientific disciplines (Borrero, n.d.). However, in this work, explosion is understood as the variety and number of study perspectives that have emerged around organizations.

<sup>58</sup> Implosion refers to the intensification, deepening, and specialization of knowledge; and to the speed with which scientific disciplines are born and progress (Borrero, n.d.). However, in this work, implosion is understood as the deepening and specialization of study perspectives that have emerged around organizations; for example, within Organizational Culture, there are two basic study approaches: culture as an external or dependent variable and culture as an internal or independent variable (Smircich, 1983).

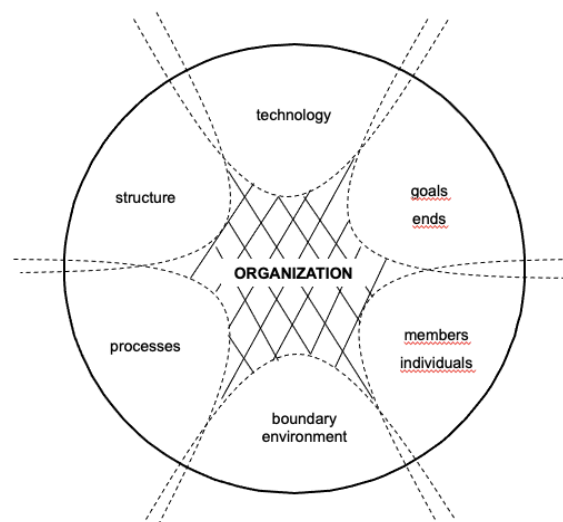
while maintaining a critical perspective, are not related to Organizational Studies – for example, the humanist Canadian school.<sup>59</sup>

Therefore, the explosion and implosion of the study of organizations are characterized by presenting diverse and ambiguous views of the organization that prioritize the local over the general, confrontation over consensus, action over determinism, subjectivity over objectivity, and ambiguity over rationality. Schools such as New Institutionalism, Organizational Ecology, Organizational Ambiguity, Strategic Analysis, Organizational Culture, and Psychoanalysis in Organizations are among the most relevant for the study of organizations<sup>60</sup> today.

In this way, we have moved from viewing the organization “... conventionally and ideally, as an orderly, harmonious, monolithic, functional, transparent, homogeneous space with well-defined boundaries” (Montaño, 2001: 108), to seeing it “... as a multidimensional space, where different logics of action intersect – technical, economic, political, emotional, cultural, etc.–, involving multiple actors with their own interests, making conflict and power essential ingredients of its functioning; built on various structures and representing multiple projects, hardly separable from other social constructions that make up everyday life” (Montaño, 2001: 108-109).

What the study of organizations has taught us so far is that it is not just the structure, the environment, the behavior, the processes, etc., but rather the mixture of these elements that constitutes the organization (see Figure 1); and, consequently, what can help define it.

FIGURE 1. THE ORGANIZATION AS A TRANSPOSITION OF ELEMENTS



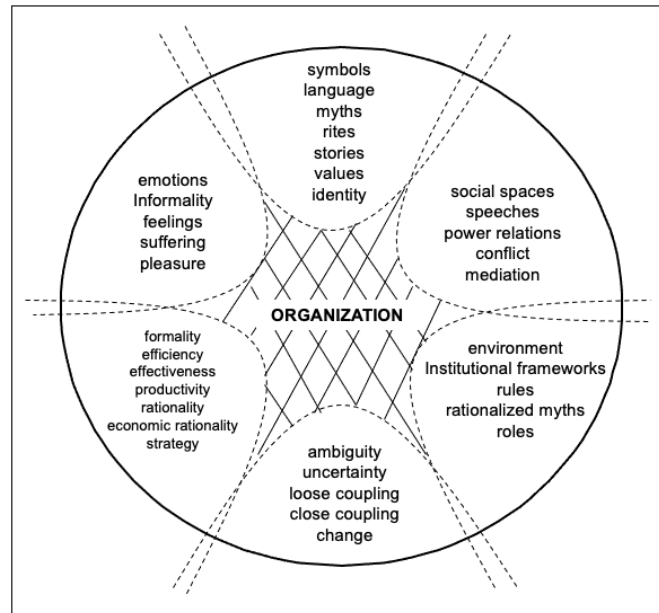
Source: own elaboration

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<sup>59</sup> To get an international perspective on the formation of the study of organizations, see: Barba, Montaño, and Solís (1999).

<sup>60</sup> In this sense, if Conventional Organizational Theory (COT) is characterized by being diverse, dynamic, multidisciplinary, and complex, Organizational Studies (OS) are even more so.

We have thought of organizations in parts, and despite the proliferation of new ways to understand them, the challenge of Organizational Theory (OT) is to begin the reverse process of reconstructing them and recovering these elements (see Figure 2). Understanding the complexity of organizations helps us understand the complexity of OT, and understanding the complexity of OT helps us understand the complexity of organizations. Next, we will briefly analyze what is known as New Institutionalism and subsequently explore what it offers for the understanding of organizations.

FIGURE 2. THE ORGANIZATION AS A COMPLEX ENTITY.



Source: own elaboration.

## NEW INSTITUTIONALISM: AN OVERVIEW

Just like Organizational Theory (OT), New Institutionalism (NI) is not a term that expresses theoretical homogeneity (Del Castillo, 1996; DiMaggio & Powell, 2001; Scott, 1995); rather, it represents a heterogeneous set of approaches that explore the various relationships between institution and organization (or between institutions and organizations), and whose foundation lies in notions such as individual, actor, roles, identities, behaviors, rules, regulation, construction/constitution, environments, structures, bounded rationality, costs, and transactions, among the most prominent. For the purposes of this work, we will develop the three basic approaches of NI: new economic institutionalism (NEI), new sociological institutionalism (NSI), and new political institutionalism (NPI).

## NEW INSTITUTIONALISM: ITS ORIGINS

As is well known, NI (in its comprehensive view) has its roots in the social sciences, primarily in economics, sociology, and political science. Institutional notions in the disciplines of economics, sociology, and political science were already present in authors such as Veblen,

Commons, Durkheim, Weber, among others (Scott, 1995: 1-15). However, Columbia and Carnegie Mellon were the schools that significantly influenced the development of what is today known as NI (Augier & Kreiner, 2000; Scott, 1995). The former represents the foundation of NSI, and the latter represents the foundation of NPI, and to a lesser extent, the foundation of NEI. Let's take a closer look at the neo-institutional antecedents:

### Columbia School

It was not until the mid-20th century that the distinction between institution and organization was recognized, stemming from classical studies by Gouldner, Blau, and Selznick, where the object of study is the organization as a form of bureaucratic organization (Scott, 1995). Among these three authors, Selznick is of particular interest. Under the influence of Merton, Selznick developed the first institutionalist writings. He proposed a distinction between institution and organization: when an organization becomes institutionalized, it tends to acquire a special character and to perform a distinctive role, or rather, a specific incapacity (Selznick, 1996). Over time, organizations transform into institutions and lose their instrumental character (goal achievement), while they enter a logic of survival for the sake of survival itself – regardless of the fulfillment of their objectives and levels of efficiency (Barba & Solís, 1997; Scott, 1995).

Thus, "institutional theory traces the emergence of distinctive forms, processes, strategies, perspectives, and competencies, which emerge from patterns of organizational interaction and adaptation. Such patterns must be understood as responses to internal and external environments"<sup>61</sup> (Selznick, 1996: 271). Therefore, the importance of Selznick's work lies in the emphasis and recognition of the processes of institutionalization, which he defines as "a socially integrated process by which we move from something that is diffuse, unstable, and unstructured to something more agreed upon, stable, and integrated" (Selznick, 2000: 280).

### Carnegie Mellon School

Another neo-institutionalist antecedent is found in the Carnegie School (in those days, Carnegie Institute of Technology), where authors such as Simon, March, Cyert, and Williamson developed their initial ideas. Focused on the study of the firm and decision-making, and under an economic and psychological perspective, these authors represent the foundations of the New Political Institutionalism (NPI) and the New Economic Institutionalism (NEI). Specifically, Simon is one of the most influential, as the concept of

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<sup>61</sup> Thus, for Selznick, institutional theory does not represent a break with neoinstitutional theory, but rather a continuity: "the 'new' is the reconception of formal structure as densely institutionalized" (Selznick, 1996: 274). However, he differs from the neoinstitutionalists, as they give more weight to "structured cognition," that is, socially constructed mental processes, which help to understand how minds are formed in organizational contexts (Selznick, 1996: 274-277).

bounded rationality is, on one hand, part of the backbone of NEI developed by Williamson<sup>62</sup>, and on the other hand, the foundation of NPI developed by March<sup>63</sup> and Olsen.

Specifically: 1) in general terms, NI does not represent a break but rather a continuity and complementarity with the 'old institutionalism'. However, NI starts from new approaches for institutional and organizational analysis, and 2) as can be seen, progress concerning the understanding of organizations is made to a greater extent within NIS and NIP than within NIE. We will now address each of these approaches more specifically.

## NEOINSTITUTIONALIST APPROACHES: ECONOMIC, SOCIOLOGICAL, AND POLITICAL

### NEW ECONOMIC INSTITUTIONALISM

Two authors are representative of NEI: Oliver E. Williamson and Douglas C. North; let's quickly examine their arguments. Based on the notions of bounded rationality, opportunism, uncertainty, and transaction costs, and under Williamson's influence, NEI emerges as the theoretical stream that, while refining the rationalist postulates of microeconomic theory, "shifts the focus of economic science from the sphere of production to the sphere of the exchange of economic goods" (Del Castillo, 1996: 8). In Williamson's words:

*"The markets and hierarchies approach attempts to identify a set of environmental factors that, along with a related set of human factors, explain the circumstances under which it becomes costly to draft, execute, and enforce complex contingent contracts. Faced with such difficulties, and considering the risks posed by simple (or incomplete) contingent contracts, the firm may decide to avoid the market and resort to hierarchical models of organization. Therefore, transactions that could otherwise be handled in the market are carried out internally, instead governed by administrative processes" (Williamson, 1991: 25).*

Therefore, one must learn to "think transactionally" (Williamson, 1991: 10) to delve into NEI thinking, as "Transaction cost economics is a comparative institutional approach to the study of economic organization where the transaction is made the basic unit of analysis..." (Williamson, 1989: 387). In concrete terms, NEI focuses on the rules and governance

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<sup>62</sup> In Williamson's case, the concept of bounded rationality, along with other concepts such as opportunism, allows him to rework the concept of transaction costs (which he takes from Coase's work), and from there to develop his theory on markets and hierarchies. In this regard, March comments: "As Oliver Williamson would be the first to say, Williamson's version of transaction cost analysis is built in part on ideas outlined in the behavioral theory of the firm" (March, 2000: 291).

<sup>63</sup> In March's case, the concept of bounded rationality constituted the basis from which he delved into the understanding of decision-making and behavior, so much so that recently March has returned "not to the same limited understanding of rationality—which, along with Simon, led to the formulation of a behavioral school of thought in organizational theory—but to a substantive rationality founded more on identity than on calculation, inspired by ambiguity rather than limited by it, and informed by a deep appreciation of the complexities and implications of the processes by which human actors learn, choose, and make sense" (Augier and Kreiner, 2000: 287). In other words, after working on decision-making as the foundation of behavior, March proposes that decision theory must accept "that it deals with people who do not have coherent preferences, who have imperfect cognitive capacity, who follow rules, ..." (March, 2000: 295).



systems developed to regulate economic exchanges, primarily concentrating on the firm/structure level, meaning exchanges move from the market to within organizational frameworks (Scott, 1995: 25-26).

Bounded rationality and opportunism imply that contracts are imperfect and, over time, one of the contracting parties may exploit unforeseen contingencies to their advantage, this way increasing transaction costs. In response, the firm or hierarchy emerges as a reducer of these costs. Thus, in Williamson's terms (1989: 10): "These two behavioral assumptions support the following compact presentation of the economic organization problem: creating contracting and governance structures that purpose and effect economizing on bounded rationality while protecting transactions from the hazards of opportunism." That way, the study of the firm does not deviate from economic assumptions such as individualism, selfishness, and rationality. However, the firm is no longer seen merely as a productive function. What is valuable in this economic institutionalist view is "... understanding how specific attributes of transactions—such as asset specificity, uncertainty, and frequency— give rise to specific classes of economic institutions" (DiMaggio and Powell, 2001: 36-37).

For his part, North, from a historical-economic perspective, conceives institutions as "the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction" (North, 1993: 13). For North, the introduction of the notion of institutions for the study of economics and history is significant<sup>64</sup><sup>32</sup>. Thus, the link between history and economics is represented by institutions: "Trying to explain the diverse historical experience of economies or the differential performance of advanced centrally planned or less developed economies without resorting to an analysis of the incentive structure of institutions as an essential ingredient seems to me a sterile exercise" (North, 1993: 171). In concrete terms, institutions determine the performance of the economy; hence the importance of their study.

### **NEW SOCIOLOGICAL INSTITUTIONALISM (NSI)**

NSI is characterized by a considerable number of adherents, with the most representatives being DiMaggio, Jepperson, Meyer, Powell, Rowan, and Zucker. A defining feature is their perspective that institutions are ubiquitous—ranging from handshakes to administrative processes—while economic neo-institutionalists "...focus exclusively on economic rules" (DiMaggio and Powell, 2001: 43). Let's delve into some of their most relevant propositions.

A fundamental notion within NSI is that 'institutional rules' affect organizational structures and their performance (Meyer and Rowan, 1992: 22). These rules not only impact organizational structure but also shape it over time through the adoption of rationalized myths. The objective is to legitimize the organization's performance—both

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<sup>64</sup> On this subject, North writes, "...neither current economic theory nor cliometric history show many signs of appreciating the role of institutions in economic performance because there has not yet been an analytical framework that integrates institutional analysis into political economy and economic history" (North, 1993: 13).



internally and externally—by making it appear rationally efficient, beyond its actual efficiency (Meyer and Rowan, 1992: 25).

Rationalized yet institutionalized 'myths' legitimize organizations. Thus, for Meyer and Rowan, "...organizations structurally reflect socially constructed reality..." (Meyer and Rowan, 1992: 28). The incorporation of socially rationalized legitimized myths, in other words, institutionalized, implies the legitimacy and stability of the organization, irrespective of its efficiency<sup>65</sup>. Consequently, the efficient coordination and control of productive activities are not the sole factors for organizational success (Meyer and Rowan, 1992: 34). Otherwise, "organizations with structural elements not institutionalized in their environments should be more prone to failure, as this unauthorized complexity must be justified by efficiency and effectiveness" (Meyer and Rowan, 1992: 43). Another fundamental notion of NSI is that the more bureaucratized a society is—in Weberian terms—the more rationalized myths will be present in the environment (Meyer and Rowan, 1992: 28-29). As these myths become institutionalized, there will be more formal organizations<sup>66</sup> (Meyer and Rowan, 1992: 42).

DiMaggio and Powell (1997), like Meyer and Rowan, are also interested in the environmental effects on organizational structure, but they emphasize explaining structural homogeneity. The formation of organizational fields<sup>67</sup> and the three types of institutional change mechanisms—coercive, mimetic, and normative—are relevant for this purpose. Rather than the institutionalization of structure, their interest lies in the factors that make structural forms tend to resemble each other and the ways in which organizational fields are formed.

In contrast to this 'macro' view, Zucker moves towards a 'micro' perspective, focusing on the processes of institutionalization at the level of interpersonal relationships<sup>68</sup>, but within a sociocultural context. For Zucker, then, institutionalization is "... the process by which individual actors transmit what is socially defined as real, and, at the same time, at any point in the process, the meaning of an act can be defined, more or less, as a taken-for-granted part of this social reality."<sup>69</sup> (Zucker, 2001: 129). In this way, NI allows us to think of the organization as an institution in itself—but under a perspective different from that of Meyer and Rowan—to the extent that organizational practices are socially transmitted. Resistance to change and social control are also notions present in Zucker. Specifically, Zucker's

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<sup>65</sup> The fact that rationalized myths may not be entirely efficient forces organizations to "...link the requirements of ceremonial elements with technical activities and to reconcile inconsistent ceremonial elements among themselves" (Meyer and Rowan, 1992: 38).

<sup>66</sup> The incorporation of institutionalized environments institutionalizes organizational structure, because such incorporation means that the organization contains institutions within itself.

<sup>67</sup> By organizational field, DiMaggio and Powell mean "...those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products..." (DiMaggio and Powell, 1997: 437).

<sup>68</sup> Note the difference with Meyer and Rowan: they are concerned with the processes of institutionalization at the structural/organizational level.

<sup>69</sup> Therefore, "For highly institutionalized acts, it is enough for one person to simply tell another that this is the way things are done." (Zucker, 2001: 126).

proposition is as follows: the higher the level of institutionalization, the less the need for direct social control and the greater the resistance to change (Zucker, 2001: 148-150).

At a more general level—unlike Meyer and Rowan and DiMaggio and Powell—for Jepperson (2001: 195), "The institution represents a social order or pattern that has achieved a certain state or property; institutionalization indicates the process to achieve it ... Therefore, an institution is a social pattern that reveals a particular reproduction process." Hence, the importance of Jepperson's exposition lies in highlighting the essence of the institution, regardless of the various ways to conceive the institution—organizations, practices, abstract regulations. An institution is a pattern to follow; but it is followed because it is socially constructed. Since interests are socially constructed, they are susceptible to institutionalization. Thus, the institution is not only constructed but also constructs; furthermore, it not only constructs but also regulates. Therefore, an abstract notion of institution and institutionalization is useful as a concept that helps to understand processes of social (Jepperson, 2001: 203) and organizational reality. As can be seen, the NSI can be characterized by a variety of perspectives and levels of analysis. The differences with the NEI are enormous. Thus, the analysis of the NSI becomes relevant for organizational analysis.

## NEW POLITICAL INSTITUTIONALISM

The NPI finds its main representatives in March and Olsen. Unlike the NEI and the NSI—but maintaining close contact with Zucker's perspective—the NPI has its level of analysis in the organizational sphere. In this way, March himself expresses his institutionalist position:

*"I believe that the kind of institutionalism I tend to practice is very behavioral in the sense that it is about understanding behavior and decision-making, but it becomes very historical because it specifies that rules accumulate over time and that action is based on rules. Thus, it is behavioral in the sense that it is interested in human behavior, but it is historical and institutional in the sense that it considers such behavior embedded in a large number of rules." ... "The institutionalism that I find interesting ... is the one that drives the understanding of how behavior takes place, how individuals and organizations really behave." (March, 2000: 296)*

While the NSI asks what regulates the formation of organizational structures, the NPI asks what regulates the behavior of individuals in an organizational setting. This organizational setting is hosted within political institutions; in other words, March and Olsen are interested in understanding how political institutions function. For these authors,



the rule<sup>70</sup> is the foundation of the institution;<sup>71</sup> similarly to the NSI, it is considered socially constructed.

Thus, action becomes institutionalized when rules have been institutionalized, which happens through the routinization of practices. In this sense, the fact that most behavior is routinized does not mean that individuals respond automatically or mechanically to situations: “the logic of appropriateness is fundamental to political action” (March and Olsen, 1997: 90). The institution offers a variety of rules, which individuals must interpret to determine which is most appropriate for the situation at hand, based on their role or identity. For rules to be followed, they must make sense to the individual: the interpretation and construction of meaning is essential for the institutionalization of action and rules. Then, in the face of ambiguity, instability, and diversity of preferences, the logic of appropriateness serves as a regulator and constructor of action.

In this way, March and Olsen shift from the logic of consequence to the logic of appropriateness as the explanatory foundation of political institutions. However, the challenge for the NPI lies in understanding the transformation of political institutions as forms of organization characterized by organizational ambiguity since “Institutional transformation is not entirely dictated by exogenous conditions nor precisely controllable through intentional actions. For the most part, institutions evolve through a series of relatively mundane procedures, sensitive to partially diffuse control mechanisms.” (March and Olsen, 1997: 267). In this sense —as outlined later— a theoretical link with Crozier and Friedberg’s strategic analysis becomes fruitful.

## THE NEW INSTITUTIONALISM: AN INTEGRAL FRAMEWORK

Jepperson states that “the importance of the concept institution has not guaranteed its clear and careful use. Some specialists resort to the term institution only to refer to particularly large or important associations. Others seem to identify institutions with environmental effects. And some simply use the term as if it were equivalent to ‘cultural’ or ‘historical’ effects” (Jepperson, 2001: 193). This reflects the diversity within neoinstitutionalism. Despite the varied interpretations of the term institution, its foundation lies in the notion of rules. This is a constant across the various neoinstitutional currents. Thus, neoinstitutional thought can be summarized under three perspectives, each implying different types of rules:

### Regulatory Pillar

This can be associated with the New Economics Institutionalism (NEI), as it refers to the “regulative aspects of institutions: institutions constrain and regularize behavior” (Scott, 1995: 35).

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<sup>70</sup> By rule, March and Olsen mean “... the routines, procedures, conventions, roles, strategies, organizational forms, and technologies around which political activity is constructed. Likewise, the beliefs, paradigms, codes, cultures, and knowledge that surround, support, elaborate, and contradict those roles and routines.” (March and Olsen, 1997: 68).

<sup>71</sup> In fact, for these authors, “Political institutions are sets of interrelated rules and routines that define appropriate actions in terms of relations between roles and situations.” (March and Olsen, 1997: 252).

## Normative Pillar

This can be associated with the New Political Institutionalism (NPI) as it emphasizes "rules that introduce a prescriptive, evaluative, and obligatory dimension into social life" (Scott, 1995: 37). Thus, normative systems guide action through the values and norms they encompass (Scott, 1995: 37). According to Scott, this perspective begins to "move away from the narrow definition of rational behavior. Choice is structured by socially mediated value and normative frameworks" (Scott, 1995: 38-39). Actors are constituted not by their individual interests but by their roles and identities, which compel them to act according to these roles and identities, not because things should be that way, but because their roles and identities are socially instituted as such.

## Cognitive Pillar

This can be associated with both the NPI and the New Sociological Institutionalism (NSI) as it "emphasizes the centrality of cognitive elements in institutions: the rules that constitute the nature of reality and the framework through which meaning is constructed" (Scott, 1995: 40). Symbols play a role in forming the meanings attributed to objects and activities; these meanings, in turn, derive from social interaction and are perpetuated – and transformed – as long as they make sense (Scott, 1995: 40). Thus, the cognitive conception of institutions underscores the central role played by the social construction of meanings (Scott, 1995: 45). Therefore, "Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior" (Scott, 1995: 33).

## **ORGANIZATION THEORY AND NEW INSTITUTIONALISM IN ORGANIZATIONAL ANALYSIS**

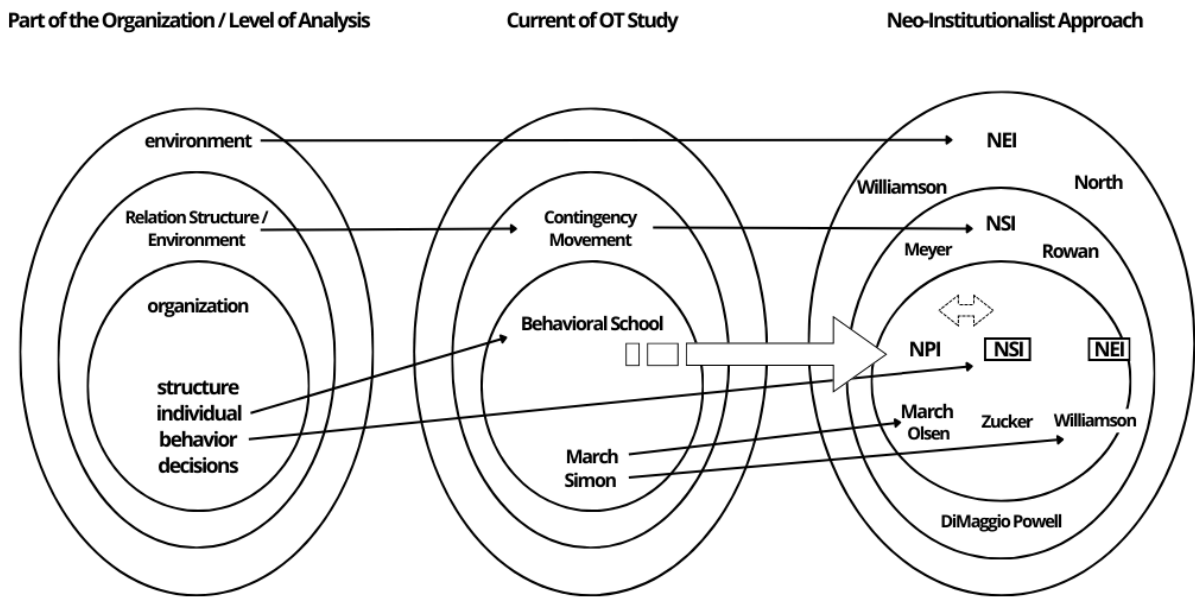
Next, we will address the implications between Organization Theory (OT) and New Institutionalism (NI) by discussing, on the one hand, the theoretical origins of NI in relation to OT, and on the other hand, the contributions of NI to organizational analysis, highlighting potential research avenues.

### **THEORETICAL LINKS BETWEEN ORGANIZATION THEORY AND NEW INSTITUTIONALISM**

Due to space constraints, the links between OT and NI are outlined in Figure 3. As seen in Table 1, we can associate the theoretical currents of OT with one or more levels of analysis on one hand, and with one or more organizational elements or research variables on the other hand, since each current has a specific level of analysis and has focused on the study of these variables or parts in a specific manner. For the purposes of this analysis, there are two theoretical currents that are of interest due to their relationship with NI: the Behavioral School and the Contingency Movement. The first encompasses the individual and organizational levels and the variables of decisions (decision-making processes), individual, and behavior; the second encompasses the intermediate part between the environmental and organizational levels and the variables of structure and environment.



FIGURE 3. THEORETICAL LINKS BETWEEN OT/NI



Source: own elaboration

Now, the NEI encompasses the environmental and organizational levels. On one hand, Williamson addresses the environmental and organizational levels, and on the other hand, North addresses the environmental level. Similarly, the NEI includes the variables of environment and structure. It is within these levels and variables that its organizational provenance resides. Theoretically, the existing link of NEI is found in the Carnegie Mellon School – especially with Williamson – and therefore it is linked with the Behavioral School.

Regarding the NSI – with the exception of Zucker – it covers the intermediate level between the organization and the environment and the variables of structure and environment. Although it does not maintain a well-defined theoretical provenance, it does maintain a close relationship with the Contingency School. Concerning Zucker, he addresses the individual level and the variables of individual and behavior, which could relate him to the Behavioral School and to a significant extent with the NPI approach.

Regarding NPI, rather than being related to the Behavioral School, it represents—along with the theories of organizational ambiguity—a development of that school. The levels and variables are the same for both, with March being the common denominator among the representative authors of the Behavioral School and New Political Institutionalism. The following are some of the contributions to the knowledge of organizations made by NI.

## CONTRIBUTIONS, LIMITATIONS, AND POSSIBLE RESEARCH AGENDAS OF NEW INSTITUTIONALISM IN ORGANIZATIONAL ANALYSIS

Regarding NEI, it can be said that its contribution to the knowledge of organizations is minimal. This is because, while NEI represents an effort to consider the firm—that is, the organization—as something more than a mere production function, it fails to move away from its rational economic vision by conceiving the firm as a reducer of transaction costs, overlooking its complexity. As Organization Theory and Organizational Studies have shown, the firm can be considered as something more than just a simple instrument for regulating transactions.

Therefore, NEI represents more of an advance for economic science than for OT, and OT in turn represents an advance in understanding the firm for economics. In the words of Williamson himself: “Transaction cost economics can benefit from the infusion of more organizational content. More generally, economics should engage in a dialogue with organization theory” (Williamson 1989: 402)<sup>72</sup>. However, from an organizational insight, NEI can contain interesting reflections for the study of organizations. For example, beyond formal and informal relationships, what is the real weight of the contractual relationship for organizational order? It could also, through a historical analysis of contracts, study organizational learning and organizational change. Additionally, under a symbolic perspective, both the exchange of symbols—as transactions—and their influence on organizational action, as well as the construction of meaning in transactions, could be studied.

On the other hand, unlike NEI, NSI represents a greater degree of advancement in the understanding of organizations. As discussed, in general terms, NSI focuses primarily on the relationship between environment and structure; from this perspective, it constitutes an advancement over the organizational knowledge generated by the Contingency Movement in at least two ways.

The first has to do with the concept of organizational fields. Studying how organizational fields are constructed allows us to understand how organizational environments are constructed, considering organizational fields as organizational environments. Thus, unlike contingency theory, which assumed an environment that determined organizational structure, NSI offers the possibility to study the organizational environment itself. This is relevant because it will enable a better understanding of the interstices between environment and structure. The formation of an organizational field, as an organizational environment, would allow for a better understanding of the historical formation of organizational structure, thus recovering the historical factor. Another relevant factor derived from the concept of organizational field is that it allows for rethinking organizational boundaries from a different perspective. It permits thinking not about the

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<sup>72</sup> Beyond the theoretical implications, as Arellano (2000: 47) explains, NEI has practical implications for social and organizational reality. That is, when the assumptions—rational economic ones—for understanding reality become the goal, the objectives of reality itself can be negatively affected. An example of this can be seen in accreditation systems and economic incentive programs at universities.

boundaries of organizations but the boundaries of organizational fields, thereby allowing interorganizational relationships to be reconsidered as well.

The second has to do with the notion of organizational environment/context. NSI allows for expanding the notion of environment proposed by the Contingency Movement by including diverse institutional frameworks, such as rationalized myths: it shifts from technical environments to sociocultural environments. Thus, "... public opinion, educational systems, laws, courts, professions, ideologies, technologies, regulatory structures, people and rewards, certification and accreditation bodies, governmental requirements and approvals..." (Scott, 2001: 219) become integral parts of organizational environments. Therefore, under a contingency logic, expanding the organizational environment implies reconceptualizing the organizational structure. Specifically, with NSI, the organization's structure acquires a sociocultural character. The fact that the organization's structure is institutionally shaped implies rethinking—among other aspects—organizational processes.

Despite these advances in understanding organizations, Zucker (2001: 150) writes: "Most institutional research at the macro level studies indicators of the effects of the institutional environment on some aspect of organizational structure or activity... The process by which this occurs remains a 'black box.' To establish that an organization's structure is institutionalized as rationalized myths are incorporated by organizations, and not to explain the internal process of institutionalization, that is, not to refer to the mechanisms by which individuals internalize new practices—rules—and act based on them, implies falling into determinisms".<sup>73</sup>

As mentioned, Zucker advances in understanding institutionalization processes and stimulates the formulation of some questions: When can it be said that an organization is institutionalized, and when can an organization be conceived only as a system of direct social control?<sup>74</sup> Or is direct social control a form of institution in itself? What is the limit between institutionalized action and the exercise of power as the foundation of organized action? Can the institution be considered a mechanism of power, or does the institution imply the absence of the exercise of power? Does the institution mean a social construction of power? Meanwhile, Jepperson's abstract conception of the institution allows for the following questions: How do institutional principles come to life organizationally? How do organizational forms that reproduce these principles transform over time, responding not only to institutional requirements but also to their own needs?

Now, it is the NPI that surpasses both the NEI and the NSI in describing institutionalization processes. However, its emphasis is on explaining the functioning of institutions—political institutions—through individual behavior. In this sense, the NPI allows for conceiving organizations as institutions in themselves and explaining organizations in institutional terms. Under the NPI approach, some pertinent questions

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<sup>73</sup> In this sense, the critique of the Contingency Movement for its structural determinism could also be extended to NSI.

<sup>74</sup> The Hawthorne experiments at the Western Electric Company are illustrative in this regard, as they allow for reflection on this question: how can the predominance of the group over the individual—as direct social control—be differentiated from institutionalized organizational practices?



arise: What types of logics of action can explain organizations/institutions? Do specific logics of action correspond to specific organizations/institutions?

A final reflection, an approach between the NSI and the NPI, for example, an amalgamation between the environmental and organizational levels—is pertinent to organizational analysis. This approach can take as a reference point the strategic analysis of Crozier and Friedberg (1990). To the extent that the regulation mechanisms of concrete action systems integrate both institutional environments and actors' logics of action into their analysis, we would be equipping ourselves with a powerful theoretical-methodological tool for studying organizations. At the same time, criticisms of determinism that may be attributed to the NSI could be nuanced. Similarly, the analysis of power relations absent in neoinstitutional analysis would come to the forefront.

In conclusion, with contributions, limitations, and possible research avenues, the NI has enriched the knowledge and study of organizations. Seeking novel forms of feedback between Organizational Theory, Organizational Studies, and the Neoinstitutional branch is relevant to addressing and debating questions such as: What does it mean to live in a world of organizations and institutions? Do we develop in a world of institutionalized organizations or organized institutions? What are the implications of the answers to these questions for the study of organizations and for the study of society? 





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# Job Satisfaction: An Analysis Based on Expectancy and Equity Theories

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## Abstract


This research aimed to study job satisfaction in a scenario characterized by a new labor culture that has modified the rigid vertical organizational structure and proposed new payment methods, flexible production systems, and defined new profiles based on job competencies. This shift is directed towards achieving greater competitiveness, where the new demands of work are reflected in employee satisfaction. Through a descriptive comparative study conducted in three companies located in the Bajío region of Mexico, whose economic activities are in the food, chemical, and metal-mechanical industries, the authors can access to the respective work environments characterizing these companies. This allowed the authors to describe these companies based on their administrative models and the job satisfaction of their employees. The results on job satisfaction are interpreted based on proposals such as the expectancy theory and Stacy Adams' equity theory.

**Keywords:** Work satisfaction, competitive market, labor culture.

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## BACKGROUND

Currently, job satisfaction can be understood as an individual's subjective state, characterized by cognitions (beliefs, opinions, and thoughts) and feelings (emotions) related to various elements of their work. Job satisfaction is also commonly understood as the result of various attitudes that an employee experiences regarding different aspects of their job, such as salary, relationships with the boss and colleagues, opportunities for promotion and advancement, job functions, and safety and hygiene conditions (Blum, 1991).

There are various theories about job satisfaction, some based on the study of the worker's expectations, such as those proposed by Lawler and Porter (1968), Victor Vroom (1979), and Julian Rotter (1954). Despite the fact that these theories have been present in the academic and research fields for a long time, they continue to serve as a sources for various studies in different areas. These theories have been used to validate studies in education (Giesey, Chen, and Hoshower 2004), information systems (Levine 1999), tourism management (Smith 2004), quality (Kini and Hobson 2002), e-commerce (Smith 2004b), and remuneration systems (Durcharme, Singh, and Podolsky 2005).

## EXPECTANCY THEORY

Given One of the earliest theoretical formulations of expectations was proposed by Victor Vroom (1979). This theory includes concepts such as valence, expectancy, and instrumentality. Vroom posits that motivational force ( $F$ ) is a function of Expectancy ( $E$ ) multiplied by Valence ( $V$ ), that is,  $F = (E)(V)$ . Expectancy is a momentary belief about the probability that a specific act will be followed by a specific outcome, meaning it is an association between an action and a result. Expectancy is usually rated on a scale from "zero" -total uncertainty- to "one" - total certainty - with intermediate values such as (0.1, 0.2, 0.3, ..., 0.8, 0.9) depending on the individual's perception.

Valence is the affective response of a worker to a specific outcome, either positive - preference - or negative - aversion. Valence is usually rated on a range between +3 and -3; for example, a high preference would be rated +3, while a slight aversion to the outcome would be rated -1.

In more elaborate models of this same expectancy approach (Stephen 1996), the concept of instrumentality is included. Instrumentality is defined as an association between outcome and outcome. In other words, a first-level outcome is the performance level, which serves as an instrument to obtain second-level outcomes, such as recognition, promotions, and advancements. Expectancy-based models do not limit the issue of employee satisfaction to simply addressing a set of needs and drives. On the contrary, workers are seen as thinking individuals whose ideas, perceptions, and probability estimates strongly influence their behavior.

Furthermore, the application of these theories encourages managers to promote the development of employees' responsibility for their own actions and, at the same time, to pose some questions such as: What rewards do employees value the most? What



consequences will their performance levels have? And, on the other hand, how likely are they to receive the desired rewards?

## EQUITY THEORY

Adams' equity theory (1965) is understood as a satisfaction model that explains the reasons why people strive to achieve justice and equity. In this theoretical framework, inputs and outcomes are the two primary components present in the exchange relationship between the employee and the employer.

Inputs can be understood as the set of contributions that an employee makes to their work, such as knowledge, experience, education, skills, and effort, among others. Outcomes can be understood as what the employee receives for performing their job, such as salary, social benefits, recognition, and promotions, among others.

**TABLE 1. EXAMPLES OF INPUTS AND OUTCOMES**

INPUTS	OUTCOMES
1. Time dedicated to work	1. Salary
2. Training	2. Services and benefits
3. Educational level	3. Safe work
4. Experience	4. Personal development opportunities
5. Skills	5. Recognition
6. Creativity	6. Promotion
7. Seniority	7. Advancements
8. Performance level	8. Incentives

Inputs will depend on the characteristics of the worker. In addition to those mentioned in Table 1, levels of responsibility and motivation, among others, can also be added. Outcomes will depend on the organization, specifically on the characteristics of the human resources management model used in the company, such as the quality of work life.

To establish equity comparisons, three categories are used: others, oneself, and the system.

- **Others:** In this category, the comparisons made by the worker about themselves with other individuals they take as references are included. These individuals can work within or outside the company, in the same or other departments.



- Oneself: This category includes all the self-comparisons made by the worker over time and concerning an ideal self-image.
- The system: In this category, all comparisons made by the worker based on their exchange with the organization are included.

It is always good to keep in mind that, in addition to the previous categories, it should be noted that a group or even multiple groups can be used as a reference point. According to equity theory, people tend to compare themselves with similar individuals rather than dissimilar ones. Equity relationships occur when the perceived ratio of outcomes received to inputs contributed is equal to the ratio between the outcomes and inputs of another worker taken as a reference. Negative equity relationships occur when the person with whom the worker compares themselves receives greater outcomes for similar inputs. Positive inequity relationships occur when the person with whom the worker compares themselves receives fewer outcomes for similar inputs. People show less tolerance for negative equity than for positive equity.

This model, as can be observed, highlights the importance of the worker's perception in the input-output relationship, what they contribute and receive in their job, and the way they always resort to some type of reference. However, one could also create a table to appreciate the company's perception of the performance of its staff, which any author has not addressed to date.

## DESCRIPTION OF THE COMPANIES UNDER STUDY

The timeframe of this research corresponds to the period from August to December 2005, in three companies located in the Bajío region of Mexico, whose economic activities belong to the food, chemical, and metal-mechanical sectors. They were selected based on four criteria:

- a) The willingness shown by their managers to respond to a survey used as a census, which was completed and returned within the specified time frame and duly answered;
- b) The opportunity to interview and apply socioeconomic surveys to groups of workers in conditions of privacy;
- c) The open expression of interest in participating, supporting, and facilitating the conditions required for the study to be conducted properly; and
- d) The possibility of having three companies with different industries and administrative models.

Based on the survey conducted in the companies, complemented by an analysis of their work programs and interviews with managers, differences were identified in the following characteristics of their administrative models:



- The frequency, techniques, and models of recruitment, selection, and induction of personnel (ranging from practically nonexistent to very comprehensive and technology-based).
- The system of classification and categorization of positions, as well as the principles governing job design (ranging from overspecialization to job enrichment and high-performance groups, and the classification of positions into Key, Intermediate, and Basic).
- Salary, incentives, recognition, promotion, and advancement programs (based on productivity, certification, quality, perfect attendance, and punctuality).
- Training and personnel development programs (ranging from a marked absence of courses to training programs associated with competency certification and multi-skills).
- Safety and hygiene programs (ranging from a lack of personal protective equipment to the existence of supervision programs and group responsibility models based on risk maps).
- Labor relations (from models of conflict and negotiation to models of cooperation).
- Exercise of authority (ranging from autocratic to participative).
- Training programs (determined 100% by top management to involving workers in definition of courses and their content).
- Performance evaluation (from indirect and subjective criteria and measures to direct and objective measures associated with incentive programs).
- Complaint, suggestion, and opinion survey systems (from nonexistent to rewarding the best suggestions and conducting semi-annual opinion studies, and the existence of other programs).
- New human resource management programs that affect personnel activities (changes in production lines, reorganization, and reclassification of positions, their functions, and responsibilities).
- In one of the companies, workers were classified into three categories based on the positions they held, identified as Key, Intermediate, and Basic.



## **METHODOLOGICAL DESIGN**

### **RESEARCH DESIGN**

The development and design of the research correspond to a study that is descriptive, comparative, ex-post-facto, cross-sectional, and applied research. The research was conducted from August to December 2005 and was carried out in three companies whose productive activities are in the food, chemical, and metal-mechanical sectors. In this work, they are referred to simply as companies “A, B, or C” due to the lack of written authorization to use their trade names.

The selection of the companies where the research was conducted was done by applying a survey to 56 workplaces. This instrument allowed the identification of companies willing to provide information on various aspects related to the company (history, organizational structure, both proprietary and corporate, as well as main plans and programs), personnel (number of staff, executives, employees, and unionized workers; gender, age, and education level), as well as recruitment and personnel management programs (recruitment, selection, induction, training, wages and salaries, motivational programs, safety, and hygiene).

The companies that fully responded to the survey and submitted it within the specified time frame were considered viable for conducting the research. Subsequently, the pre-selected companies were asked for permission to apply a socioeconomic survey to their workers. The purpose of this survey was to gather information that would allow us to develop the socioeconomic profile of the workers at a descriptive level and to determine if we could interview and survey the workers privately. Based on this second criterion, the companies that would participate in the study were selected.

### **PROBLEM STATEMENT**

Currently, work and its components—raw materials, tools, production processes, tasks assigned to personnel, and management systems—have undergone substantial changes that have impacted various aspects of workers' professional lives, affecting their job satisfaction. Workers receive new activities and responsibilities and must learn to operate newly acquired machinery. Changes in production processes, new equipment, raw materials, work methods, organizational systems, and cutting-edge plans to achieve or maintain market leadership are introduced at an increasing pace, often without considering the impact these changes have on employee job satisfaction.

In the companies under study, there is a noticeable emphasis on achieving higher productivity rates, lower costs, and developing quality and certification plans and programs. These new scenarios affect attitudes, interests, and job satisfaction. Concurrently, new human resource management models promote actions to make the average operator more aware of costs, losses, waste, rework, productivity, quality, and responsibility. Considering the impact of these changes on worker satisfaction can help the organization enhance work competencies, minimize frustration and discomfort caused by constantly changing job roles, develop training and awareness programs to foster favorable attitudes toward the new work model, and reduce the feeling among staff that they are not adequately prepared to succeed in their assigned tasks.

The culture of change has created a scenario where the strong, traditional structures that defined work—rigidity, experience, seniority, vertical structure, payment systems, low education levels, limited knowledge, and indemnification systems—have been replaced by horizontal organization, flexible production systems, quality culture, change management, competency-based management, new payment systems, high knowledge levels, and multi-skills, among others. This shift profoundly affects workers' subjectivity, where new work demands, quality, and training will define employee attitudes and satisfaction levels (Fernández 2000, Ulrich, Dave, and Losey 2000).

Job satisfaction will continue to be a response that workers use to express their state of well-being or discomfort.

## **Research Questions**

What is the state of job satisfaction among personnel under these working conditions? Do all personnel working under the same conditions experience the same levels of job satisfaction, regardless of their position or category?

The interest in finding answers to these questions led to the formulation of the following research questions:

- Are there differences in job satisfaction among personnel working in companies "A, B, and C," and what are these differences?
- Are there differences in job satisfaction among workers in Key, Intermediate, and basic positions in company "A," and what are these differences?

## **RESEARCH HYPOTHESES**

- H1: There are differences in job satisfaction among personnel working in companies A, B, and C.
- H2: There are differences in job satisfaction among workers in Key, Intermediate, and basic positions in company "A."

## **SPECIFIC OBJECTIVES**

Describe the job satisfaction of personnel working in companies "A, B, and C."

- Describe the job satisfaction of workers in Key, Intermediate, and Basic positions in company "A."
- Describe the differences in job satisfaction found among workers in companies "A, B, and C."
- Describe the differences in job satisfaction found among workers in Key, Intermediate, and Basic positions in company "A."

## STUDY UNIVERSE

The population to be studied was defined as all unionized base personnel working in any of the three selected companies. The total number consisted of 1,574 unionized workers distributed as follows: company “A” with 878 workers, company “B” with 73 workers, and company “C” with 623 workers.

## SAMPLE DETERMINATION

Given the impossibility of studying the entire population, agreements were made in each company to define a procedure for selecting a study sample that would be respected—in terms of the number and condition of each element—so as not to affect the development of research activities. The study samples obtained were as follows:

- For company "A," the sample consisted of 22 workers in "Key" positions, 55 workers in "Intermediate" positions, and 143 workers in "Basic" positions.
- For company "B," the entire population of 73 workers was studied due to the number of elements and the facilities provided by company authorities.
- In company "C," the sample was restricted to 26 elements due to more limited opportunities.

## INSTRUMENTS USED

To collect information, the following instruments were used:

- A survey designed to measure job satisfaction.
- A socioeconomic study.
- A questionnaire to estimate expectations and valences.
- Interviews with workers, complemented by observations made during various visits to the plants.
- Interviews with managers of human resources and production areas, aimed at:
  - a) Obtaining information about the main plans and programs of the company.
  - b) Deepening and verifying the information gathered through other means (census).

## RESULTS

### RESULTS FOR COMPANY “A”

The personnel were divided into three categories based on their positions: key, intermediate, and basic positions. There were differences in their working conditions, policies, salaries, motivational programs, access to training, and opportunities for their

opinions to be considered, mainly due to the different times when the personnel were integrated into the new administrative programs.

### **Key Positions**

The average tenure and educational level for this type of personnel are five and thirteen years, respectively. Integration between these employees and their respective managers is good. They are given priority in programs for promotion, recognition, and suggestions. One distinguishing feature of this group of workers is their salary, which on average is up to three times higher than that of workers in other categories. Other benefits include certain allowances (e.g., grocery vouchers) and work shifts, as they only rotate between two shifts.

The administrative model applied to them provides special opportunities for their opinions on work and training to be considered. There is a special training program that includes technical and personal development courses. Some employees are preparing (taking the instructor training course) to train personnel from other categories, and for this reason. They participate in identifying their own training needs and suggesting future courses they will teach. Additionally, they have an economic incentive program for their performance and participation as instructors in courses.

### **Intermediate Positions**

The average education level and tenure for this group are nine and fourteen years, respectively. Integration among these workers is lower compared to the Key positions due to their work shifts rotating through all three shifts and working in different areas of the company. Their salaries are more than one minimum wage below the Key positions but above the Basic positions, sharing the same benefits with the latter. They have had fewer opportunities for training than those in Key positions due to their higher average age and lower education level. However, they participate in identifying training needs by responding to questionnaires about courses and content. They are aware that they are part of the next group to be integrated into the new program, which includes training, incentives, and improved working conditions, among other enhancements.

### **Basic Positions**

The average education level and tenure for this group are seven and seventeen years, respectively. Due to their low educational levels and the nature of their task, they are positioned at the bottom of the pay scale. Their work shifts rotate through all three shifts. They receive some benefits above the legal requirements, and their salary is at least sixty percent above the minimum wage on average. This group has had fewer opportunities to be considered in the training programs due to the way the corresponding program has been developed and the priorities set by the company's administration. Their involvement in identifying training needs has been limited to responding to checklists for some technical courses. This group is the largest in number but performs the simplest activities, and it is the most affected by personnel cuts.



## **RESULTS FOR COMPANY "B"**

The average levels of education and tenure are ten and sixteen years, respectively. The working relationships among the staff are superficial and infrequent because the labor personnel are distributed across two plants and the maintenance staff in a third area, rotating shifts and very sporadically participating in group meetings. Regarding their relationships with their superiors, these are very cold and impersonal since several of the supervisors use an autocratic style. Their opinions are not considered in matters related to work or training, which practically does not exist because the production processes and machinery remain the same. Additionally, due to their seniority and experience in performing their tasks, the managers consider staff training unnecessary. The work they perform is filled with physical, mechanical, and physiological risks. The average salary they receive is slightly above two and a half minimum wages.

## **RESULTS FOR COMPANY "C"**

The average levels of education and tenure for the sample studied in this company are eleven and five years, respectively. Relationships between this group of workers and their supervisors are good. Their average salary is slightly below three minimum wages. This type of staff has participated in several training courses, some of which are technical and others of personal interest, selected by the worker based on their preferences. They do not participate in the identification of training needs with their opinions. This staff is considered for promotion and advancement programs. The work they perform is characterized by physical, mechanical, and physiological risks.

## **RESULTS OF THE SOCIOECONOMIC SURVEY**

The information obtained from this instrument was used to develop socioeconomic profiles for each of the samples studied.

### **Company A**

Given the differences in the socioeconomic conditions of the personnel working in this company, it was deemed appropriate to create a profile for each group of workers based on the category of the position they hold.

### **Socioeconomic Profile of Employees in "Key" Positions**

These employees are generally married and support three dependents. They reside in a working-class neighborhood, and their homes have all basic services. Their spouses work in the industry. Their diet includes milk, bread, meat, tortillas, eggs, fruits, and vegetables. They primarily shop at markets and supermarkets, and their salary allows them to meet 100% of their needs.

### **Socioeconomic Profile of Employees in "Intermediate" Positions**

These employees are typically married, living in a suburban area or neighborhood, with homes that have all basic services. They economically support five dependents and often live with their parents or in-laws. Their spouses also employed. Their diet is based on milk, bread, eggs, tortillas, and vegetables, with less frequent consumption of meat and fruits. They shop at markets and stores, and their salary allows them to meet about 75% of their needs.

### **Socioeconomic Profile of Employees in "Basic" Positions**

These employees are generally married and economically support three dependents. They live in rural areas lacking some basic services, often share their homes with close relatives such as parents, in-laws, siblings, or brothers-in-law. Their spouses also work. Their diet is based on milk, vegetables, tortillas, and eggs; three times a week, they consume fruits, meat, and bread. They shop at street markets, small stores, and marketplaces. They often have a small garden or farm at home. They combine their job at the company with other economic activities, and their salary allows them to meet about 65% of their needs.

### **Socioeconomic Profile of Employees in Company "B"**

These employees are typically married, economically supporting five dependents. They live in urban and suburban areas of small municipalities and have homes with all basic services. Other close relatives also live in their houses. The family has additional income besides that of the spouse. Their diet includes milk, bread, vegetables, fruits, tortillas, and less frequently, meat. They shop at markets and grocery stores. Their salary allows them to meet about 70% of their needs.

### **Socio Economic Profile of Employees in Company "C"**

These employees are generally married, economically support four dependents. They live in an apartment located in a neighborhood or working-class area with all basic services. Their spouses also work. Their diet includes milk, bread, vegetables, fruit, tortillas, and meat. They shop at markets, stores, and street markets. Their salary allows them to meet about 80% of their needs.

## **RESULTS OF JOB SATISFACTION**

After administering the instruments to each study sample, the information was organized using identification keys assigned to each interviewee to ensure no questionnaires were missing. The questionnaires were then scored. The data was processed by calculating the mean, as it is the most precise measure of central tendency and useful for calculating measures of dispersion, such as the standard deviation. This was done to determine the average score and the dispersion of each of the measurements. Table 2 shows the means obtained in the descriptive variable job satisfaction for each of the samples studied in companies "A," "B," and "C."



**TABLE 2**  
**MEANS OBTAINED IN THE JOB SATISFACTION VARIABLE**

STUDIES SAMPLES	SATISFACTION
Company A	
Key Positions	261.59
Intermediate Positions	153.67
Basic Positions	141.35
Company B	
Population	102.48
Company C	
Sample	132.58

In relation to job satisfaction, Table 2 shows that employees in Company "A" achieved the highest averages scores: 261.59 for Key positions, 153.67 for Intermediate positions and 141.35 Basic positions. These scores are notably higher compared to the averages for employees in Company "C" (132.58) and Company "B" (102.48). Marked differences can be observed in the averages obtained in the five studied samples. These results also suggest a higher job satisfaction among employees working in Company "A" compared to those working in companies "B" and "C".

### INFORMATION PROCESSING

We calculated the means and standard deviations for each of the scales applied to the studied samples. The calculation of the means indicates that there are differences in the results found among the samples, but it does not indicate whether these are significant. Therefore, an analysis of variance (ANOVA) was conducted. This statistical test allows for comparisons between three or more independent means.

The analysis of variance was used only as an indicator to validate the differences obtained between the means of the studied variable in the worker samples from companies "A," "B," and "C," as well as among workers in Key, Intermediate, and Basic positions in Company "A." Based on this analysis, we could accept or reject the research hypotheses. Table 3 shows the summary of the analysis of variance performed on the data obtained for job satisfaction among the employees in companies "A," "B," and "C" in each of the studied samples.

**TABLE NO. 3**

**SUMMARY OF THE ANALYSIS OF VARIANCE FOR COMPANIES "A", "B", AND "C"**

INSTRUMENT	SOURCE OF VARIATION	DEGREES OF FREEDOM	SUM OF SQUARES	QUADRATIC MEAN	F
Satisfaction	Between groups	2	162 283.05	81 141.52	60.14
	Within groups	316	426 331.11	1 349.14	*

The results obtained from the analysis of variance for the variable job satisfaction, with  $p < 0.5$ , support the acceptance of the research hypothesis suggesting that there are indeed differences in job satisfaction among the employees working in companies "A," "B," and "C." The table 4 presents a summary of the analysis of variance conducted on the data obtained for the job satisfaction variable among workers in Key, Intermediate, and Basic positions in company "A."

**TABLE NO. 4**

**SUMMARY OF THE ANALYSIS OF VARIANCE FOR COMPANY "A"**

INSTRUMENT	SOURCE OF VARIATION	DEGREES OF FREEDOM	SUM OF SQUARES	QUADRATIC MEAN	F
Satisfaction	Between groups	2	276 232.60	138 116.3	276.16
	Within groups	217	108 525.94	500.11	*

The results obtained from the analysis of variance of the job satisfaction variable ( $p < 0.5$ ) indicate the acceptance of the research hypothesis, suggesting that there are indeed differences in job satisfaction among the personnel in Key, Intermediate, and Basic positions working in Company "A".

**RESULTS OF EXPECTANCY THEORY**

Tables 5, 6, 7, and 8 present the results obtained from the workers in each samples. These tables were constructed using the following procedure:

1. For each study sample, typical work behaviors established in their respective administrative models were identified.

2. Each worker was presented with the list of typical work behaviors and asked to choose, for each one, the type of consequence it generally had under natural working conditions. They were also asked to rate the probable relationship between the work behavior and the expected results on a scale from 1 to 10 (expectancy).
3. Finally, they were asked to rate the degree of rejection (-3, -2, or -1), neutrality (0), or acceptance (+3, +2, or +1) that the expected outcome would hold for them (valence).

Tables 5 through 8 exemplify the responses given by some of the workers from each of the samples. These tables aim to illustrate the application of expectancy theory and to facilitate the interpretation of the results.

### INTERPRETATION OF RESULTS FROM THE PERSPECTIVE OF EXPECTANCY THEORY

The following tables show the interpretation of the results obtained, illustrating the probable role that the new administrative model plays in the satisfaction and perception of workers from the perspective of expectancy theory.

**TABLE 5**  
**INTERPRETATION OF THE RESULTS OBTAINED BY KEY POSITION WORKERS IN COMPANY "A" ACCORDING TO EXPECTANCY THEORY**

WORK BEHAVIORS	EXPECTED OUTCOMES	VALENCE (+ 3 A -3)	EXPECTANCY (.00 A 1.00)		VALENCE BY EXPENTANCY
Perfect punctuality and attendance	Reward for punctuality	+2	1		+2.0
Observance of disciplinary norms	Recognition from the boss	+2	4		+0.8
Performance above the standard	Incentives	+3	3		+0.9
Studying to complete secondary education	Obtain secondary school certificate	+2	2		+0.4
				$F = \sum(E)(V) =$	+4.1

**TABLE 6.**  
**INTERPRETATION OF THE RESULTS OBTAINED BY BASIC POSITION WORKERS IN COMPANY "A" ACCORDING TO EXPECTANCY THEORY**

WORK BEHAVIORS	EXPECTED OUTCOMES	VALENCE (+ 3 A -3)	EXPECTANCY (.00 A 1.00)		VALENCE BY EXPENTACY
Performance above the standard	Incentives	+3	1		+3.0
Participation in training	Certification	+3	.9		+2.7
Team work	Support from colleagues	+3	1		+3.0
Observance of disciplinary norms and perfect punctuality and attendance	Recognition	+2	1		+2.0
				$F = \sum(E)(V) =$	+10.70

**TABLE 7**  
**INTERPRETATION OF THE RESULTS OBTAINED BY WORKERS IN COMPANY "B" ACCORDING TO EXPECTANCY THEORY**

WORK BEHAVIORS	EXPECTED OUTCOMES	VALENCE (+ 3 A -3)	EXPECTANCY (.00 A 1.00)		VALENCE BY EXPENTACY
Maintain good punctuality and attendance	Recognition from the boss	+2	.7		+1.4
Good job performance	Salary increase	+3	.5		+1.5
				$F = \sum(E)(V) =$	+2.9

**TABLE 8**  
**INTERPRETATION OF THE RESULTS OBTAINED BY WORKERS IN COMPANY "C"**  
**ACCORDING TO EXPECTANCY THEORY**

WORK BEHAVIORS	EXPECTED OUTCOMES	VALENCE (+3 A -3)	EXPECTANCY (.00 A 1.00)		VALENCE BY EXPENTACY
Perfect punctuality and attendance	Recognition from the boss and punctuality award	+2	1		+2.0
Observance of disciplinary norms	Achieve certification	+3	.5		+1.5
Performance above standard in operational indicators	Incentive	+3	.5		+1.5
				$F = \sum(E)(V) =$	+5.0

**INTERPRETATION OF RESULTS FROM THE PERSPECTIVE OF STACY ADAMS' THEORY**

According to Adams' Equity Theory, the creation of new working conditions in Company "A" for key positions may have been used as a strategy to increase the benefits employees receive from their work. This was done to create a situation of inequity between their inputs and outcomes, which, through various administrative programs, aimed to guide the worker's actions toward increasing their inputs (greater productivity, quality, responsibility, reduction of waste and costs, among others). This situation might have served as a reference point for workers in intermediate and basic positions, who possibly compared their current situation with a future scenario where a new balance existed between their inputs and the outcomes they would receive, characterized by higher inputs and greater results.

It is highly plausible that workers in intermediate positions, upon observing the benefits awarded to those in key position anticipating their own integration into the new administrative model, would select key position holders as their reference point. Consequently, they began to imitate their behaviors, increasing their inputs and, in turn, obtaining more results. This same process may have occurred among workers in basic positions.

It is important to highlight that both groups of workers might have distorted the input-output relationship and convinced themselves that at least part of their inputs was insufficient to achieve better results. Consequently, they may have shown a more favorable


attitude towards the company's policies and new program, developing a greater willingness to integrate into the new personnel management model when the time came.

For the workers at Company "B," it seems that the current conditions maintain a general situation of equity, based on the worker's comparison with themselves in the past. These conditions, likely due to the passivity, stability, and lack of change in management, remain similar, thereby fostering the workers' inclination to stay within their comfort zone. This does not preclude the emergence of other reference points and situations of inequity. To overcome such inequities, workers might distort their perception between inputs and outcomes. Likely, the workers at Company "C" perceived inequity in the input-output relationship and perhaps saw the conditions of change as a means to improve their inputs.

## **CONCLUSIONS**

There are qualitative differences in the administrative models of each of the companies studied, which define the working conditions under which the personnel must perform their assigned activities and influence job satisfaction. As observed, job satisfaction results from the attitudes that workers experience in relation to various factors of their job, such as salary, relationships with colleagues and superiors, opportunities for advancement and promotion, job functions, and safety and hygiene conditions. Additionally, it is influenced by the expectations that workers have regarding these factors.

The research effort is significant as it benefits both management and employees. Management can integrate new criteria and knowledge into their processes for problem-solving and decision-making related to employee satisfaction. This includes reviewing policies, procedures, programs, organizational systems, job design, and workplace culture, among other actions. Important concepts derived from the theoretical foundations of this study, such as Adams' equity theory and the expectancy theory, were also made available to management.

The authors acknowledge that the region provides suitable conditions for conducting studies that include more companies and greater research rigor. However, the lack of time and resources are critical elements for the successful execution of such studies, and their absence undoubtedly affects the results. There are many problems in the workplace that require solutions, demanding the use of simple research models and a challenging attitude from those interested in topics related to economic and administrative sciences. 



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# Total Quality Culture in Mexico

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## Abstract

Organizational change implies an institutionalization process in which, within context pressures (technological change, legislation and market), an structural array transformation is developed in order to lead from conceptual to practical aspects. Transit from subjectivity to objectivity implies a process divided in three steps: appropriation, interpretation and reappropriation. A late but ongoing institutionalization process is developing in Mexico on Total Quality. It may be interpreted that one of latecomer elements on Total Quality implementation is the patrimonial character in most of firm managers as an obstacle to modernization. TQ institutionalization process is irreversible due to modernity and flexibility needs as firms heads to be world market competitors. TQ also demands more worker's participation, training and commitment as well as a substantial betterment in his life quality. Thus, TQ institutionalization in Mexican industry must be a reply to social, cultural and organizational conditions.

**Keywords:** Culture, Total Quality, Institutionalization.

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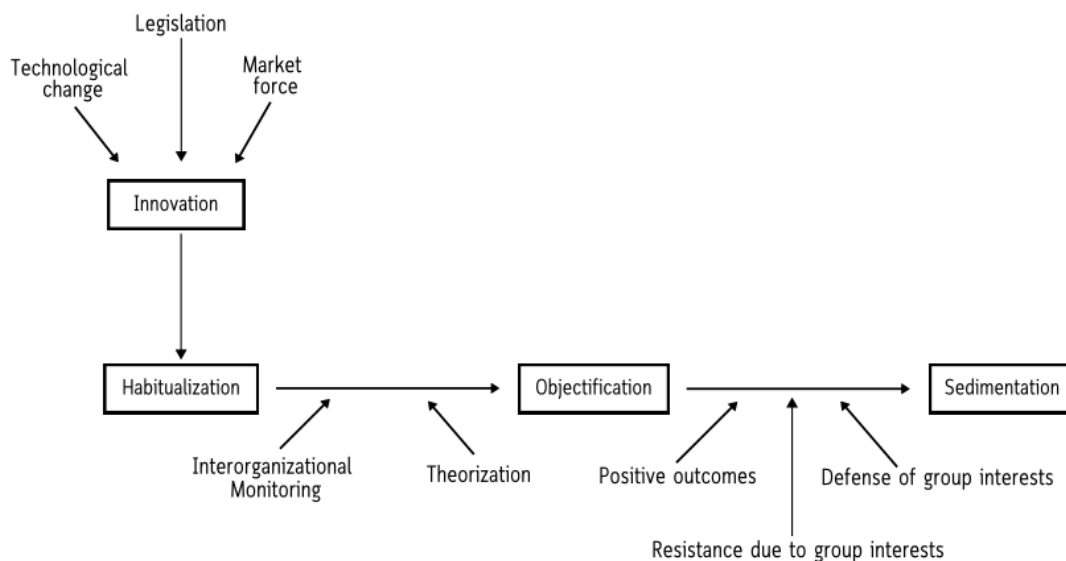
## INTRODUCTION

Organizational change involves a process of institutionalization in which, based on contextual pressures (technological change, legislation, and market), a transformation of structural arrangements is developed that ranges from conceptual (subjective) aspects to practical (objective) aspects. The transition from subjectivation to objectification involves a process divided into three stages: appropriation, interpretation, and reappropriation.

The outcome of the institutionalization process is the Institution, which is defined as a reciprocal typification of the routinization of actions by various types of actors. In this definition, routinized action refers to behaviors that have been empirically developed and adopted by an actor or group of actors to solve recurring problems. This implies minimal effort in decision-making as a response to a particular stimulus.

For the purposes of our work, we will refer to the study of the institutionalization process from the perspective of Tolbert and Zucker (1996), who point out that this process is supported by three stages: a) habituation, which is the development of behavior patterns for problem-solving and the association of those behaviors with particular stimuli; b) objectification, which is the development of shared and general social meanings attached to those behaviors, a development that is necessary for the transplantation of actions to contexts beyond their point of origin; and c) sedimentation, which is the process through which actions acquire the quality of exteriority<sup>83</sup> (see Figure 1).

FIGURE 1. COMPONENTS OF THE INSTITUTIONALIZATION PROCESS



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<sup>83</sup> Exteriority refers to the degree to which typifications are experienced as possessing a reality of their own, a reality that confronts the individual as an external and coercive fact (Tolbert and Zucker, 1996: 181).

From our perspective, the internationalization of institutionalization processes in the realm of organizations tends to deepen, creating mechanisms that, following the stages of this process, aim to consolidate specific and particular patterns of an organizational model suitable for incorporation into the globalization process. However, the internationalization of institutionalization processes faces the natural resistances inherent in regional and local cultures, which gives particular characteristics to the organizational models that result from these institutionalization processes.

In this context, one of the most relevant discourses in the institutionalization process of new organizational models is manifested through the culture of total quality. The widespread dissemination of this proposal partly responds to the assumed role it played in the competitive success of Japanese organizations initially and subsequently in American and European organizations during the 1980s and 1990s in a context of economic openness and globalization. As a result, the adoption of this proposal has become a necessary, though not sufficient, condition for all organizations that intend to survive and be competitive in an increasingly uncertain environment. However, the conditions under which this proposal is adopted are very different between nations, regions, and localities, as the discourse of total quality clashes with the specific characteristics of each organizational environment, producing a diversity of results that do not necessarily correspond to those promised by this discourse.

The objective of this work is to analyze the process of institutionalization of total quality in Mexico, based on the study of the particular characteristics of the organizational context, the cultural identity of management, and the mechanisms of institutionalization of total quality through national and international certification. To achieve this goal, in the first section, we will conduct a comparative analysis of the technological, market, and organizational aspects characteristic of Japanese, American, and Latin American business models, considering these aspects as substantive premises for organizational innovation. In the second section, we will review the main theoretical postulates of total quality, highlighting their symbolic aspects and approaching them in terms of their implications for appropriation (habitualization) within the framework of organizations. In the third section, we will analyze the interpretation (objectification) process that passes through the filter of the intercultural characteristics of Mexican management. Finally, we will develop an initial scope of the reappropriation (sedimentation) process, which is expressed, in the first instance, with the design and adoption of local certification mechanisms aimed at the standardization of organizational processes that result in total quality.

## **THE CHALLENGES OF ORGANIZATIONAL INNOVATION IN LATIN AMERICAN COMPANIES: THE FIRST STEPS OF THE INSTITUTIONALIZATION OF TOTAL QUALITY**

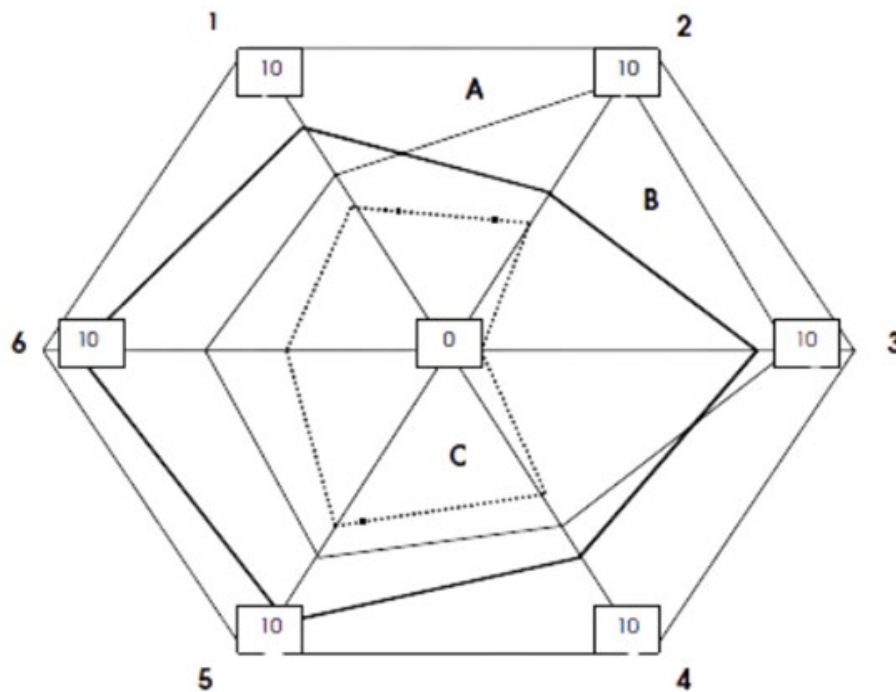
The environment of organizations in Mexico and Latin America has transformed rapidly over the past twenty years. In the case of Mexico, from the 1950s to the 1970s, economic protectionism prevailed, which contributed to the stagnation of the incorporation of new technology and management practices in companies. Generally, most companies could



survive in this context despite their lack of efficiency and effectiveness. Poor management in Mexican companies can be attributed to various factors, including customs protection and internal corruption. Customs protection stimulated the existence of protected markets that avoided competition, allowing poorly managed companies to exist. In this context, corruption plays a fundamental role in administrative deficiencies, as it creates markets that operate independently of the price, quality, and delivery times of goods (Castaingts, 2000: 80-81).

However, starting in the 1980s, the organizational context began a radical transformation characterized by trade liberalization, which in Mexico was consolidated with the signing of the North American Free Trade Agreement (NAFTA) in 1994. The organizational environment in Mexico and the rest of Latin America that emerged in the 1990s was characterized by the demand for high technological and administrative capacity as a necessary, though not sufficient, condition for the survival of most organizations. "A significant part of the decline in growth in Latin America since the almost total opening of borders stemmed from the fact that its companies were poorly prepared from an administrative point of view." (Castaingts, 2000: 174).

In Figure 2, the characteristic profile of the administration of Japanese, American, and Latin American companies can be seen, from which their competitive capacity can be established. Among the most important aspects of this comparison are:



Source: G. Garibaldi (Castaingts, 2000: 176)

- |                              |                             |
|------------------------------|-----------------------------|
| 1. Markets                   | ----- U.S. Company          |
| 2. Production and technology | ----- Japanese Company      |
| 3. Research<br>Company       | - - - -Local Latin American |
| 4. Finance                   |                             |
| 5. Personnel                 |                             |
| 6. Organization              |                             |
- 
- Although company C is the worst managed, it is not evident which one is the best managed, A or B.
  - The technological advantage of one company alone does not necessarily imply dominance over the competition. See, for example, the case of small Japanese companies with less advanced technologies that have a competitive advantage due to their organizational model.
  - The position of C partly responds to the price imposition by A.
  - Despite the inefficiency in market management by company C, it has the advantage over foreign companies of being directly in the market that the competition must enter. This grants it direct relationships, knowledge, and internal political connections that foreign companies can hardly obtain.
  - To sustain competition with A, company C has low wages and can even reduce them to maintain this competition. Thus, company C shifts the cost of competition to the worker.

It is worth noting that one of the cultural characteristics of Mexican companies is corruption, which opposes the principle of interorganizational cooperation that is a necessary condition for high productivity and total quality. In general terms, it is a fact that, for example, corruption along with other cultural characteristics such as patrimonialism has allowed Mexican companies to establish a counterbalance to their disadvantages compared to other companies, which partly explains their survival in a highly aggressive and changing environment. We will analyze this issue further later.

## **THEORETICAL AND SYMBOLIC ASPECTS OF TOTAL QUALITY**

Despite distinctions, the various orientations of Total Quality share a fundamental guide of concepts. Various authors have addressed these precepts in a wide variety of forms. However, it is possible to conceptually distinguish these precepts by grouping them into three basic sets: a) focused on customer satisfaction; b) insistence on continuous improvement; and c) considering the organization as a whole system. In general terms, it can be said that the philosophy of Total Quality is reflected in these basic precepts. Specifically, the common level that supports a broad collection of approaches to Total Quality is based on the notion that organizations can substantially improve their performance if it is recognized that customer expectations are likely the basis for improving organizational performance and, therefore, if an organization is to remain competitive, it needs to strive for continuous improvements simultaneously in its processes and results.

It is clear that the profound simplicity of these philosophical precepts will hardly lead the organization anywhere. Thus, problems need to be addressed through solutions that go beyond the Total Quality toolbox to cross borders, as it considers the different components of the organization, its suppliers, and its customers as one, to achieve continuous improvement of total quality. Seen in this way, the three precepts—customer satisfaction, continuous improvement, and an integrated system perspective—are distinguishable from each other, but the woven structure by them together gives Total Quality its strength. Let us now analyze each of these precepts:

*Customer Satisfaction.* Commonly, Total Quality is defined as the continuous improvement of processes employed by everyone in the organization to more efficiently meet the internal and external needs of customers. According to this definition, every member of the organization has a customer. This implies that a critical point of effective Total Quality is to ensure that each of the incentive systems is sustainably supported in terms of internal or external customers. Almost all approaches to total quality require the generation of baseline objectives (“facts”) that can be systematically used to improve work processes and products. In Total Quality programs, facts are generated through the use of a variety of quantitative analysis techniques. These tools are used to facilitate the recognition of the causes of variance in production and administrative processes and are prerequisites for taking the necessary actions to reduce variance or errors in the most effective way to identify customer needs. The tools mentioned in the literature and used in the industry are numerous and include analytical techniques such as statistical process control charts, quality function deployment, experimental design, cause-and-effect diagrams, and Pareto charts.

*Continuous Improvement:* The precept of continuous improvement expresses the desire of Total Quality representatives to increase the reliability and control of performance (“doing it right the first time”) and simultaneously reflects the pursuit of increased learning and experimentation (continuous learning) according to organizations to continue developing new skills and capabilities. In practice, most quality programs focus on increasing organizational performance through continuous quality improvement, where there is an effort to discover and systematically reduce or eliminate sources of customer dissatisfaction (including errors). Total Quality incorporates an extensive collection of data, analysis, and feedback systems that help highlight and isolate problems and direct employees' attention to the issues that have been identified.

A typical approach is to focus on small key problem areas that are repeatedly encountered and can be systematically analyzed. Since these problems are selected to be routine and of low uncertainty, dramatic increases in efficiency are sometimes reported. Such efforts can be fully effective in clearly understanding the problems where it is clear what needs should be measured and what corrective action approach could be applied (for example, in automated production processes, statistical process control is used to focus on the proper establishment of key indicators).

*The Organization as a whole system.* The typical Total Quality approach to the organization as a whole system has a number of implications, including the incorporation of the individual as a critical part of the problem-solving team and the recognition that quality will increase

by incorporating fundamental cultural change toward honest evaluation and responding to customer expectations. In essence, an approach to the organization considered as a whole system suggests that complex production and service problems cannot be solved with a simple package of solutions. Nevertheless, it requires a rigorous assessment of how input into the production chain can contribute to both the problem and its solution.

The great enthusiasm for the approach and the dissemination of these fundamental Total Quality precepts has distracted attention from the inherent duality underlying the goals of Total Quality: the desire to control and the desire to learn. In fact, the early quality efforts refer to quality control, which was specifically implemented to improve the control of manufacturing process efficiency and to increase "quality conformance." Later, quality efforts expanded strictly to formal, measurement-oriented quality control approaches to incorporate more qualitative, emergent, and systematic results that were generally reflected in Total Quality efforts.

More specifically, the Total Quality movement was motivated in part by the recognition that the approach to quality control needed to be adapted rather than ignored within the context of the social system directed at research on human relations and sociotechnical systems, and also by the recognition that knowledge and learning were crucial mechanisms for maintaining a competitive advantage, especially during periods of rapid change. In this way, Total Quality developed as a means to filter the responsibility for quality improvement to all parts of the organization. Thus, the total incorporation of quality control was and is an end product of these processes.

With the emphasis on customer satisfaction, continuous learning, and the organization as a whole system, the quality movement was able to take a giant step beyond its insight into the control of familiar and stable processes. With the incorporation of new insights into learning, knowledge creation, and innovation processes, the quality movement could orient itself toward the potential adaptability of the organization to change under uncertain circumstances. Paradoxically, this substantial advancement carried with it the hidden seed of the previously mentioned problem: with the dissemination of Total Quality, a myopic focus on the common axioms of TQ, through the separation of control and learning, became widely confusing for some in terms of the inability to distinguish between these elementary objectives.

Thus, it is proposed that a focus on these precepts fostered a premature sense of resolution, in which Total Quality advocates quickly concluded that the quality process was not only good to understand but could also be driven through a singular set of principles. As previously mentioned, the problem with these assumptions is that the fundamental incompatibilities in the principles and practices associated with the pursuit of control and the pursuit of learning were ignored, and therefore, the importance of achieving a balance that harmonizes with situational requirements was underestimated.

*Total Quality and Organizational Change.* Since the 1990s, the world of organizations in general and companies, in particular, have faced the challenge of change, compelled by the changing conditions of the environment. Some authors like Tuckman (1994) argue that we



are currently undergoing the quality revolution, a period of change in which all types of businesses, companies, people, and organizations are undoubtedly affected.

From the organizational perspective, the concept of *Total Quality Management (TQM)* developed in parallel with *just-in-time (JIT)*, to complement this mode of organization. Therefore, in its early principles, Total Quality Management (TQM) was applied in the industrial sector, mainly in factories related to the production of cars, electrical equipment and materials. However, over time, these principles began to move away from the activities where JIT was applied, and later, Total Quality began to be indiscriminately implemented in sectors not necessarily associated with manufacturing, such as services and public administration.

Total Quality not only possesses a way of conceptualizing the organization in postmodern terms, but it can also be interpreted as a way of legitimizing the flexible relationships demanded by the new mode of organization. This implies reconsidering the introduction of Total Quality as a reconstruction of culture around and based on work relationships. In an attempt to reconstruct hegemony in the workplace, common-sense metaphors of social and organizational life have been deployed to modify subjective relationships. Hierarchical images of power and control have been replaced by those of the market and exchange and those of the customer and provider.

The introduction of TQM implies an effort by management to modify the organizational culture. The central characteristic of TQM is the idea that cultural change is embedded in the early theoretical and practical developments of quality management. It has been argued that cultural change allows TQM to be differentiated from quality assurance and total quality control. It is clear that the notion that unifies the organizational effort and transcends sectional interests is that everyone can work together to achieve quality, although the notion of quality presented is far from being socially neutral.

Part of the quality revolution focuses on transforming people's attitudes towards their work roles. This involves the effort of both individuals and organizational groups to transcend appropriation and interpretation to achieve the reappropriation of organizational quality. This revolution aims to replace hierarchy with informality, although it actually contributes to the bureaucratization of processes. Tuckman states:

"Despite roles being bureaucratically defined within a hierarchy, TQM posits a client-supplier chain, conceptualizing an alternative market for the modern organization. TQM can be introduced in association with new flexible work methods such as JIT and the team concept (...), parallel to various forms of internal markets. This is not, in itself, an immediate change in relations, except at the level of subjectivity." (Tuckman, 1994)

Seemingly, one of the main intentions of TQM is to facilitate the transition from a traditional form of organization to a postmodern form. In this context, we believe that one of TQM's main contributions to organizations is providing ideological support to enable the flexibility and commitment demanded by new forms of organization. All of this is in the name of quality and cultural change, allowing it to confront traditional organizational practices and pave the way for postmodern ones.



However, in real terms, it can be said that TQM fundamentally contributes to changing the traditional schemes of labor relations by introducing new elements such as autonomy and workers' control over their work. The illusion is created of greater freedom and enrichment at work, greater worker participation in organizations, expanding decision-making spaces regarding their work, and it seems that all the creative capacity that Taylorism and Fordism took away is given back to the worker. On the contrary, there is greater appropriation of this process by the ruling elite.

TQM acts with more ideological relevance at the level of the subjectivity of the relationships between workers, management, and context (the latter represented by customers and suppliers). Through this subjectivity, a large number of controls are established, constructed from a metaphorical chain about quality.

## **INTERCULTURAL ANALYSIS AND THE IDENTITY OF THE MANAGER IN MEXICO: FROM TRADITIONAL PATRI-MONIALISM TO MODERNIZING PATRIMONIALISM**

From Tuckman's perspective (1994: 730), the introduction of TQM appears as the reverse of the aggressive management style ("macho management") of the late seventies and early eighties, where high and rising levels of unemployment facilitated a return to managerial prerogatives at the expense of organized workers and some of their attempts to achieve organizational consensus. While this aggressive style seems to have been partial and distant from a coherent phenomenon linked to a rigorous corporate restructuring during the recession of this period, the attempt at a new organizational consensus represented a more universal and articulated call, with a new common sense of work culture.

As is well known, *work culture* has been one of the most important topics developed today in the fields of sociology, anthropology, and organizational studies, among others. The emergence of this approach seems to be linked to the widespread economic crisis in the Western world in the seventies, where one of the clearest managerial effects was the attempt to reconquer the culture of authority in the workplace, particularly in the context of the emergence of Japan's industrial and economic rise in the seventies. This stimulated a growing interest in the application of anthropological and structural functionalist approaches in the study of norms, values, beliefs, and rituals in organizations, as well as leadership styles considered an important factor in creating a solid cultural climate. Related to these trends, managerial notions were also developed to strengthen the construction of organizational cultures appropriate to the new challenges imposed by the environment.

One of the main characteristics of the literature on TQM focuses on the idea of cultural change, which was early inserted into the theory and practice of quality management. It was argued, as we have already pointed out, that cultural change established the difference between Quality Assurance and Total Quality Management. A clear attempt to construct a unified set of corporate beliefs and values is the development of "mission statements," although here the concept of quality serves the same role. The notion that organizational effort unifies and transcends sectional interests is that everyone could work together to achieve quality, although the notion of quality is presented as socially neutral.

As can be observed, what is important for Total Quality Management, which contributes to its full establishment in organizations from the second half of the eighties and demarcates its position from the beginning of its origin with quality assurance, is the insistence on the need to promote cultural change. While in terms of corporate culture, there is a great diversity of orientations and approaches that make it more confusing, cultural change itself is rich in art, icons, and symbols. The intentions of TQM, from the perspective of culture, focus on changing the attitude of managers and workers regarding quality control, convincing them to take responsibility for it. TQM proponents like Crosby, Lamb, and others (Tuckman, 1994) consider this proposal revolutionary:

*"The 'Industrial Revolution' took place in the last century. Possibly, the 'Computer Revolution' happened in the early 1980s. But now we are undoubtedly in the midst of the 'Quality Revolution,' a period of change that affects all types of businesses, companies, organizations, and people. For some companies, continuous quality improvement and cost reduction are essential if they are to remain in business..." (Tuckman, 1994: 735)*

As we know, since the 1980s, our country has been involved in a process of increasing modernization. Among the effects of this process, a qualitative change can be observed in most organizations as a premise for their survival. The manager cannot be oblivious to these changes, especially when new forms of organization demand greater individual and group autonomy, requiring a new style of management.

However, we must be very careful when analyzing the cultural characteristics of the manager in the country as well as the cultural roots that have given them a unique profile, in order to understand the particularities of their identity. In this sense, it is important to consider that a successful management style in one country, such as the United States, does not necessarily respond to the needs of companies in our country, nor does it imply that the same results would be obtained as in the country of origin.

This problem of differences in leadership styles based on sociocultural specificity has already been rigorously addressed by some contemporary authors. To illustrate the significant differences that can be found between leadership styles, expressed through managers, we present a comparative table prepared by Mills and Helms<sup>84</sup>(see Table 1).

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<sup>84</sup> Mills, Albert J. and Jean C. Helms Hatfield (1998), "From Imperialism to Globalization: The Internationalization and the Management Textbook," in Clegg, Stewart R., et. al. (eds.), Global Management: Tensions between Theoretical Universalism and Local Realities, Universidad Autónoma Metropolitana, Mexico.\*\*

TABLE 1.

**CHARACTERISTICS AND BELIEFS OF AMERICAN MANAGERS AND THEIR COUNTERPARTS IN OTHER COUNTRIES**

AMERICAN MANAGER	MANAGERS IN OTHER COUNTRIES
<ul style="list-style-type: none"> <li>◆ Self-determination</li> <li>◆ Sets realistic goals</li> <li>◆ Achieves objectives through hard work</li> <li>◆ Feels an ethical obligation to fulfill commitments</li> <li>◆ Time is crucial to their performance</li> <li>◆ The company is their most important commitment</li> <li>◆ Their full attention is on the company</li> <li>◆ Adheres to company regulations</li> <li>◆ Focuses on hiring the “best person” for the job</li> <li>◆ Fire the “inefficient”</li> <li>◆ Has broad possibilities for mobility</li> <li>◆ Is free to move horizontally</li> <li>◆ Supporter of equality</li> <li>◆ Decision-making is rational</li> <li>◆ Frank and open</li> <li>◆ Ambitious</li> <li>◆ Respects all types of work</li> <li>◆ Open to change</li> <li>◆ Concerned with results</li> </ul>	<ul style="list-style-type: none"> <li>◆ Guided by mystical ideas or fanaticism (for example, some Muslim countries)</li> <li>◆ Tend to fantasize</li> <li>◆ Achieves objectives through favors</li> <li>◆ Inconsistent commitment</li> <li>◆ More relaxed attitude towards time (“It’s part of the charm of our Latin American friends”)</li> <li>◆ The extended family is their most important commitment</li> <li>◆ Sometimes accepts bribes</li> <li>◆ Lack of respect for formal norms (for example, Arabs)</li> <li>◆ Uses nepotism to hire personnel</li> <li>◆ Family, personal, and political connections influence the retention of certain employees</li> <li>◆ Restricted by class and other non-work-related considerations</li> <li>◆ Loyalty to a single company (for example, Japan)</li> <li>◆ Unconcerned with the principle of equality</li> <li>◆ Makes decisions impulsively and emotionally</li> <li>◆ Polite but deceptive (for example, in Far Eastern cultures)</li> <li>◆ Lacks ambition</li> <li>◆ Will not accept work “beneath their dignity”</li> <li>◆ Resists change</li> <li>◆ Concerned with appearances (for example, Latin America)</li> </ul>

Source: Mills, Albert J. y Jean C. Helms Hatfield, 1998

Let's briefly analyze some cultural aspects of the Mexican environment from the 1970s onwards. In the case of Mexico, serious studies have been conducted on cultural characteristics in terms of types of domination within contemporary Mexico. Notably, Gina Zabludovsky's excellent work (1993) on the patrimonialist characteristics of our society, from which we will draw some concepts.

The concept of patrimonial domination is constructed in *opposition* to feudalism and from the perspective of bureaucracy. Patrimonialism is characterized by a broad sphere of arbitrariness and consequent instability. In this form of domination, leaders grant rights to those they lead in exchange for military and administrative services, in a sort of extension of patriarchal authority. Subordination relationships in the patrimonial state are based on *loyalty*, through which unconditional discipline is ensured, the most important obligation of status in bureaucracy. The legitimacy of patrimonialism is maintained by tradition and the ability of ruling groups to present themselves as carriers of a charitable ethic developed from the welfare state's policies. The common *bureaucratic-patrimonial* legend of the welfare state is marked by royal charity (Zabludovsky, 1993: 26-27).

In the Mexican case, the definition of the patrimonial character of the current regime fundamentally emphasizes the concentration of power in the executive branch. The paternalism of the Mexican State makes it appear under the ideal of "the father of the people" (a figure that can also apply to a good number of Mexican businessmen and officials), and for this reason, it can sustain a "specific social policy." The country's structure can be considered patrimonialist because different groups (workers, peasants, unions, associations of professionals and academics, among others) primarily relate through the hierarchical "administrative" organization of the central government (horizontal interrelation of different groups is rare). Most regional and state conflicts require presidential power intervention for resolution (Zabludovsky, 1993: 174).

The Weberian term of patrimonialism has also been used to support analyses of corruption in Mexico. Zaid suggests that "...corruption is something that preceded and persists against the new ideals of administrative rationality" (Zabludovsky, 1993:174). In this sense, corruption can be seen as a patrimonialist residue that emerges when bureaucratic rationality is imposed. "Patrimonialism (the private ownership of public functions) can be modernized by eliminating all that is private and personal from official power (which is the bureaucratic ideal) or by commercializing the private goodwill of those with official powers (which is the case of bribery)." (Zaid cited by Zabludovsky, 1993: 175).

It can be said that among the signs of the collapse of patrimonialism in the Mexican State is its inability to provide goods and services to promote the population's social welfare through patrimonial and clientelist relations. Consequently, it is no longer possible to obtain the population's obedience; the figure of the president is no longer seen as the people's protective father. This partly explains the crisis of the July 6, 1988, elections and the fall of the official party in July 2000.

*"On the other hand, the process of political modernization in the country—and the consequent overcoming of patrimonialist attitudes—often runs contrary to the interests of those officials who claim to defend it. Despite the fact that, due to their specialized professional training, economic projects, and rhetoric, members of the cabinet have been considered representatives of a new technocracy that tends to displace the old bureaucratic establishments, in many ways, they still operate as a patrimonial technocracy that persists in exercising its*



*administrative function by defending the privileges obtained through the centralization and authoritarianism of the system.” (Zabludovsky, 1993: 177).*

According to Zabludovsky, the collapse of Mexican patrimonialism will require significant changes in two of the basic spheres that have characterized it: the subordinate relationship of the other branches of government—specifically the judiciary—to the executive, and the structure of the civil service, which should be governed by efficiency and professionalism rather than unconditional loyalty to the leader.

“A regression to a new form of neopatrimonialism can only be avoided through the defense of legal formalism against moral, utilitarian, and technological demands, with the consequent transformation of the relationships between ethics, legality, and politics.” (Zabludovsky, 1993: 178). Furthermore, in the early 1990s, Eva Kras conducted a study on the particularities of the cultural values of small and medium-sized enterprises and managers in Mexico. She discovered that one of the main problems in administration in the country is the excessive conservatism of organizational structures, which is reflected in the practice of traditional management and a “natural” resistance to change.

As a result of this study, Kras developed a comparative analysis between traditional and modern management in Mexico. It is important to note that between the extremes presented by the author, there is a wide range of nuances that express the complexity of the organizational problem in our country, which are not considered in her study.

However, we believe Kras’s work is didactically useful for providing an approximate understanding of the characteristics of management in Mexico, and in this sense, it can help us define the appropriate leadership style to understand and improve organizational behavior. In Table 2, we present a comparative summary of the particularities of traditional and modern management, based on the data provided by this study.

**TABLE 2. TRADITIONAL MANAGEMENT AND MODERN MANAGEMENT IN MEXICO**

	TRADITIONAL MANAGEMENT IN MEXICO	MODERN MANAGEMENT IN MEXICO
Planning	♦ Short-term objectives, in the owner’s mind, rarely achieved, without discussion with employees, only obeyed.	♦ Team planning and documented, short, medium, and long-term objectives, with little flexibility and fear.
Organization and Delegation	♦ Delegation by areas, but authority is centralized in the owner, direct line between each manager and the director.	♦ Integration of the executive level with the administrative level, the executive facilitates and guides decision-making.
Control and Monitoring	♦ The owner rarely checks the tasks delegated, supervision can be interpreted as a threat to employees.	♦ The manager takes responsibility for their team, thus monitors tasks and seeks to maximize the team’s capabilities.

Evaluation of the Subordinate Manager	◆ Loyalty, willingness, and obedience are evaluated, initiative is sanctioned.	◆ Evaluation based on results according to the level of responsibility.
Promotion of the Subordinate Manager	◆ Promotion patterns: a) being a family member or friend; b) through influence; c) loyalty, devotion, and performance from the superior's perspective.	◆ According to the needs of the company and personal goals.
Training and Development	◆ Mandatory training programs by law.	◆ Training is seen as an investment for the company, rather than an obligation.
Middle Management	◆ Based on the belief of "giving orders," discreet transmission of knowledge and information by the boss.	◆ Training is considered a privilege by the manager.
Workers	◆ The most skilled worker trains the novice or less skilled, with a tendency towards external training.	◆ Intensive training programs for novices and permanent programs for others.
Interdepartmental Responsibilities	◆ Departments tend to become small fiefdoms.	◆ The manager is a team member, not blaming others for problems.
Relationship with Superior	◆ Respect, fear, and admiration for the boss.	◆ Trust and commitment with the boss.
Manager's Attitude Towards the Position	◆ The position is considered to grant status, privileges, and power, with a focus on preserving prestige.	◆ The position is seen as a challenge, the manager works harder and is more punctual than the team, without privileges.
Manager's Attitude Towards Change	◆ Traditional resistance to change.	◆ Seeks change to improve or innovate.
Manager's Attitude Towards Conflict	◆ In conflicts, the subordinate loses, and contributions from the subordinate are rarely acknowledged.	◆ Conflict is considered a collective opportunity to deeply understand the problem.

Table prepared by Antonio Barba with data from Kras, Eva (1991).

## SOME SCOPES OF CERTIFICATION IN MEXICO: THE STRUGGLE FOR REAPPROPRIATION

What has been found in the managerial sense is no less significant than the deepest religious beliefs. Diffused with Eastern mysticism, it offers to meet customer requirements with a dramatic reduction in costs through the work proposed by Crosby in *Quality is Free: The Art of Making Quality Certain\** (1979). Here, the ideology and practice of TQM (Total Quality Management) is presented as a direct attack on the culture and traditional practices of work. Its application has become widespread in the manufacturing industry and is increasingly adopted by the service sectors and public administration. TQM provides ideological support to complement internal market systems incorporated into the organizational realm.

The introduction of TQM, in addition to facilitating organizational change, allows for the breakdown of labor role demarcation, increasing the development of a more flexible division of labor. This particular contribution to the general repertoire of organizational

change does not, in itself, constitute internal market relations, but rather creates a particular form of organizational relationships as if they were market relations. Hence, the concept of *quality* serves as a metaphor for the market. Therefore, this allows for a significant articulation between the new ideology, the critique of bureaucracy, the cost of services, and the restructuring that goes beyond the subtle privatization pressures that are suggested, for instance, by implying that public service, from the perspective of quality, can be seen as a business within the private sphere.

Part of the TQM proposal suggests, both for private administration and government, that quality issues should be separated from the allocation of resources. This could, proponents argue, generate considerable savings if all tasks were always "done right the first time and every time." From a critical perspective on bureaucracy, TQM also aligns with a more general transition to organizational postmodernity. However, like postmodernity itself, TQM critically transcends the limits of modern organization to return to premodern forms. This results in a managerial ideology that supports outsourcing for internal and external systems, although it is constrained by the pattern of modernity, expressed in the rigidity of Taylorist and Fordist standards. On one hand, there is support for the empowerment of individual workers and autonomous groups, which transcends the traditional demarcation of work by skill and function. On the other hand, there is a clear articulation of work processes through standards and procedures and their connections with well-known quality standards such as BS5750 and ISO9000.

In this way, the variable rigidly criticizes bureaucratic roles defined through the establishment of procedures, which are centrally affected by the construction of such roles. The development of quality assurance methods, specifically the application of quality standards like BS5750 and ISO9000, requires tasks to be documented through the separation of individual tasks on one hand and particular roles on the other. This exemplifies the significant depersonalization of roles at the heart of bureaucracy. However, the distinctive contribution of TQM is to provide ideological support to these processes in the name of "quality" and through cultural change to challenge traditional practices.

Therefore, ACT can be considered as representative of a *hegemonic project*, which begins with a relatively unlikely notion that could be related to quality improvement (Tuckman, 1994: 738). However, this statement becomes an ideological scheme of individual responsibility in a market relationship, both among individuals within the organization and between clients and suppliers, supported by the organizational hierarchy with a new legitimacy. In this sense, there is no introduction of actual market relations or real quantitative changes in the mode of exchange between participants in organizational relationships. There is no immediate transaction between these clients and suppliers in the chain. Nor is there any lubrication between the frictions of the market, except at the most subjective levels and in the market relations presented to some who may achieve the desired outcome: quality.

Despite the cultural barriers expressed, such as patrimonialism, reappropriation, or the sedimentation of the institutionalization process, this process continues. One of the clearest expressions of this latest stage of institutionalization is found in the regulation of officially instituted quality certification. However, the evidence shows that what has been





created is merely an illusion. It must be taken into account that the majority of companies are micro and small businesses, as shown by the following figures. Of a total of 2,187,427 registered companies, 1,738,877 are micro and 310,336 are small, that is, just under 90% of national companies. The rest of the companies are distributed between medium (108,540) and large (29,674), which make up just over 10% of all companies in Mexico (see Table 1)<sup>85</sup>.

**TABLE 1. DISTRIBUTION OF COMPANIES BY SECTOR AND SIZE**

SECTOR SIZE	MINING	MANUFACTURING	TRADE	FINANCIAL SERVICES	NON-FINANCIAL SERVICES	TOTAL
<b>MICRO</b>	2,198	243,107	991,158	20,812	481,602	1,738,877
<b>SMALL</b>	549	16,831	155,594	5,726	131,636	310,336
<b>MEDIUM</b>	67	3,204	50,46	2,356	52,453	108,54
<b>LARGE</b>	55	2,285	12,972	522	13,84	29,674
<b>TOTAL</b>	2,869	265,427	1,210,184	29,416	679,531	<b>2,187,427</b>

Source: COPARMEX/BDA, 1998: 27

In general terms, it can be confirmed, based on the statistics, that only a very small portion of the total number of registered national companies is certified. The number of companies certified under both the national and foreign schemes, up until the year 2000, amounted to a total of 1,627. This represents less than 0.1% of all national companies. It is noteworthy that most of the certified companies were registered during the last four years (see Table 2).

**TABLE 2. COMPANIES CERTIFIED UNDER NATIONAL AND FOREIGN SCHEMES**

YEAR	COMPANIES CERTIFIED UNDER NATIONAL SCHEME	COMPANIES CERTIFIED UNDER FOREIGN SCHEME	Total
1992	0	1	1
1993	0	0	0
1994	0	5	5
1995	2	31	33
1996	16	98	114
1997	145	343	488
1998	254	285	539
1999	383	14	397
2000	50	0	50
<b>TOTAL</b>	<b>850</b>	<b>777</b>	<b>1,627</b>

Source: SECOFI, DGN, 2000

Therefore, it can be interpreted that most of the companies represented by micro and small enterprises find it difficult to access financial resources to implement quality systems. Furthermore, it can also be assumed that they have fewer opportunities to venture into a certification process. As shown in Table 3, there are only 94 micro enterprises and 194 small .....

<sup>85</sup> It is important to caution the reader that they may encounter variations in the figures presented, as they come from different sources. However, they provide an approximate idea for the analysis being developed.



enterprises certified, compared to 232 medium-sized and 330 large enterprises certified under the national scheme.

**TABLE 3. SIZE OF NATIONALLY CERTIFIED COMPANIES**

<b>COMPANIES CERTIFIED UNDER NATIONAL SCHEME</b>	
<b>SIZE</b>	<b>TOTAL</b>
LARGE	330
MEDIUM	232
SMALL	194
MICRO	94

Source: SECOFI, DGN, 2000

If we compare the number of certified national companies with those in other countries, we can observe the scarcity of certifications in Mexico. According to statistics, by 1995, Mexico had 215 certified companies, compared to 52,591 in the United Kingdom, 10,236 in Germany, 8,762 in the United States, 5,535 in France, and 3,762 in Japan, to mention a few examples.

**TABLE 4. NUMBER OF COMPANIES WITH ISO 9000 QUALITY CERTIFICATION**

<b>COUNTRY</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>
UNITED KINGDOM	18,577	36,832	52,591
GERMANY	790	3,470	10,236
FRANCE	1,049	3,359	5,535
NETHERLANDS	716	2,718	5,284
ITALY	188	2,008	4,814
SPAIN	43	586	1,492
UNITED STATES	893	3,96	8,762
JAPAN	166	1,06	3,762
BRAZIL	19	348	932
MEXICO	16	85	215
VENEZUELA	1	2	56
CHILE	-	3	15

Source: Montaña, 2000: 45

Finally, in Table 5, you can see the distribution of certifications under national and foreign standards, where it can be interpreted that there is greater interest or ease in getting certified under national rather than foreign standards.


**TABLE 5. COMPANIES CERTIFIED UNDER NATIONAL AND FOREIGN STANDARDS**

NATIONAL STANDARD	TOTAL	FOREIGN STANDARD	TOTAL
ISO 14001	30	ISO 14001	23
NMX-CC-003:1995/ISO 9001: 1994	95	ISO 9001: 1994	126
NMX-CC-004:1995/ISO 9002: 1994	690	ISO 9002: 1994	273
NMX-CC-005:1995/ISO 9003: 1994	5	QS 9000	347
QS 9000	26	VDA 6	1
VDA 6	4		

Source: SECOFI, DGN, 2000

As we have already pointed out, the process of institutionalizing total quality, as expressed through certification under both national and international schemes, is an illusion when contrasted with the progress in certification among companies in industrialized countries. However, globalization and internationalization processes compel national companies to seek certification as a survival strategy.

## CONCLUSIONS

- ❖ In Mexico, a process of late but steadily increasing institutionalization of total quality is developing.
- ❖ It can be interpreted that one of the delaying factors in the implementation of total quality is the patrimonial nature of the management in most companies, which hinders their modernization.
- ❖ The process of institutionalizing total quality is irreversible due to the need to modernize and make companies more flexible to remain competitive in the global market.
- ❖ Total quality demands greater participation, training, and commitment from workers, as well as a substantive improvement in their quality of life.
- ❖ The institutionalization of total quality in Mexican companies must respond to their own social, cultural, and organizational conditions. 

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# Sustainability in Organizations: New approaches and ways of understanding the concept

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## INTRODUCTION

**T**he most significant antecedent of sustainability emerged with the emergence of environmental movements in the United States, which were catalyzed by Rachel Carson's work "Silent Spring," published in 1962. In this seminal work, Carson exposed the extinction of birds (particularly the bald eagle) due to the excessive use of DDT in crops. Subsequently, in 1972, the United Nations Conference on the Human Environment was held in Stockholm, Sweden. During this conference, the impacts of the prevailing economic model were scrutinized, and discussions revolved around environmental protection and the exploration of common ground between environmental concerns and economic issues related to capital, growth, and employment. This early 1970s discourse engendered a stance that juxtaposed economic growth with environmental stewardship, giving rise, for the first time, to the proposition of zero growth.

Fifteen years later, in 1987, an attempt was made to modify the vision of 1972, and the possibility of growth with development and care for the natural resources in the world was raised, resulting in the generalization of a concept closely linked to the idea of sustainability, which even came to be understood in many forums as a synonym, the "sustainable development" which appears with the publication issued by the United Nations called "Our Common Future" also called "The Brundtland Report", in this text, sustainable development

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<sup>II</sup> Original article: <https://rayo.xoc.uam.mx/index.php/Rayo/article/view/143>

<sup>III</sup> Translated by: Denise de la O

was defined as "the one that satisfies the needs of the present generations without endangering the capacity of future generations to satisfy their own needs."

Therefore, the debate about sustainability has been going on for almost 40 years, during which time the concept has evolved, manifesting itself in important nuances and diverse approaches. However, it is interesting to note that throughout this evolution, certain ethical principles have remained unchanged, such as harmony with the natural environment and human equity and justice.

## REGARDING THE CONCEPT OF SUSTAINABILITY

For a society, sustainability would mean the existence of certain economic, ecological, socio-cultural, and political conditions that allow the fulfillment of these two principles: harmony with nature and social justice, which implies a redefinition of the role played by human beings within the biosphere and a profound change in the relationships that are established between different social and racial groups.

Between the 1970s and 1980s, the idea of sustainability was focused on the relationship between humankind and nature, emphasizing the negative impacts that human activity generated on natural resources and people's health. However, towards the end of the 90s, economic, cultural, and social dimensions were added to the environmental dimension, which included as a basis for sustainability not only the harmonious insertion with the natural surroundings but also an internal social order that guarantees generational justice, acceptance of interculturality and poverty reduction.

In the ongoing sustainability discourse, two distinct approaches have emerged: one characterized by "strong sustainability," which critically examines how the current economic model dictates the utilization of natural resources. This approach advocates for the replacement of non-renewable resources and emphasizes the utilization of renewable resources only if their regeneration rates are respected. Moreover, it underscores the importance of our relationship as humans with energy flows to prevent an increase in entropy, drawing inspiration "from nature's example, which has integrated the biological behaviors of myriad species into a cohesive system, ensuring its longevity over billions of years. Nature has achieved this by maintaining a dynamic equilibrium between individual and collective interests, fostering cooperation among species or groups while allowing for individual self-competition, (never the other way around)."<sup>IV</sup>

Conversely, "weak sustainability" concentrates on mitigating the impacts of human activities and restoring certain natural environments. It permits natural resource extraction and is often implemented by companies and government institutions through environmental policies. This approach is rooted in sustainability notions developed in the years following the Brundtland Report, encompassing various aspects related to socioeconomic, political, technical, productive, institutional, and cultural processes linked to meeting human needs.

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<sup>IV</sup> [www.bibliotecaverde.org](http://www.bibliotecaverde.org)

In the organizational context, sustainability is perceived as the responsibility to address existing needs. This encompasses considerations for the well-being of employees, communities, and environments at the micro level, as well as the welfare of the country and the global community at the macro level. Within this multifaceted framework, attributes, and activities with environmental, social, and economic dimensions are intertwined, aiming to strike a balance among them. Sustainability is intricately tied to daily choices and decisions, impacting individuals, institutions, ecosystems, and the planet as a whole.

Today, many companies associate the concept of sustainability with doing business by taking advantage of the global environment and the needs of new market niches and their stakeholders. These companies now pay particular attention to consumers who care for their health and/or are socially conscious, so companies that call themselves sustainable implement actions such as energy-saving programs, measurement of their ecological, water, or carbon footprint, recycling of various materials, adoption of cleaner production models and programs to improve the well-being of their workers or the quality of their products and services.

It could be argued that the Corporate Social Responsibility (CSR) approach is currently the most encompassing in terms of sustainability. Certified companies under this approach typically implement labor, environmental, and social measures closely aligned with the interests of their stakeholders. Moreover, they commit to monitoring their actions through a set of indicators.

However, interpretations of CSR vary among different types of organizations—private, public, or social enterprises—since the adoption of sustainability-focused actions is influenced by different interests. One trend is that private companies often label themselves as sustainable entities, as this positively impacts their reputation within the community. Some of these companies genuinely undertake actions that benefit labor, environmental, and social areas. However, there are instances where companies merely comply with minimum requirements to avoid sanctions from environmental or labor authorities, or they feign sustainability to cultivate a positive image without genuine commitment.

Pablo Frederick, manager of sustainability and climate change at Deloitte, emphasizes that for a company to be truly sustainable, it must add value and enhance competitiveness through the management of its operations and relationships. Otherwise, it faces tangible risks of losing market positions or being excluded from certain markets. Public companies, on the other hand, are subject to the mandates of public policy in each country. In Mexico, initiatives like the use of eco-friendly paper and certified wood furniture in government offices, waste separation efforts, etc., have emerged gradually. There appears to be a growing trend towards incorporating more sustainability measures within public sector entities.

Civil organizations typically operate with altruistic motives and focus on specific local actions, although some have expanded their scope to the national level. However, within this sector, there are interpretations of sustainability-driven by practical interests, as it serves as a means to access national and international funding and enjoy fiscal advantages.

By following a management model that incorporates CSR as a real and committed pillar, companies embark on the journey of corporate sustainability or the so-called "triple sustainability", which implies being "a highly competitive and economically successful company (economic sustainability), while at the same time doing everything possible to have a minimum impact on the environment beyond any environmental legislation (environmental sustainability) and contributing to equal opportunities and poverty reduction, either through its products or services or through specific actions (social sustainability).

In this regard, the aspiration of organizations that position themselves along that line is to advance towards a cultural reform that leads the various agents to rethink the causes of social, economic, and environmental deterioration, to modify the cognitive structures and symbolic relationships of human beings among themselves and with their environment, which implies consolidating a profound cultural change that expresses itself in the day-to-day actions within the organizations.

This 27th edition of the Management and Organizations Journal is intended to discuss both at the theoretical level and in the specific experiences of all types of organizations, the different interpretations and positions on sustainability, as well as the results and applications achieved. In the second part called miscellaneous, there are two interesting articles related to other problems of organizations, and finally, a review of an interesting book is presented.

## **MEASUREMENT AND SUPPORT OF SUSTAINABILITY**

Sustainability as an aspiration or as a concern of society incorporates, despite its dynamic nature, a series of principles and ethical supports that have remained over time and that have been strengthened with a social and cultural dimension in recent years, when the economic aspect also becomes relevant, and a coincidence is sought between the objective of profit in the company and its participation in equity and environmental care.

In the first article Alma Patricia Aduna, Epifanio García, and José Régulo Morales present a discussion on social capital as a promoter of interaction between individuals and as a facilitator for achieving collective and individual goals through the reinforcement of social structures. It is seen as a mechanism that strengthens human capital, generating an important potential that can have an impact on the perception and commitment of citizens to the environment and sustainable development.

The researchers Ruth Noemí Ojeda and Olivia Jiménez-Diez address the current issue of Corporate Social Responsibility (CSR) to define and identify how certain companies take initiatives to contribute to actions compatible with sustainability. Their work focuses on the review and application of conceptual models to evaluate the performance of companies in this area. They apply the Boston College Model to two companies of different sizes to compare their outcomes in improving their corporate citizenship.



## SUSTAINABILITY IN PUBLIC ORGANIZATIONS

Nowadays, public organizations also try to align themselves with the principles of sustainability through different mechanisms, either from the consideration of their objectives in their strategic planning, by adhering to the regulations, or by incorporating the topic as a knowledge base for the generations in formation. The following articles present three cases of this type of organization that seek to influence sustainability through their fundamental activity.

Martha Chávez Cortés and Gilberto Binnquist make an analysis of how the topic of sustainability is implemented in the CFE, they point out how the need for a cultural change places the productive systems in front of a new context, more problematic and richer, in which producing efficiently is no longer enough. They highlight the new social, regulatory, legal, and political demands that are forcing a change in the productive systems towards a model that is more responsible, committed, and supportive of development and explain, in this area of sustainability integration, how the Federal Electricity Commission (CFE in Spanish) incorporates it through the Institutional Strategic Plan for Sustainable Development (PEIDES) and its implementation. Sustainable development is recognized as "the pillar of the transformation of the institution and the country". Consequently, it explicitly declares its intention and commitment to adopting this paradigm as the axis of its structure and operation.

In the following paper, according to the Logic of Public Organizations, Roxana Muñoz presents an analysis of the reconfiguration of public hospitals in Mexico in the light of sustainability, based on two aspects: the institutional framework that promoted organizational changes in hospitals; and the application of standards for the sustainable management of biological and chemically hazardous waste. The article addresses the case of the Instituto Nacional de Ciencias Médicas y Nutrición Salvador Zubiran (National Institute of Medical Sciences and Nutrition Salvador Zubiran). Concludes that the analysis of sustainability in public hospitals should give special emphasis to institutional dynamics rather than on compliance or non-compliance with regulations.

Isabel Correa's research article presents the results of a quantitative investigation on the contents referred to sustainability that are incorporated in the programs in the Bachelor of Arts in Business Administration at UAM-Iztapalapa, by interviewing 128 students. The purpose was to define which educational strategies have the greatest impact on student's development to strengthen those that best meet the objectives of education for sustainability.

## SUSTAINABILITY IN PRIVATE AND SOCIAL ORGANIZATIONS

From the perspective of private organizations, two positions have been presented regarding regulatory initiatives and new markets related to sustainability, for some of them, this becomes a threat and implies a high cost, others see it as an opportunity to compete and an opportunity that in the case of social organizations is perceived as necessary to generate networks and increased social participation seeking to influence public policy decisions. The following two articles discuss these positions for the case of MSMEs in Aguascalientes and the case of a social organization.



The paper by Roberto Gonzalez and Luis Aguilera "Perception of MSMEs in Aguascalientes on environmental regulations and their influence on competitiveness" analyzes the appreciation of micro, small, and medium-sized enterprises in Aguascalientes on the influence of environmental regulations within the competitiveness of the companies. The results show that the perception of companies with more than 10 years of operation and continuous growth is that regulations have an impact on their competitiveness and therefore they need to modify and reorient them rather than sanctions towards incentives.

The work by Teresa Magallón and María Teresa Montoya explores the case of several small organizations situated in the Sierra Nevada Region, which exhibit characteristics blending rural and urban lifestyles, tradition, and modernity. Through collective action, these organizations have integrated into a network of agro-producers with the primary goal of cultivating organic products. Known as the "Origen Volcanes Network of Eco-Producers and Consumers" (Origen Volcanes Network), it comprises ten small family-based production groups that, through resource exchange (such as advisory services, inputs, and support in cultivation and harvesting tasks), have ensured their development within this region.

These organizations are committed to cultivating organic crops, driven by the families' inclination toward environmental stewardship, deeply embedded in their production and marketing methods. While each productive unit operates autonomously and independently, they maintain strong bonds of solidarity as a network, initially forged around the Centro Incalli Ixcahuicopa (CENTLI). The study aims to illustrate how small, family-based organizations acquire special significance and the circumstances that lead them to evolve into cooperative networks with a focus on environmental concerns.

## **MISCELLANEOUS**

Diego René González presents a reflection on some considerations to apply Neurolinguistic Programming, currently positioned as a mandatory topic within organizations, but especially within the management level, where its application is being strongly promoted as a complementary tool to enhance the skills of senior management.

They recover the subject to analyze in detail the idea of programming individuals and present a series of arguments that derive from the critical positions of this method, pointing out some questions such as: what are the consequences for the individual of the application of NLP in the organizational field? This work intends to provide the reader with a framework of reference on the objectives and methodology of NLP, and a forum to discuss the scope and implications of its application to individuals within organizations.

Arturo Hernandez and Guillermo Ramirez present in the anthology the work titled "Management Control: An Anthropological Perspective," wherein they conceptualize management control as an administrative tool utilized to uphold organizational oversight and ensure the directed allocation of efforts towards goal attainment. Their objective is to demonstrate that the techniques, norms, and structures employed for achieving management control not only stem from administrative theory but also draw from other disciplines such as anthropology, thus offering novel avenues for analyzing this administrative construct.

Furthermore, a critique of the book authored by Rubén Molina Sánchez, Ricardo Contreras Soto, and Alejandra López Salazar, titled "Entrepreneurship: Social and Cultural Dimensions in MSMEs," published by Pearson and the University of Guanajuato with support from the Integral Program for Institutional Strengthening (PIFI), is provided. The book emanates from a study conducted in 2007, bolstered by substantial fieldwork encompassing 420 organizations categorized as Micro, Small, and Medium Enterprises (MSMEs) in the Celaya area of Guanajuato. The text is deemed significant due to its incorporation of three elements typically overlooked in such studies: socio-cultural components and processes within the domain of economic analysis, diverging from the rationality and market-driven adjustment paradigm; a sociological examination of habitus, field, and capital; and the value attributed to fieldwork in capturing empirical evidence that buttresses assertions within the field of Administration.✍️





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# Qualitative and Quantitative Research in Marketing

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## Abstract

This article reviews the gathering information techniques that are most commonly used in marketing research, as well as the criteria to be considered when selecting one for a research project. To this end, it begins with a brief introduction to marketing research, types of research, and the main techniques for gathering information, with a particular emphasis on qualitative methods. Finally, it presents how the authors conducted a social marketing research using both qualitative and quantitative approaches, analyzing the role and contribution of each technique employed in understanding the problem under study.

**Keywords:** Marketing research, Qualitative methods, Quantitative approaches

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## INTRODUCTION

In discussions about the methodologies to be used to address a problem within organizations, the debate about the merits of quantitative techniques versus qualitative ones is widespread, as if they were two antagonistic approaches when in reality, they complement each other and allow for a broader and more complete understanding of the issue being studied.

In the particular case of marketing, the research on consumer attitudes, habits, and preferences, as well as ad recall levels, and sales force effectiveness, among others, has led to the development of an entire field of study called marketing research. It is common to find that marketing research tends to be confused with conducting surveys; however, there is a whole array of both qualitative and quantitative techniques available to researchers. It is also common to consider that quantitative methods should have precedence over qualitative ones, when in fact each of these approaches has characteristics specific to the marketing under study.

In this context, this article reviews the most commonly used information collection techniques in marketing research and the aspects to consider when selecting the most suitable one for the project at hand. To this end, a brief introduction to marketing research, types of research, and main techniques are presented. Following this, the authors discuss how they conducted a social marketing research using both qualitative and quantitative approaches, engaging in a dialogue analyzing the role and contribution of each technique employed in understanding the problem under study.

## MARKETING RESEARCH: NATURE AND SCOPE

Kotler and Armstrong (2013:100) define marketing research as: "The systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation faced by an organization." Based on this definition, it can be said that the essence of marketing research is to provide useful information for understanding an issue and making decisions, with a wide variety of applications in both for-profit and non-profit organizations. Table 1 presents some of the most common applications in each of these types of organizations as examples. In both cases, it is observed that these applications revolve around the identification of the target market/audience and the four Ps (product, price, place, and promotion/communication) that make up a comprehensive marketing program.



TABLE 1

APPLICATIONS OF MARKETING RESEARCH

FOR-PROFIT ORGANIZATIONS	NON-PROFIT ORGANIZATIONS
Sales Analysis Attitudes, habits, and preferences Market opportunity identification Market segmentation New product design Advertising recall Market testing Positioning Pricing studies Distribution studies Branding	Target audience identification Segmentation Attitudes, habits, and preferences Social trends Design of communication campaigns Message Recall Campaign evaluation Slogan development Strategy evaluation Fundraising Adoption of new behavior pattern

Source: Own elaboration

## TYPES OF MARKETING RESEARCH

Marketing research can be classified based on its purpose and scope according to (Kinnear and Taylor, 2000):

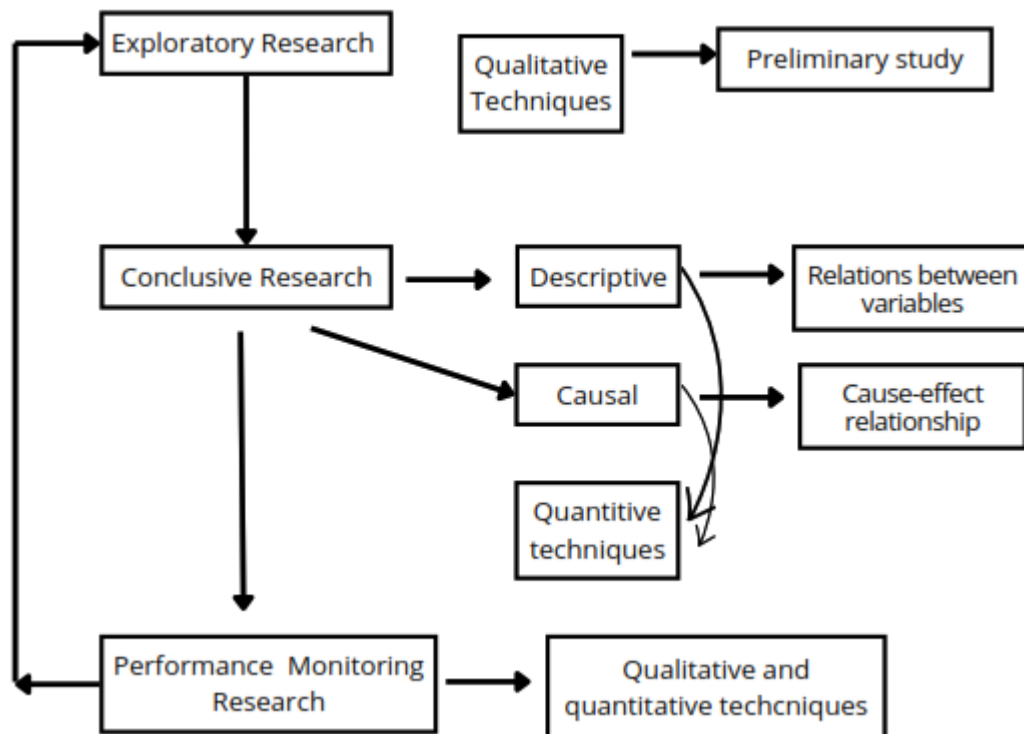
- **Exploratory Research:** As the name suggests, this type of research is used in the initial stages of an investigation to gather preliminary information, typically in a short amount of time. It is highly flexible and involves the analysis of secondary sources, as well as the use of qualitative techniques such as interviews with experts. Exploratory research is very useful when the problem under study is not clearly defined, and it helps identify possible courses of action if the research involves decision-making.
- **Conclusive Research:** This is a more formal type of research conducted based on a clearly defined protocol. It includes establishing objectives or hypotheses, determining a method of data collection, designing a sampling plan, and utilizing statistical techniques for data analysis. Conclusive research is commonly used to evaluate and select courses of action and includes techniques such as surveys, experiments, and mathematical models. Conclusive research is further divided into descriptive and causal research. Descriptive research, as the name suggests, describes the characteristics of a marketing situation and establishes relationships between variables. The majority of marketing research studies are descriptive. On the other hand, causal research aims to establish cause-and-effect relationships between variables.
- **Performance Monitoring Research:** This type of research is used to track and evaluate the performance of promotional programs, sales force, and distribution, among others. The types of research described above complement each other and allow marketers to gain a deeper and more comprehensive understanding of the

problem or phenomenon under study, as well as potential solutions. Thus, it is suggested to begin with an exploratory study to gain a clearer understanding of the problem, followed by a conclusive study to identify the most relevant relationships between variables, and finally conduct causal research to test cause-and-effect relationships, which often involves experimenting.

Finally, as indicated earlier, performance monitoring research will determine the efficiency and effectiveness of the implemented courses of action, serving as a basis for future exploratory research. Figure 1 graphically illustrates the relationship between these types of research and the most commonly used techniques in each of them.

FIGURE 1

TYPES OF MARKETING RESEARCH



Fuente: elaboración propia a partir de Kinnear y Taylor (2000)

## QUALITATIVE AND QUANTITATIVE TECHNIQUES IN MARKETING RESEARCH

Once the types of research have been identified, a general description will be provided of the qualitative and quantitative characteristics techniques for gathering information, from the perspective of marketing research. Qualitative research is characterized by attempting to understand the behavior of consumers or users, while quantitative research allows for more precise measurement and/or validation of the extent to which a variable, relationship, characteristic, or attribute is present in the phenomenon under study. For example,



qualitative research may aim to identify possible market segments for a product, while quantitative research may estimate the size of those segments.

Table 2 presents the most significant differences between qualitative and quantitative research, allowing us at the same time to understand the role each plays in studying a particular marketing problem, the scope in terms of internal and external validity, the type of information to be obtained, and the research skills required for each.

**TABLE 2**

**CHARACTERISTICS OF QUALITATIVE AND QUANTITATIVE RESEARCH**

	QUALITATIVE TECHNIQUES	QUANTITATIVE TECHNIQUES
Objective	Detect new concepts, ideas, applications; identify unmet needs; identify preliminary relations; courses of action; define a problem; formulate hypotheses; obtain preliminary information.	Measure the size, intensity of an attribute, relation, variable; statistically validate a relation, a hypothesis; develop a forecast.
Type of research	Exploratory	Conclusive
Representativeness	Small samples	Large samples
Analysis	Subjective, content	Descriptive and inferential statistics; experimental design.
Questions	Open-ended	Mainly closed-ended
Questionnaire type	Indirect unstructured; indirect structured	Direct structured
Time	Short duration	Longer duration
Scope	Limited to study participants	Broad, inferences can be made
Flexibility	High	Medium
Required researcher skills	Specialized training in qualitative techniques; group management; interpretation of texts, observed facts, testimonials, and orally expressed opinions.	Specialized training in statistical analysis; data handling; and interpretation of statistical results.

Source: Own elaboration based on Hair, Bush, and Ortinau (2010)

The choice of technique to use is primarily based on the marketing problem to be solved, the research objectives, time constraints, and available resources. For example, Table 3 presents the type of research that would be most suitable based on the researcher's objective. As can be seen, in many cases, qualitative and quantitative techniques complement each other. As mentioned earlier, the researcher's ultimate goal will determine the choice of research approach(es).

TABLE 3

## TYPE OF TECHNIQUE TO USE BASED ON RESEARCH OBJECTIVE

QUALITATIVE TECHNIQUE	QUANTITATIVE TECHNIQUE
Identify attributes for developing new products.	Estimate the market size of a new product.
Identify variables to develop measurement scales for attitudes, preferences, and satisfaction.	Construct scales and measure attitudes and preferences, and satisfaction.
Determine criteria for market segmentation.	Estimate market size.
Identify variables for constructing models on consumer behavior-	Construct mathematical models on consumer behavior
Develop the concept, image, and positioning of the product.	Measure brand awareness and the effectiveness of its positioning.
Preliminary evaluation of marketing strategies.	Monitor the performance of marketing strategy.
Directly understand consumers' purchasing and usage habits.	Estimate the potential of new market segments.

Source: own elaboration

## QUALITATIVE TECHNIQUES

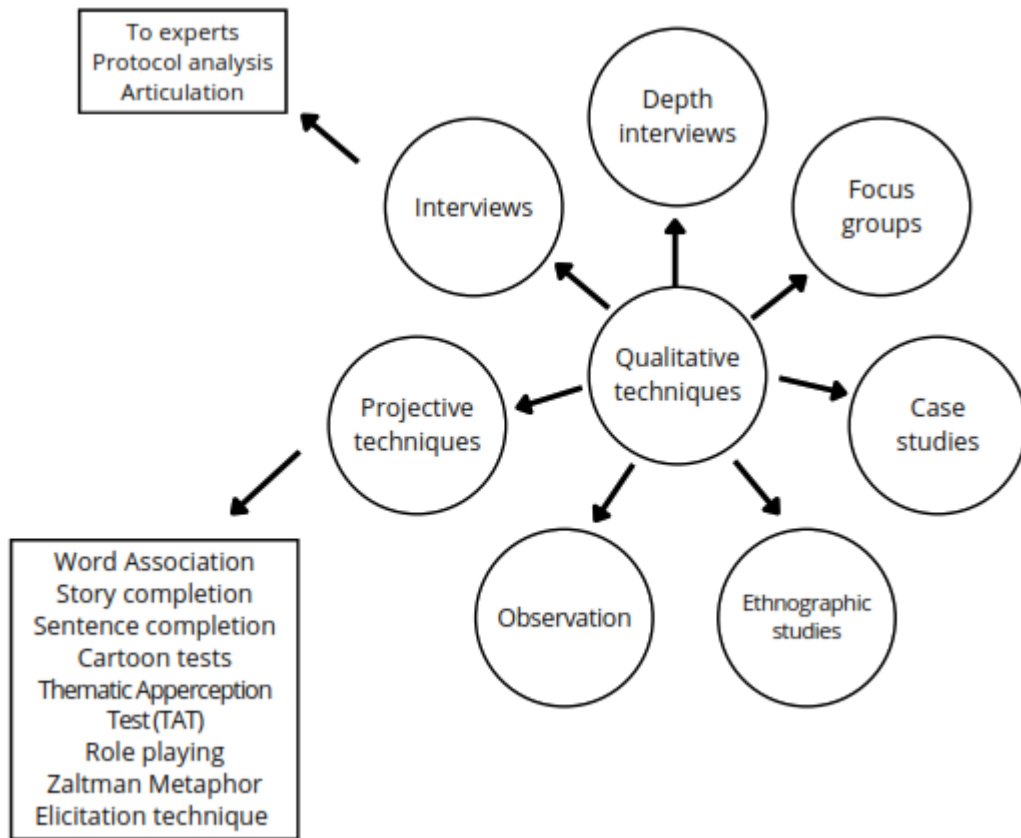
There is a variety of qualitative techniques available to marketing researchers, with some of the most commonly used being focus groups (focal) and in-depth interviews. However, as shown in Table 4, researchers have a range of options to consider when addressing a problem. One aspect to consider when selecting one of these techniques is that the type of information obtained should be useful in the context of marketing decision-making.

Particular mention should be made of virtual qualitative techniques, which represent unprecedented opportunities for gaining in-depth knowledge of consumers or users. These techniques are outlined in Table 5, where it can be seen that not only have some techniques been adapted to the virtual environment, for example, the focus groups, but others have also emerged, such as image and video-based diaries, and tools supported by apps.



TABLE 4

**MOST USED QUALITATIVE TECHNIQUES IN MARKETING RESEARCH**



Source: Own elaboration

TABLE 5

**VIRTUAL QUALITATIVE TECHNIQUES**

Social media research: Pinterest
Online research communities
Online bulletin Boards
Online focus groups
Diaries, digital journals, and blogs
Image and video-based diaries
Webcam groups/interviews
Mobile device research:

Text messages (SMS)  
 Voice messages  
 SMS and voice message-based tools  
 App-based tools

Source: Own elaboration based on Nash (2012)

## QUANTITATIVE TECHNIQUES

The most used quantitative techniques in marketing research encompass three major groups: surveys, attitude measurement, and experimental design, which offer a variety of modalities as shown in Table 6.

TABLE 6

QUANTITATIVE TECHNIQUES MOST COMMONLY APPLIED IN MARKETING RESEARCH

Surveys	In-person Landline and Mobile Phone. Traditional Mail. Online: Email, Internet. Social Media
Attitude Measurement	Graphic Rating Scale Rank order Scale Paired Comparison Scale Constant Sum Scale Fractionation Scale Semantic Differential Stapel Scale Likert or Summated Scale
Experimental Design	Pre-Experimental Designs <ul style="list-style-type: none"> <li>• One-shot design</li> <li>• Pretest-posttest design with one group</li> <li>• Static Group Comparison</li> </ul> True Experimental Designs <ul style="list-style-type: none"> <li>• Pretest-posttest design with Control group.</li> <li>• Solomon Four-Group Design</li> <li>• Posttest-Only Design with Control Group</li> </ul> Quasi-Experimental Designs <ul style="list-style-type: none"> <li>• Time-series Experiments</li> <li>• Nonequivalent Control Group Design</li> </ul>

Source: Own elaboration

The choice of quantitative technique will again be influenced by the study's objective, with surveys or attitude scales being most used for descriptive studies, and experimental design being used to test causal relationships.

## **INTERACTION BETWEEN QUALITATIVE AND QUANTITATIVE TECHNIQUES IN THE DEVELOPMENT OF SOCIAL MARKETING RESEARCH**

As mentioned earlier, when conducting a marketing study, the researcher determines the type of project it will be, as well as the information collection technique to be used to achieve the study's objectives. On many occasions, this involves using both qualitative and quantitative approaches to gain a deeper understanding of the problem under study and to validate the results of previous stages. To illustrate how both types of techniques interact, the following sections present the development of a study carried out by the authors in the field of social marketing (Paredes and Velázquez, 2011a and 2011b).

### **Problem Statement**

Childhood overweight and obesity have become a public health problem in Mexico. Consequently, the Ministry of Health (SA) and the Ministry of Public Education (SEP), along with representatives from the public, social, and private sectors, signed the "Agreement determining the general guidelines for the sale or distribution of food and beverages in school consumption establishments of basic education" on January 25, 2010. They committed to implementing the strategy against overweight and obesity. Based on this agreement, the "Simplified document of guidelines for the sale of food and beverages in schools and its Single Annex" was developed, distributed in public and private schools at the basic level nationwide, and became mandatory in January 2011.

From this issue arose the following initial research question:

What is the level of knowledge and application of the general guidelines for the sale or distribution of food and beverages in the consumption establishments of basic education schools in Mexico City by the actors involved?

### **Exploratory Research**

To gain a better understanding of the issue under study, the first step was to design an exploratory study (Paredes and Velázquez, 2011a) with the objective of: Obtaining preliminary information about the importance that school authorities and parents attributed to the problem of childhood obesity, as well as the level of knowledge and application of the guidelines.

To collect information in this initial phase, a qualitative technique was selected. Thus, 40 in-depth interviews were conducted, 20 with school authorities and 20 with parents from both public and private schools in Mexico City. For this purpose, topic guides were prepared for both authorities and parents. This study was complemented by observation of the products available for sale in the schools where interviews with authorities were conducted.

The qualitative study allowed the authors to expand their understanding of the application of the guidelines and to identify the actors involved more precisely. Based on the results and conclusions of the qualitative study, it was deemed necessary to conduct a quantitative study targeting parents.

## Conclusive Research


Based on the results and conclusions of the qualitative study, the objectives of the quantitative study were defined, and hypotheses were formulated. This second phase of the research comprised (Paredes and Velázquez, 2011b):

- Designing a sampling plan, which began with defining the universe, consisting of parents of children attending primary school in both public and private schools in Mexico City. The sample consisted of 1,250 parents from the Azcapotzalco, Benito Juárez, Coyoacán, and Iztapalapa Delegations. Cluster sampling was used to select the sample.
- Designing a structured direct questionnaire to be administered through personal interviews. The information obtained in the qualitative study, through in-depth interviews with parents, served as a starting point for designing the questionnaire, which underwent a pilot test before its application to the sample.
- Processing and analyzing the information, estimating measures of central tendency.
- Testing hypotheses using the  $\chi^2$  test.
- Developing statistical tables and graphs.
- Formulating conclusions.

Among the results obtained, it is noteworthy that according to the information provided by the parents, children's diets at home include the foods that a child should consume, which is somewhat contradictory given the levels of overweight and obesity. To clarify this situation, a recommendation derived from this study is to conduct focus groups with parents. Additionally, it was detected the convenience of carrying out quantitative research targeting children to have a more comprehensive understanding of the issue under study.

## CLOSING REFLECTIONS

While there may be a tendency to prioritize the use of a particular type of technique for gathering information, both qualitative and quantitative approaches address specific and different information needs, and in many cases, their joint application allows for a more comprehensive approach to the issue under study. Indeed, as seen in the example provided by the authors, the researcher's objective determines the type of technique to be used at each stage of the research project.

In the case of marketing research, there is a tendency to equate research with surveys, when in reality, there are multiple approaches to studying a problem. In this regard, it is advisable to consider the various qualitative and quantitative techniques in light of the problem under study before determining which one to use. 



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# The Age of Uncertainty, Organization, and Chaos Theory

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## Abstract

In Over the born of the XXI century, in front of a growing complex, changing, and uncertain world, favored by technological advances in information and telecommunications, chaos and paradoxes are present at any level on the human knowledge scale. They defy learned paradigms because no explanation seems to express the facts but generates new theoretical perspectives to express them as a better comprehension of reality. Chaos, complexity, and uncertainty may explain, in different ways, such a transforming organization.

**Keywords:** Uncertainty, chaos theory, complexity.

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<sup>II</sup> Original article: <https://rayo.xoc.uam.mx/index.php/Rayo/article/view/315>

<sup>III</sup> Translated by: Denise de la O

*Earthly identity and antipolitics can only be conceived with a thought capable of connecting fragmented notions and compartmentalized knowledge. The new knowledge that leads us to discover the Earth-Homeland... makes no sense while they remain separated.*  
- Edgar Morin, 1993

## INTRODUCTION

**A**t the threshold of the 21st century, facing an increasingly complex, changing, and uncertain world, favored by advances in information technology and telecommunications, chaos, and paradoxes are present at all levels of human knowledge, challenging learned paradigms, because apparently, they explain little of the facts, which has led to the emergence of new theoretical perspectives in the search for a better understanding of reality.

Indeed, with the manifestation of a set of crises in the social, economic, political, cultural, ecological, and of course, organizational fields, it is evident that it is not possible to understand, let alone address, the complexity and multiplication of unforeseeable situations with a linear, deterministic, or authoritarian control vision. All of this is frightening because it implies a departure from the predictable, the known, and the controllable.

However, amid the confusion, the emergence of metaphors, concepts, and methodologies is observed in the endeavor to understand this borderless world, this global village that encompasses everything, both material and spiritual. It is precisely in this vein that chaos theory can be of great utility for its contribution to the study of complex systems and particularly to the development of the complexity paradigm, which allows understanding the plurality, interconnection, instability, and uncertainty of phenomena as implicit aspects of the complex world. (Jantsch, 1980; Kauffman, 1991; Stacey, 1991; Vriend, 1994; Waldrop, 1992; Wheatley, 1992; Zohar, 1997).

This essay describes the main characteristics of chaos theory to observe its relevance in the study of organizations. To this end, the work is divided into three sections: the first describes two perspectives that have influenced organizational thought, the Newtonian deterministic vision, and the complexity vision; the second highlights some fundamental characteristics of chaos theory within the development of the complexity paradigm, and the third refers to the use of some of the principles of chaos theory in the characterization of the organization as a self-organized complex system, concluding by referring to its analytical importance in the study of organizational dynamics.

## FROM THE PARADIGM OF SIMPLICITY TO THE PARADIGM OF COMPLEXITY: TWO WAYS OF UNDERSTANDING THE ORGANIZATIONAL WORLD

The paradigm of simplicity, known in the organizational realm as the Taylorist-Newtonian vision, for adopting deterministic schemes similar to those of Newton, understands organizations as machines or mechanisms artificially created to achieve objectives, and being mechanisms, they are considered to be externally regulated.

This paradigm<sup>97</sup> is based on the analytical method of isolating elements (organizational agents) to examine them separately and thereby reveal their operating laws. The organization results from the placement of these elements in a hierarchical order, with cause-and-effect relationships between them. In this order, randomness plays a secondary role, as it only causes temporary deviations from the predetermined order and does not intervene in explaining the modes of organization.

The integral premises of how this paradigm understands organizational reality are: a) linear causality in relationships between organizational elements; b) organizational objectives as an integrating element of individual behaviors; c) the external environment as determinants of organizational changes; d) tendencies toward order and balance of organizational activities; and e) reductionism as a method for analyzing participant behaviors. In summary, the essence of this theoretical perspective is revealed in the interest in achieving hierarchical control of organizational behavior; that is, programming the behaviors of organizational agents and their regulation are paramount to avoid variability and hence the uncertainty of behaviors outside the norm (Etkin and Schvarsten, 2000).

Indeed, for much of the past century, the administrative process, predominantly influenced by Taylor's thinking and Weber's bureaucracy theory, led organizations to operate within the parameters of a deterministic and mechanistic management that sought to reduce variability and avoid uncertainty in organizational processes to achieve maximized efficiency and profitability.

Thus, organizations were predetermined under a hierarchical order, where individuals at lower organizational levels were considered to have no free will or participation in decision-making, and were only suitable for executing the norms established by the higher hierarchy (Sérieyx, 1994).

In contrast to these postulates, the complexity paradigm asserts that organizational reality is fueled by processes that cannot be ordered or programmed from the outside. Here, the organizational entity supposes the presence of forces from multiple sources, and inherent plurality is not intended to be eliminated; on the contrary, the coexistence of complementary, simultaneous, and antagonistic relationships is acknowledged. Consequently, the organization lives and evolves in an internal environment of relative disorder, diversity, and uncertainty.

Regarding its basic premises, it highlights: a) the recognition of the organization as a complex system, that is, as an integrated and indivisible whole, b) the variability of the system is seen as an obvious result of the interconnection of its parts with each other and with other systems in its environment, c) the explanation of organizational change is understood within the inner framework of the system itself, as a process of self-regulation

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<sup>97</sup> In management sciences, a paradigm is constituted by the set of values, concepts, reasoning, behaviors, etc., constructed and shared by the specific scientific community, which accommodates a vision of organizational reality and often leads to dominant administrative practices in the management of organizations. (See Kuhn, 1971)

or internal pattern of ordering that is not feasible to predict a priori (Etkin and Schvarsten, 2000; Morin, 1974).

This perspective began to be adopted in management sciences in the late 20th century as a result of the crisis of the Taylorist-Weberian model, which revealed that the ways in which organizations operated, separated from their environment and even without true internal articulation, were inadequate for their development. This led to the design of new organizational models with organic, flexible, or network structures that seek to be articulated under shared decision-making, recognizing the organization as a complex system capable of learning and self-renewal (Nonaka and Takeuchi, 1999).

Where change, fluctuations, and imbalances are no longer signs of destructive disorder, but rather, the primordial source of creativity. This situation has been described by scientists as a trajectory between order and disorder, such as order emerging from chaos, or order established through fluctuations resulting from the interaction of different elements of a system (Prigogine and Stengers, 1984; Bohm and Peat, 1988; Morin, 1974).

Thus, for authors like Edgar Morin (1974), society and individuality are not separate realities that adjust to each other— the same can be said of the individual in relation to the organization— but rather, there is an ambisystem, where both dimensions shape and mutually parasitize each other in a contradictory and complementary manner. In fact, ambiguities and "noises" from each of the elements in relation to the others appear in the ambisystem, but through movements that are too disorderly on one hand, and obligations that are too rigid on the other, the interferences that constitute the essence of both the individual and society are established. Complexity appears in all its splendor in this combination of individuals/society accompanied by disorder and uncertainty, and develops from the permanent ambiguity of their complementarity, their competitiveness, and ultimately, their antagonism.

Then, in contrast to the traditional view of management sciences, which perceives organizational dynamics through linear behavior, where prediction and hierarchical control are fundamental pieces of management to avoid disappearing into chaos, the perspective of complexity reveals to us that the non-linear dynamics of the interconnection of organizational agents, like the interconnection in any other living system, makes possible the generation of evolutionary changes through the collective construction of new realities in their historical development.

## **CHAOS THEORY AND ITS CONTRIBUTION TO THE PARADIGM OF COMPLEXITY**

The study of organizations through the lens of chaos theory, as self-regulated<sup>98</sup> complex systems, emerges from the development of the complexity paradigm (Capra, 1982, 1996;

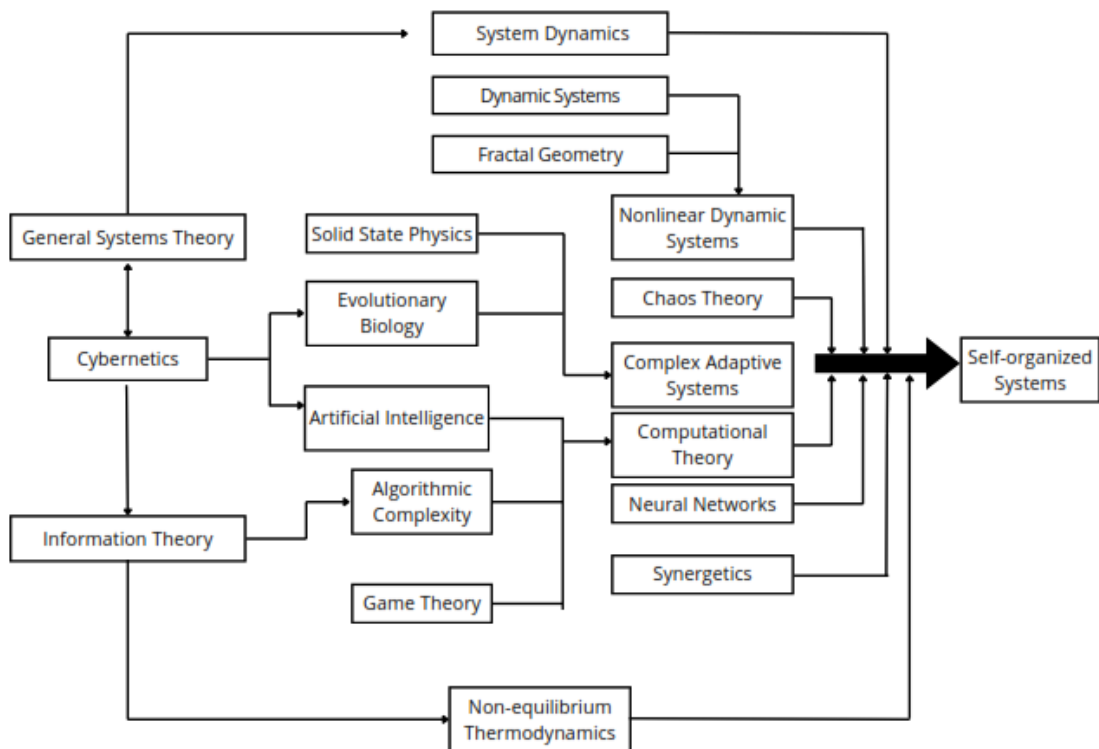
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<sup>98</sup> The capacity of any complex system to self-organize, that is, the ability to reconfigure its interrelationships and activities, is a fundamental aspect. Every biological system, from the simplest bacterium to the most complicated organism, such as the human being, and organizations themselves, are self-regulated systems of energy on the edge of chaos. This is the secret of life—to creatively adapt to changing conditions. (Zohar, 1997, p. 77.)

Gleick, 1987; Morin, 1996; Jantsch, 1980; Stacey, 1995; Waldrop, 1992; Wheatley, 1992; Zohar, 1997), which in turn, stems from findings in the natural sciences such as physics, chemistry, and biology (Prigogine and Stengers, 1984; Bohm and Peat, 1988), as well as from systems theory, mathematics (Lorenz, 1987; Mandelbrot, 1982), and cybernetics (Wiener, 1961).

Thus, as schematized in the preceding figure, the theory of self-regulated complex systems and particularly the principle of self-organization of these systems, originate from discoveries across various sciences studying complexity in nonlinear dynamic systems; from biology, physics, chemistry, mathematics (chaos theory), and cybernetics, to computer science and informatics, where the peculiar characteristics of these systems were meticulously discovered and studied (Goldstein, 1998).

FIGURE 1. SCIENTIFIC ROOTS



Source: Taken from Jeffrey Goldstein, 1998. 'Emergence as a construct: history and characteristics'.  
Emergence, Vol. 1 No. 1, p. 55.

Highlighted for the purposes of this work are irreducibility, unpredictability, non-linearity, negentropy (associated with the thermodynamics of disequilibrium), and above all, the principle of self-organization of these systems (See Monroy, 1997).

- Irreducibility refers to the knowledge circumstance of these systems as all integrated, as the whole presents different characteristics from the sum of its parts, so understanding their logic is not possible by studying their constituent elements separately.

- Unpredictability alludes to the impossibility of determining a priori the trajectory and drift of these systems, given the sensitivity they exhibit to initial conditions.
- Non-linearity manifests the non-proportional relationship in the increase or decrease of the value of a variable concerning one or more other variables.
- Negentropy, contrary to the degree of entropy –thermal disorder– is a measure that determines the degree of order exhibited or produced by these systems about their environment.
- The principle of self-organization has to do with the process that self-regulated complex systems autonomously and randomly follow to minimize their entropy, in other words, to avoid disappearing into chaos.

Now, several scientific contributions stand out in the development of the complexity paradigm. For example, the synergetic school founded by German physicists is the first to describe the principle of self-organization as a parameter of order, by stating that the system must be seen as an integrated whole that tends to maintain a sense of identity over time and that this coherence or emergent order is reflected by expanding and integrating the lower level of its particular components into a higher-level unit, hence the precept that the whole is more than the sum of its parts (Haken, 1981).

The chemist Ilya Prigogine (1984), by studying the thermodynamics of disequilibrium, demonstrated the process of self-organization in the unique behavior of certain structures called dissipative structures<sup>99</sup>. Indeed, dissipative systems have the ability to import energy from their external environment and export or dissipate entropy—disorder—outside the system. In other words, they convert free energy into more elaborate forms of internal construction, transporting thermal disorder out of the system. Moreover, the result of this is what makes the continuous evolution of the system possible (Harvey & Reed, 1996).

In the field of mathematics, the study of deterministic nonlinear dynamic systems gave rise to a very important theory, the theory of chaos. This theory is defined as the qualitative study of the unstable and aperiodic behavior of nonlinear, deterministic dynamic systems (Kellert, 1993). It is precisely this theory that more deeply explains the “chaotic”<sup>100</sup> behavior of such systems and emphasizes the phenomenon of the strange attractor that occurs within them, a point that exerts a radial attractive force in a nonlinear manner, producing aperiodic and irregular trajectories in objects within its influence horizon. Paradoxically, this phenomenon makes the emergent process of self-organization possible (Lorenz, 1987; Mandelbrot, 1982).

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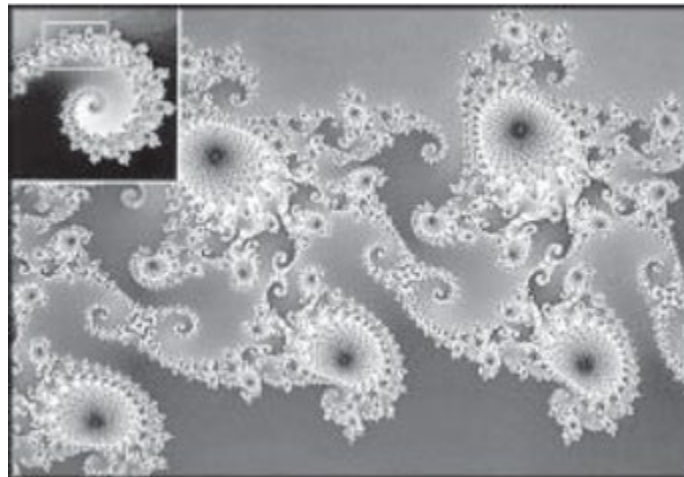
<sup>99</sup> The scientist Prigogine and his colleagues won the Nobel Prize for proving that under appropriate conditions, certain chemical systems called dissipative structures pass through randomness to evolve towards higher levels of self-organization. Here, the different levels and stages of evolution are irreducible to one another, as the transitions between them are characterized by symmetry breaks. This simply means that they are not equivalent to new arrangements of the same material, but rather represent a new creative twist. (Prigogine and Stengers, 1984).

<sup>100</sup> Chaos or chaotic behavior is defined as a type of order without periodicity, different from an absolute state of disorder (Monroy, 1999).

Thus, complex self-regulated systems are understood by this theory as systems capable of changing over time in a nonlinear manner and exhibiting a “chaotic” behavior that is impossible to predict. This behavior occurs in a space composed of two zones and a boundary between them: a stable zone where any disturbance causes the system to return to its initial state, and an unstable zone where a small disturbance takes the system far from its initial or equilibrium point, generating divergence.

However, the particularity of these systems leads them to operate at the boundary between both zones, on the edge of chaos. Here, the pattern of movement or family of trajectories is defined as the strange attractor that generates a new order, achieving self-organization. This pattern, incidentally, has the property of being a fractal<sup>101</sup>, meaning it presents the same structure regardless of the scale of observation (Rosenhead, 1998). See Figure 2.

FIGURE 2. FRACTAL



Source: Taken from James Gleick's book, 1994. Chaos: Making a New Science. Editorial Seix Barral, Barcelona.

Then, this creative twist is something entirely new since it presents characteristics not observed at the level of the system's constituent elements. Although it is assumed to be neither predictable nor deducible from the particular level of its components, it exhibits internal coherence by appearing as an integrated whole.

Therefore, the principle of self-organization, implicit in chaotic behavior, is defined as the ability of living organisms to organize themselves, that is, as the aggregate ability to spontaneously form systems or create structures as a result of the interrelation of their members (Maturana & Varela, 1980; Tasaka, 1999).

Thus, the order of its structure and functions is not imposed by the environment, as this capability implies a degree of autonomy to establish its dimensions according to internal organizational principles that do not depend on environmental influences. This does not

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<sup>101</sup> A fractal is a figure or process that exhibits a similar structure despite indefinitely changing the scale of observation. Self-similarity is present in a wide variety of phenomena.



mean that these systems are isolated from their surroundings, as they constantly interact with them, but rather that this interaction does not determine their internal organization (Jantsch, 1980). It should be noted here that there are two phenomena in the process of self-organization: self-renewal and self-transcendence.

Self-renewal refers to the ability of complex systems to continuously renew and recover their components while maintaining the integrity of their overall structure. Self-transcendence is the ability to creatively surpass physical and mental limits through processes of learning, development, and evolution (Capra, 1982).

Therefore, self-organization is a complex capacity that includes multiple elements that can be integrated (Etkin and Schvarsten 2000):

- a) Operating under different conditions from those of origin without losing continuity or cohesion among the parts;
- b) Autonomy, in the sense that the system has its own governing units;
- c) Maintaining identity traits in the face of disturbances from the surrounding environment;
- d) Self-production, as the social system internally selects and carries out the activities it needs to continue operating, including the selection of its goals;
- e) Presence of internal control processes by which the system's operations are regulated and the organization's boundaries are delineated;
- f) The system's ability to perform its structural renewal when crises and catastrophes occur.

While the construction and development of this paradigm, to this day, focuses on the similarities observed in nonlinear dynamic systems, such as open systems that do not follow the predictable entropy path or the disappearance of closed systems, they move in patterns on the edge of chaos, generating higher-level systems as a result of the self-organization process.

## **THE ORGANIZATION AS A SELF-ORGANIZED COMPLEX SYSTEM**

Firstly, when adopting the complexity paradigm as an analytical framework in the study of organizations, the vision of the organizational world is as an integrated and indivisible whole, specifically as a self-regulating complex system.

Secondly, organizations are understood as nonlinear dynamic systems where people do not behave according to the economic man or rational optimizer model, but rather change their behavior by collectively learning from their experiences (Brown & Eisenhardt, 1997; Kelly & Allison, 1999). The third peculiar aspect is that these systems, as open systems, do not follow the predictable entropy path or the disappearance of closed systems but move in patterns on the edge of chaos, generating higher-level systems as a result of the self-organization process.



Fourthly, organizations are nonlinear dynamic systems that do not reach equilibrium points. They are composed of independent agents whose behaviors vary according to their social, psychological, or physical rules. Therefore, the needs and desires of the agents are not homogeneous, so their objectives and behaviors may conflict and, push them to adapt their behaviors to each other. Fifthly, equilibrium is neither the end nor the destination of organizations. Simply put, as open systems, they are associated with the environment and use disequilibrium to avoid deterioration (Wheatley, 1992; Brown & Eisenhardt, 1997).

In summary, organizations as self-regulating complex systems are defined as integrated wholes whose properties cannot be reduced to those of the smaller units. They are nonlinear dynamic systems with the capacity for learning and self-transcendence, and thus the forms they adopt are not rigid structures but flexible manifestations of underlying processes (Capra, 1982).

It is worth noting that the complexity paradigm applied to the study of organizations is still in its early stages. In fact, the use of its characteristics, and specifically the principle of self-organization as an autonomous process of order creation, is recent. Research in this area essentially began in the 1990s.

Although a significant number of studies have been generated, they range from those that use this paradigm merely as a metaphor (Fuller, 1999; Harvey & Reed, 1996; Stacey, 1995; Waldrop, 1992; Wheatley, 1992; Tsoukas, 1998) to those attempting to operationalize its dimensions (Brown & Eisenhardt, 1997; Kelly & Allison, 1999; Tasaka, 1999). Recently, Guastello (1998) has used some characteristics of self-regulating complex systems as an analogy to understand leadership, particularly the behavior of emergent leaders in groups.


Similarly, there has been a start in studying the network as a self-organized organizational structure (Goldstein, 1999). Additionally, there have been several attempts to revisit the phenomenon of negentropy or operation at the edge of chaos in the study of organizational strategy, aiming to generate evolutionary patterns (Brown & Eisenhardt, 1997). However, there is still much ground to cover.

## CONCLUSIONS

The complexity paradigm will allow us to develop organizational concepts that are closer to reality by viewing organizations as patterns of relationships sustained through human interaction processes, with the capacity for self-renewal and self-transcendence. The advancements in the construct of self-regulating complex systems have opened the black box that obscured the understanding of the self-organization process and provide a theoretical and methodological framework in construction for its study within the organizational realm.

In summary, the theory of self-regulating complex systems, in general, and the principle of self-organization, in particular, offer academics and managers a new way to understand organizational phenomena, because conflict, ambiguity, and disorder are the same as those present in the dynamics of any organization, but they are managed differently. Instead of



imposing a predetermined order from the outside, the richness of divergent forces is experienced from within as part of a complex process of meaning generation that results in a new, self-generated order. 

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# The Organizational Profile of SMEs (Micro, Small, and Medium Enterprises) in the Manufacturing Sector: A Comprehensive Analysis

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## Abstract

The SMEs (micro, smalls and mediums enterprises) in the manufacture sector are represented by differences organization configuration: the organization as open system, the organization as auto regulate system with entrance and departure, the organization as a representation of the two systems: the formal and the social, the organization seeing for enterprise organization. The representation of the SMEs lets identification as familiar's enterprises, with financial save, with concentrate the most economics resources in the premium matter, and the orientation is a locals o concentrates niches. Wherever the SMEs are in formals organizations, that tendency is the disorder in hers functioned, in the direction there is a triple role of the entrepreneur, of: family member, proprietary, and director, in the operation a double role of: family member and worker. For all the characteristics found in the SMEs by Organization Theory, is more adequate identifies as a SMOs (micro, smalls and mediums organizations).

**Keywords:** SMEs, Familiar Enterprise, SMOs, Informal Organization.

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## INTRODUCTION

Upon reviewing the characteristics (profile) of SMEs in the manufacturing sector, through surveys: INEGI-NAFIN (1992), National Microbusiness Survey (INEGI, 1996), and Small Business Survey (Ruiz, 2002), we identify them as companies financed through family savings, small-scale (limited production) and aimed at focused markets (local niches). This information clearly assesses the economic characteristics (financing, distribution of economic resources in operation, and market access) of this type of companies and, because of their economic profile, the characteristics of mechanization (machinery and equipment) of these companies are deduced.

The objective of this work is to identify the profile of SMEs in the manufacturing sector of our country, which means reflecting and analyzing to specify their main characteristics. The fulfillment of this purpose will allow us to lay the foundations for subsequently undertaking the construction of a diagnostic model of the management, structure, and operation of this type of companies. The research methodology to achieve our objective corresponds to a descriptive investigation, integrated both by a longitudinal or historical research design, which incorporates the information from surveys on small business, and by a content or theoretical analysis design.

We consider that the Theory of Organization, Organizational Analysis, and Strategic Management allow us to describe these companies as organizations with a specific form of management and operation that distinguishes them from large companies. In order to better understand their characteristics, the conceptual search for a management style unique to SMEs, led us to consider them as organizations that perform within a context or environment whose influence is considerable, but not determining to prevent them from making decisions that guide them towards states of well-being. Within this perspective, the SME is placed as a unit in relation to its context, that is, within a general environment largely determined by the socio-economic processes of Globalization.

The peculiarities found in the management of SMEs allow us to describe them as small companies with different functionalities from those of large corporations. In general, we can assert that the management of SMEs is characterized by an apparent disorder. If we focus on the study of family-owned SMEs, whose number is considerable in relation to the total number of SMEs in our country, it is possible to find that the entrepreneur, business owner, or company executive simultaneously performs different roles or functions within the organization. They can be at the same time: a family member, owner, and manager.

This performance of juxtaposed roles in management also occurs in the operational area, where the roles of the participants overlap, who, on most occasions, play a dual role: as a family member and as a worker. Contributing to the description of the management style carried out by SMEs within the context of Globalization is a step forward towards understanding the manifestations of disorder and incipient structuring in which these types of companies operate. This description allows us a first approach to the design of their profile, with the aim of making transparent the black box that represents the way small and medium-sized enterprises function. For this reason, it becomes necessary to specify the conceptual framework that allows us to identify the management of this type of companies, whose



nature is different from the management of large corporations. The results of this conceptual design will also contribute to the project of formulating a diagnostic model for the clarification of the problems faced by small and medium-sized companies in the manufacturing sector.

## **SMEs within a Globalized context**

Globalization is a comprehensive category, of an ideological nature, defined at the end of the 20th century and the beginning of the 21st century. Within it, the most visible aspect is the economic one, represented by what is known as the "neoliberalism", whose foundation is the deregulation of the economic organization of the market, which means simplifying its operation in such a way as to facilitate the free movement of investment, goods, and individuals. However, the economic implications have an impact on the ideological, that is, the culture and politics of society. Thus, an integration between the economic and ideological realms is formed. To the liberation of the economy, a global culture is integrated, constituted by the signs (practices) the culture of the importing (external) and the signs of local culture (internal), forming through the sum of the two, a hybrid culture, a characteristic of contemporary modernization.

On the other hand, the State largely yields the leadership of the market to transnational corporations, which control it through strategies such as productive flexibility and diversification of demand. In this way, the hegemony in the market corresponds to the transnational corporation, the State dilutes its leading role in the market, and it only becomes the legal guardian of it.

Today, we speak of an integrated world as a village (Globality), where there apparently exists only a global society without borders, both in the economic and ideological spheres, where individuals circulate freely, conducting economic transactions and transferring their cultural symbols to the global village. There are no restrictions; transactions are carried out freely, within a global economy and culture. Integration, seen as an economic and ideological phenomenon, has achieved its objective: a monolithic society in which the virtues of market freedom dominate, free enterprise prevails, and the State simply provides the conditions of infrastructure, macroeconomic stability, and legal order for the operability of economic transactions carried out, mainly, by global or transnational companies.

The participation of large companies in the market is carried through two different strategies:

1. Diversification and/or variability of product demand in response to the global market and the different customers that make it up.
2. Productive flexibility or strategic alliance with other companies, organizational networks, which allow transnational companies to decentralize costs or minimize them to be more competitive and respond to the variability of demand.

In this way, we have described, albeit in a simplified manner, the ways of operating of the three main actors that structure global society: the State, the market, and the Transnational



Corporation. It is within this framework that the various interrelations between individuals or members of global society occur.

Globalization is interpreted, within the same frame and in an integral manner, by Beck (1998), who speaks of three concepts: globalization, globality, and globalism. He characterizes the first as the liberation of the economic relations of the market. Globality is understood as the existence of a global village with economic, cultural, and political relations not integrated into the Nation-State that reproduce the model of Western society. And he defines globalism as the global culture that integrates with the economic and transnationalizes the customs and practices of global society.

The global culture seen as an integration of an imported culture (external) and a local one (internal) is a way of inserting both cultures into daily praxis, not understood as a replacement of the transcultural in local culture (the own or internal folklore), but as a renewal in language, design, forms of civility, and youth practices (García Canclini, 1990). This integration of cultures is identified as a hybrid culture, where the elites integrate a global project, and Latin American countries are currently the result of: the juxtaposition and interweaving of indigenous traditions and the customs of the elites, generating hybrid formations in all social strata. In this way, there is a coexistence of indigenous crafts, multilingual libraries, cable television, and satellite dishes with colonial furniture (García Canclini, 1990), because of their dependency on metropolises.

In this context of globalization, the Welfare State that regulated the course of the economy no longer exists; the State shrinks and therefore the budget for social benefits, the pension system, and social spending in general is also minimized. The bargaining power of unions is reduced in the face of the elimination of the Welfare State. The direction is, then, towards a Transnational Economy (Beck, 1998), where obstacles to investment are eliminated; that is, the elimination of ecological, union, welfare, and fiscal regulations, which means destroying work and further increasing production and profits.

The virtuous circle that territories or countries bet on consists of the sum of transnational capital + taxes + jobs that will "supposedly" trickle down to the entire economy, which is false, since these companies will grow along with their suppliers, their employees, and workers; these will trickle down to the formal and informal trade sector, and the employees of these sectors will trickle down to formal and informal retailers, but if the chain is interrupted, many sectors of the population will be left out, not only in the urban sector but also in the rural sector.

Specifically in Mexico, the economic policy of import substitution (Tello, 1980), after the Second World War and until the 1970s, was based on three guiding axes: tariff barriers based on high taxes, restrictive quotas on imported products of up to 100%, and the denial of import permits for goods due to national interest. The effects on industrial capacity were: technological stagnation, no investment in Research and Development, low product quality, non-competitive costs against the foreign market, and minimal organizational development. The State supported the development of industrial capital, guaranteeing an oligopolistic captive market, which was not governed by competition in costs and quality, but by a high rate of profit, resulting from low wages for labor, agricultural resources



restricted at low costs, tariffs for electricity and gasoline services without increases; in addition, infrastructure was provided to urban centers, with the aim of promoting industrial growth. All these privileges gave capital its competitive advantage.

The shift towards a new model of an open market to the outside world produced structural changes in economic policy (León, Samuel, 1992), with their respective effects; these were: strict control of public finances, deregulation of FDI (Foreign Direct Investment), deregulation of public companies, trade liberalization, and economic pacts. Their corresponding effects were: restriction of social spending, increase in FDI, slimming down of the State, disappearance of SMEs in the face of new competitive conditions, strengthening of the TNC (transnational company), and control of inflation. The lack of competitiveness of the national business sector was a result, given the trade liberalization and deregulation of FDI, of participation in the market with low-quality products and high price compared to competition from foreign products with quality and low price.

Within this dominant capitalist ideological conception, which is Globalization, there are also economic actors different from those already mentioned, where many members of Mexican society participate and work. Among the actors not considered so far, Micro, Small, and Medium Enterprises<sup>107</sup> (MSMEs) stand out for their importance in the economy as job creators. The positioning of MSMEs occurs fundamentally within local and concentrated markets that are relatively integrated into Globalization, and which, probably upon integrating these spaces, will be occupied by Transnational companies, condemning MSMEs to disappearance.

Within this context, it is the MSMEs that appear as losers within Globality, as they are not predominantly integrated into productive linkages and export circuits and are not competitive in price and product quality. The challenge, then, is to build a diagnostic model of the problems of MSMEs, which considers the signs or management characteristics of this type of companies, in order to contribute to the effort these companies make to compete and sustain themselves in the market.

## The Organizational Profile of MSMEs: An Integral Analysis.

### A. Quantitative Analysis of MSMEs.

MSMEs: are the micro, small, and medium-sized enterprises that have the following number of employees according to a decree (March 15, 2001) from the Secretariat of Economy:

CLASSIFICATION BY NUMBER OF EMPLOYEES			
Size	Industry	Commerce	Services
Microenterprise	0 - 30	0 - 5	0 - 20
Small enterprise	31 - 100	6 - 20	21 - 50
Medium enterprise	101 - 500	21 - 100	51 - 100

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<sup>107</sup> Micro, Small, and Medium Enterprises generate 50% of employment in the Manufacturing Sector, according to the 1994 and 1999 Economic Censuses by INEGI.

Source: Official Gazette, March 15, 2001, Decree of the Secretariat of Economy, on the Operation of the Fund for the Promotion of the Integration of Productive Chains for the Fiscal Year 2001.

Another different classification of MSMEs is by number of workers and sales, defined according to NAFIN (March 1994) as follows:

INDUSTRIAL SECTOR CLASSIFICATION		
Size	Number of Workers	Net Sales
Microenterprise	0 - 15	<= \$900,000.00
Small enterprise	16 - 100	\$900,000.00 - \$9,000,000.00
Medium enterprise	101 - 250	\$9,000,000.00 - \$20,000,000.00

Source: The micro, small and medium enterprise facing NAFTA, El Mercado de Valores NAFIN, March 1994, p. 29

Another different classification by number of workers and in the industrial sector is given by Cerda and Núñez (1998), with the following ranges:

INDUSTRIAL SECTOR CLASSIFICATION	
Size	Number of Workers
Microenterprise	0 - 15
Small enterprise	16 - 50
Medium enterprise	51 - 250

Source: Cerda Gastelúm José (de la) and Nuñez Peña (de la) Francisco, (1998), Quality of Working Life in Mexico, p.236, in Cerda Gastelúm José (de la) and Nuñez Peña (de la) Francisco (Coordinators), Administration in Development. Towards a New Administrative Management in Mexico and Latin America, Mexico, Diana.

From this quantitative approach, the size of companies is explained based on economic magnitude or sales and the number of workers employed by the company. They are differentiated under these quantitative criteria that do not describe the specific management style of the micro, small, and medium-sized enterprise. From these criteria, it has simply been deduced that a company, by having a greater number of workers and sales, can be considered larger in size.

The differences observed in the number of workers, a criterion used to determine the size of MSMEs by the authors reviewed, guided us to the search, albeit only statistical, to conclude on the size of MSMEs in the manufacturing sector according to the number of workers. The procedure is as follows from the following synthesis table:

INDUSTRIAL SECTOR CLASSIFICATION			
Size	Number of Workers (1st Table)	Number of Workers (2nd Table)	Number of Workers (3rd Table)
Micro	0-30	0-15	0-15
Small	31-100	16-100	16-50
Medium	101-500	101-250	51-250

Averaging the upper limits of the ranges<sup>1082</sup> from the previous classifications, we will obtain ranges that give us a more balanced classification:

INDUSTRIAL SECTOR CLASSIFICATION	
Size	Number of Workers
Microenterprise	0 - 23
Small enterprise	24 - 75
Medium enterprise	76 - 375

Conducting a mode analysis on the ranges of the three previous classifications and considering the lower and upper limit of each range, we will obtain a more representative classification of the micro, small, and medium enterprise:

INDUSTRIAL SECTOR CLASSIFICATION	
Size	Number of Workers
Microenterprise	0 - 15
Small enterprise	16 - 100
Medium enterprise	101 - 250

The result obtained leads us to agree with the criterion of the number of workers proposed by NAFIN. Which, according to this statistical analysis criterion, gives it greater validity.

Conducting an analysis that goes beyond magnitudes to more precisely describe the management style of SMEs led us to consider the relevance of incorporating some contributions from the fields known as organizational theory and strategic management. From this perspective, and with the aim of describing their management style, we consider SMEs as small organizations.

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<sup>108</sup> In calculating the average of the upper limits, only differentiated values were considered. For example, in the case of the microenterprise range, the values considered were 30 and 15, which average to 22.5, resulting in a rounded range of 0-23.

SMEs are explained, in a first orthodox or traditional organizational conception from a Taylorist perspective or Scientific Management (Taylor, 1986), as an organization of an individual and hierarchical nature that develops within a closed system. From this system, the optimal form of management or work organization is found; management is directed towards a division of labor where planning and execution are separated, with planning occurring at the apex of the pyramid, based on objectives and programs to be developed, and therefore where the important decisions for the organization are made. The middle part corresponds to middle management who oversee the operational work. At the base of the pyramid, the operational work is carried out, characterized by routine processes, and designed in a fragmented manner into very simple tasks based on mechanization through standardized and rigid machinery that produces in series. The organization is primarily differentiated by a division of labor between planning and decision-making, and operational or executive work, within a system characterized by the mechanization of work and thus properly closed.

Making a theoretical and general approximation of the Scientific Organization of Work to micro and small enterprises, we were led to consider the relevance of incorporating some of the contributions from the fields known as organizational theory and strategic management. From this perspective, and with the purpose of describing their management style, we consider SMEs as small organizations in the organization, the apex of the pyramid identifies an owner-director who makes most of the decisions in the organization, acting as a one-man band, who does not seek to plan, make income and expenditure estimates, calculate units to produce or personnel to hire, nor establish work procedures. It is this owner-director who personally controls all the activities of the organization, holds all the information, directly supervises the operational work, and thus the organization functions with him; without him, it does not function.

A second interpretation of the management of SMEs that contributes to describing the structure and functioning of the organization in relation to its environment is to locate SMEs within a competitive market, through the organizational vision of Contingency Theory (Pugh, 1997). This theory proposes the dependence of the organization's structure on its context or environment; that is, the structure of the organization is determined by its context. The operating logic of Contingency Theory is one of dependence of the organization on the context or competitive market, with the context or environment being the "central actor" that determines the functioning of the organization. Contingency Theory associates or correlates the environment and the organization, and more specifically, it is a deterministic relationship of the environment towards the organization and its functioning. Pugh (1997) conducts a study of six organizations in England and defines the context as: Size, understood based on the number of workers; Technology, understood as the adequacy of machinery to production volumes; and the Market, specified as the relationship with the degree of competition. These variables determine the structure of the organization; that is, the degree of specialization with which tasks are performed; Standardization, or the extent to which operational procedures are uniform; and Standardization of Employment Practices, or the degree to which the organization has standardized employment practices.

From this conception, the organization is perceived as an open system in relation to its environment, where the functioning of the organization depends on the context. Thus, the Size of the organization, Technology, and Market (external variables) determine the structure (internal variable) of the organization, and how flexible it behaves in terms of work roles, uniformity of operational procedures, and uniformity of employment practices. Pugh (1997), under this approach, in his six studies of organizations in England, reaches specific conclusions such as the following: it is a large manufacturing company (6,500 workers) if standardization and rigid specialization prevail. If the company is related to a competitive market, specialization and standardization decrease their ratings and become more flexible. And if Technology or Machinery produces on a large scale, rigid specialization and standardization prevail.

Within the same approach of Contingency Theory, Hall (1987: 75) explains the functioning of the organization based on the environment or external conditions; here, Technology and the Size of the organization are understood as variables that, in the same terms as Pugh (1997), determine the functioning of the structure or organizational form defined as: Horizontal Differentiation or division of the operational process into different roles or tasks; Vertical Differentiation or depth of the hierarchy or levels of authority in the organization; and Spatial Dispersion, which is a form of horizontal and vertical differentiation in space; that is, roles or tasks and authority are geographically dispersed.

Hall's (1987) proposal is clear in describing the functioning of the organization; the structure is determined by its environment, and specifically, he tells us: the organizational form or structure is described by three variables: Horizontal Differentiation, Vertical Differentiation, and Spatial Dispersion. Contingency Theory theoretically brings us closer to the functioning of the medium-sized organization, in such a way that it begins with a decentralization of decision-making towards an area of technostructure, where there is control of economic resources, operational work, and units produced. The director or manager oversees relations or transactions with suppliers and customers, in addition to monitoring the competition.

The functioning of SMEs is clearer and more transparent through organizational analysis; we know that management is differentiated through internal variables, which are determined by external variables or the environment, characterizing management by differentiated roles or tasks, which are performed in accordance with rules and procedures, defining responsibilities through levels of authority or power centers that come to form a structure with a geometric or organizational pyramid shape.

## **B. Qualitative Analysis of SMEs in the Manufacturing Sector**

Describing the functioning of SMEs as organizations within a Globalization context, and understanding them beyond their size, enables their analysis within a Systems Approach<sup>1093</sup>, organizations situated in an Open System, which maintain and adapt to the

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<sup>109</sup> The General Systems Theory and its basic concepts were established by the biologist Ludwig von Bertalanffy in the general study, "The Theory of Open Systems in Physics and Biology," published in \*Science\* on January 13, 1950, pp. 23-29.

environment, within a process of dynamic equilibrium. This means that in response to competitive changes, they must adapt a strategy to compete through low costs and product quality.

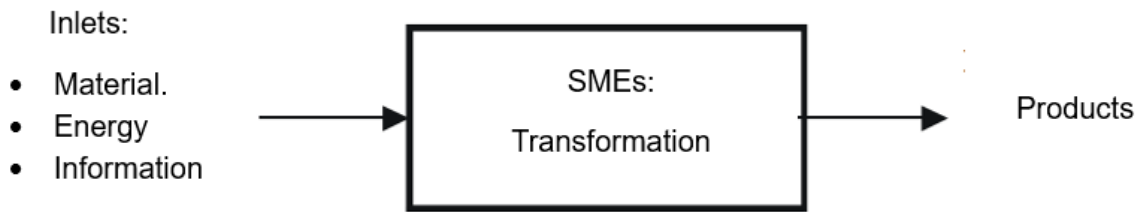
The System is understood as a unitary-organized whole, composed of two or more parts, components, or interdependent subsystems and delineated by identifiable boundaries with its environment or supersystem (Kast and Rosenzweig, 1979). The relationship between the subsystems is understood from Functionalism, which is understood as: "[...] Systems of interrelations and the integration of the parts or subsystems into a functional whole" (Kast and Rosenzweig, 1979: 110). The purpose or objective of the General Systems Theory is the understanding and integration of knowledge. The general principles that explain all fields of knowledge (Kast and Rosenzweig, 1979) are as follows:

1. The System is defined as an "open system" or self-structured, in motion, as a simple dynamic system, which is self-regulating through a control mechanism or cybernetic system.
2. Physical and mechanical systems can be considered closed in terms of their relationship with their environment.
3. Biological and social systems are not closed but are in constant interaction with their environment.
4. The system is more than the sum of its components.
5. Holism considers that all systems—physical, biological, and social—are composed of interrelated subsystems. The whole is not just the sum of its parts, but the system itself can only be explained as a whole. Therefore, Holism is the opposite of Elementarism.
6. Entropy is a term from Thermodynamics but applicable to all physical systems. The disorder, disorganization, lack of structure, or random organization of a system is known as its Entropy; a closed system tends to increase its Entropy over time.
7. Social organizations are not natural systems, like mechanical or biological ones; they are artificial systems with identifiable boundaries that separate them from the environment.
8. All systems—physical, biological, and social—can be considered in a hierarchical sense. In complex organizations, there is a hierarchy of processes and structure.
9. In an open system—biological and social—Entropy can be reduced and can even be transformed into negative entropy.
10. Homeostasis applies to the stable state of the organism. In social organizations, there is no absolute stable state, but rather a dynamic equilibrium, in constant adjustment between internal forces and the environment.

In this perspective of the systemic approach, we will locate the small enterprise as an organization situated within an open system, which will allow us to find its characteristics.



From the perspective of a cybernetic or self-regulated system with inputs and outputs, we will approach its identity. The graphic that represents the small enterprise is:



Source: Based on Kast and Rosenzweig (1979).

Today, there is a widespread consensus on the importance of SMEs within the country's economic activity, but they should not be considered with the characteristics of large enterprises; rather, they should be treated as small enterprises with objectives and characteristics distinct from large enterprises.

Some data that speak to the economic importance of SMEs are: in quantity, they represent around 90% of the companies established in the country. The figure is even higher within the manufacturing sector, representing 99% of manufacturing establishments. And of that 99%, 82.19% are microenterprises, which generate 13.22% of the employed personnel. The small enterprise comprises 13.69% of the establishments and originates 20.80% of the employment. The medium-sized enterprise corresponds to 2.39% of the establishments, creating 15.39% of the employed personnel. With this information, SMEs correspond to 98.27% of the establishments with a job generation of 49.41% (Economic censuses 1994, 1999, National accounts system INEGI, IMSS, Sectoral Information Bank of the Secretariat of Economy).

In general, we can start from the conception of SMEs as any small-scale organization that leads to a qualitatively different management from those commonly discussed in texts normally associated with large companies (Suárez, 2001). This is intended not to exclude microenterprises, as they are mostly self-employment, where entrepreneurs are evidently found using alternative management forms to sustain their organizations in the market, different from administrative rationality or maximum profitability; that is, management oriented towards creativity to stretch limited economic resources.

SMEs, according to this conceptual proposal and under qualitative criteria (Suárez, 2001), supported by Penrose's theory of firm growth (1995), can be classified differently from the quantitative parameters of income level or sales, and number of workers, which simply describe the size of the organization. The descriptive characteristics that distinguish SMEs according to small business surveys are:

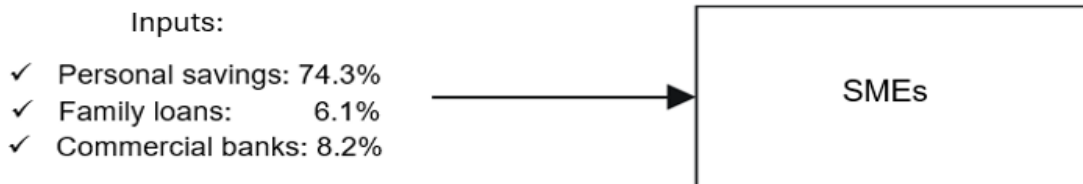
1. SMEs are financed through non-conventional financial channels, through family savings and credit from suppliers, given their economic insolvency to access formal financing circuits; this is supported by the National Microbusiness Survey (INEGI, 1996) and the survey (1999) conducted by Ruiz (2002), where the main sources of



financing for the start-up of small businesses are: savings - 74.3% - and family loans - 6.1% -, while banks had a participation of only 8.2%. It should be clarified that commercial banks are an available option, but seldom used. Ruiz (2002) points out that according to data from the Bank of Mexico, from 1998, 1999, and 2000, the main external financing for small and medium-sized enterprises are suppliers - on average 53.18% -; as for financing from commercial banks, it is only 22.3% on average.

We can then deduce that the inputs with which the small enterprise starts are: savings -74.3%- and family loans -6.1%-, while banks had a participation of only 8.2%. From this information, and using the systems approach, we can define the graphic:

**GRAPH: INPUTS OF THE SMEs (MANUFACTURING SECTOR)**

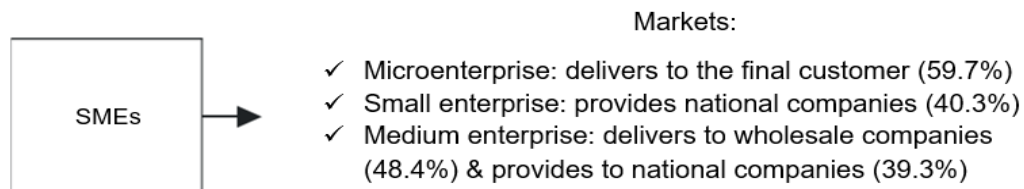


Source: National Micro Business Survey (INEGI, 1996) and Survey (1999) conducted by Ruiz (2002).

2. The market they have access to consists of local or concentrated niches, that is, the entrepreneur locates niches or interstices where they can position themselves. According to the INEGI-NAFIN survey (1992), microenterprises primarily serve the final consumer (59.7%), while small enterprises integrate with national companies (40.3%) and in the case of medium-sized enterprises, they participate both with wholesalers (48.4%), and with national companies (39.3%).

Based on this information from the INEGI-NAFIN survey, small enterprises supply the market, depending on their size, in the following manner: microenterprises supply or distribute to the final consumer, small enterprises provide to national companies, and medium-sized enterprises supply to wholesalers or provide to national companies. The above is clearly established in our following graphic:

**GRAPHIC: MARKETS THAT DELIVER AND PROVIDE THE SMEs (MANUFACTURING SECTOR).**

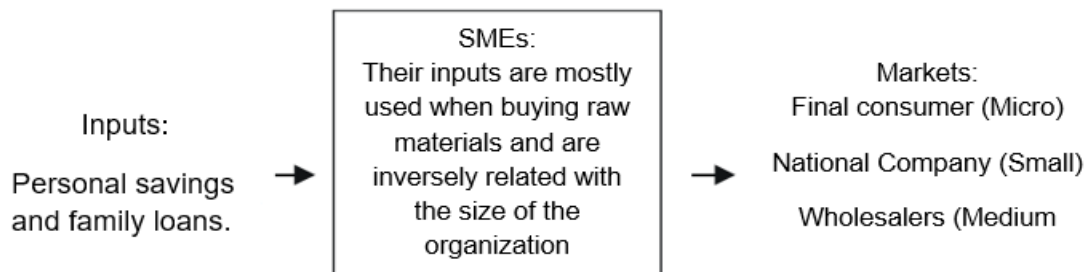


Source: INEGI-NAFIN Survey (1992)

3. The financial limitation that characterizes these companies means that the management initiatives represented in micro and small enterprises must be explained largely by the entrepreneurial talent of the owners, who creatively use scarce financial resources, allowing for the economic operation of the company. In this sense, the INEGI-NAFIN survey (1992) tells us that most of the financial resources of these companies are allocated to raw materials, showing an inverse relationship between the size of the company and its proportion of expenditure on raw materials; that is, the microenterprise spends 47.8% of its expenses on raw materials, and the small enterprise allocates 33.5% of its expenses to the purchase of raw materials. This means that the cost of raw materials occupies the greatest weight in setting the price of their products. In medium-sized enterprises, the expenditure on raw materials is lower, being 29.1%. Expenditure on competition or technology is insignificant in micro, small, and medium-sized enterprises, being respectively: 11.6%, 17.9%, and 18.2%.

We can then deduce that the financing of SMEs is used or applied mainly for the purchase of raw materials. In this way, we have our complete graphic, or seen from another perspective, we have the small enterprise as an open system with inputs and outputs.

**GRAPH: SMEs IN THE MANUFACTURING SECTOR: OPEN SYSTEM MODEL**

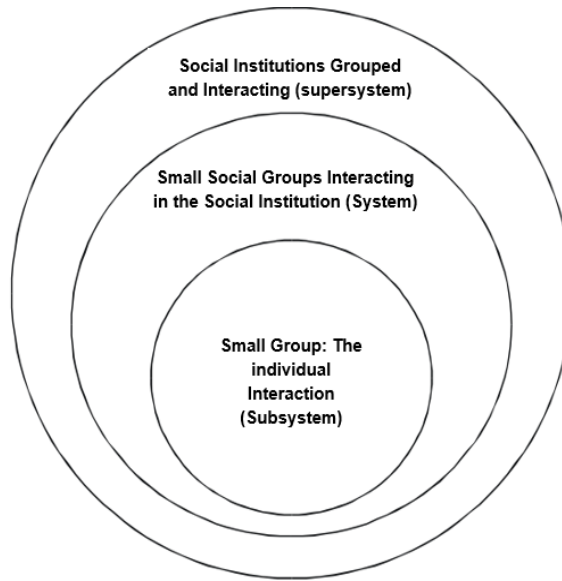


**Source:** Own elaboration from INEGI-NAFIN(1992) surveys, National Survey of Microbusinesses(INEGI, 1996), and Small Companies Survey (Ruiz, 2002)

From census information and surveys of small businesses, we can identify SMEs in the manufacturing sector as small and family-owned companies, which directs our focus towards the field or discipline of sociology or the social, to find signs or characteristics that describe the family business.

The Social, as a first theoretical approach to the concept of the family business, centers its analysis on the Small Group (subsystem), where individuals interact with each other, establishing norms that regulate the group's behavior. The small group interacts with other social groups within the scope of the Social Institution (System). These social groups belonging to or inhabiting the System construct habits or customs characteristic of the Social Institution. When Social Institutions group together, they form the Supersystem or more general System (Kast and Rosenzweig, 1979).

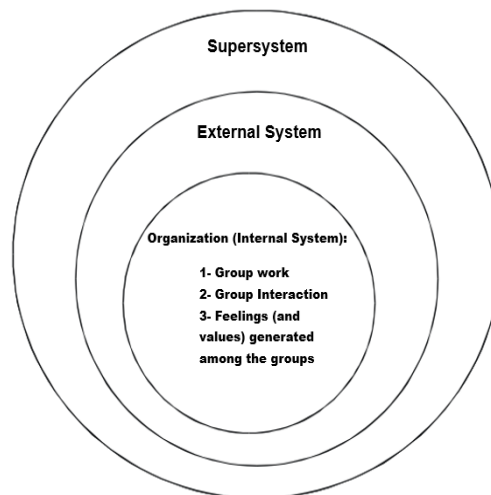
### GRAPH: SOCIAL INSTITUTIONS: OPEN SYSTEM MODEL



Source: Own elaboration based on Kast and Rosenzweig, 1979

A particular, yet interesting and fundamental view of the social, mentioned by Kast and Rosenzweig (1979), is developed by the sociologist George Homans, who uses systemic concepts as a basis for his empirical research on social groups. Homans develops a model of Social Systems to explain the functioning of small groups and social organizations, indicating that a social organization is composed of an internal system and an external system in a relationship of interdependence. Regarding the internal system, he indicates that it is constituted by three elements: The tasks that people carry out; the interactions that occur among people as they perform their tasks; and the feelings (and values) that develop among individuals. These elements are interdependent.

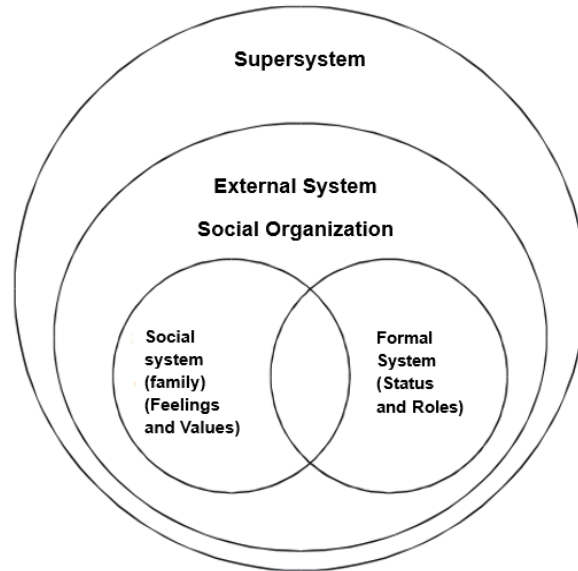
### GRAPH: SOCIAL ORGANIZATION MODEL



Source: Own elaboration based on Homans (1950)

SMEs, qualitatively characterized as small and family-owned organizations, are then social organizations where the social system (feelings and values) of the family interacts with the formal system (status and roles) of the company, shaping the social organization.

GRAPH: SMEs AND THEIR SOCIAL INTERACTIONS



Source: Own Elaboration.

This category<sup>110</sup> of Family Business, for its understanding, should be broken down into two subcategories: "family" and "business." The first subcategory, which is the family, from the perspective of social psychology, can be considered as a group formed by individuals whose main objective is to socialize its members. It is in this cell where a person acquires values, beliefs, and myths. Family members are provided with a way of understanding the world, "interaction patterns" (Minuchin and Fishman, 1989). This worldview can be contrasted with other visions from different groups, and then there is a confrontation between these visions, which can have various consequences. In addition to socializing its members, the family contributes to establishing defined rules and limits of family interaction, which will establish reciprocal relationships among its members. Any challenge to these rules will be automatically countered (Minuchin and Fishman, 1989).

But how is this group called family formed and developed? The family life cycle can be divided into six stages: detachment, coupling, children, adolescence, reunion, and old age (Estrada, 1990). Let's give a brief explanation of each of these stages:

1. Detachment: occurs when a couple of young people decide to seek their independence and separate from the parental home to form their own family.

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<sup>110</sup> Categories are the levels where the unit of analysis is characterized (Sampieri et al., 1998); in this case, the unit of analysis is SMEs, the category is Family Business, and the subcategories are Family and Business.

2. Coupling: comes with the first years of cohabitation within marriage, where behavioral patterns are established; and new roles are learned, with rights and obligations, through different forms of cohabitation with the spouse.
3. Children: from the new roles and cohabitation comes the arrival of children, who also require and need another change in the couple, as there is now a new person who requires affection, support, understanding, and care.
4. Adolescence: a crucial stage in every family, as children seek their own identity that defines them as individuals, which can bring conflicts with parents due to their particular vision of the world.
5. Reunion: here is presented what Estrada (1990), according to Mc Iver, calls the "empty nest phase," where the problems of upbringing have ended and adolescents and young people seek their independence from the parental home, the couple then seeks to reconnect.
6. Old age: the reunion serves to face the years of old age, where there are new changes oriented towards the role of grandparents of the next generation<sup>1115</sup>.

It should be mentioned that in this process of formation and development of the family, it is not a static cell, but a dynamic cell in constant change, not only in the biological realm but also social. Through its different stages, family members face temporary conflicts that must be overcome, or in the worst case, these conflicts are left unresolved (Minuchin and Fishman, 1989). While the main function of the family is the socialization of the individual, this cell is inserted into a global system that is society. Society assigns its members different roles and hierarchical levels or statuses. It is undeniable that these roles and statuses are also embedded in the cell, which is the family.

Let's define the variables of role and status for the family within its context, which is society, in order to describe the operating scheme of the family as a subcategory of the family business.

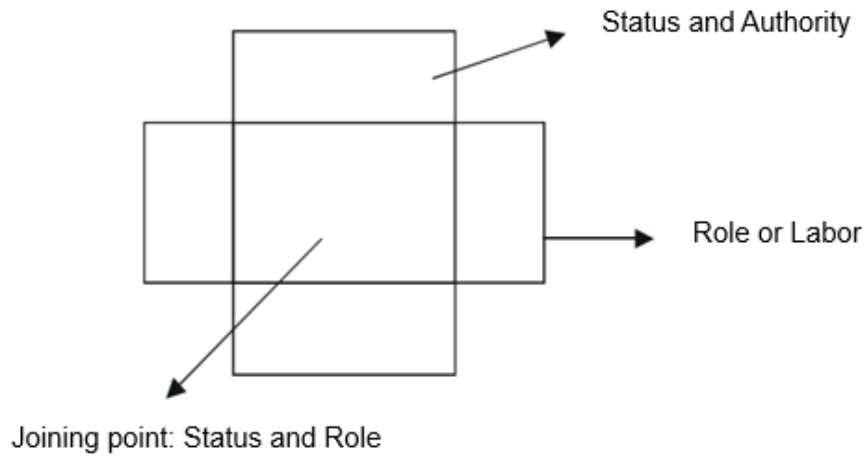
1. Status: is a position within the social structure. This means a level of authority, and its inseparable rights and obligations, which implies the exercise of power, interpreted as the individual's right to exercise it.
2. Role: are explicit and expected behavioral tasks. Tasks are interpreted as functions or obligations to be performed by the individual (Kando, 1977).

If we make an interaction between these two variables of family functioning, we will find a point where the family member has a status with their rights and a role with their obligations.

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<sup>111</sup> An important note about the family life cycle mentioned by Dr. Estrada is that this model is based on the middle-class American family model, and the conclusions drawn from it should be approached with caution. However, it ultimately helps explain the functioning and development of the family. Longitudinal family studies in Mexico are not readily available.

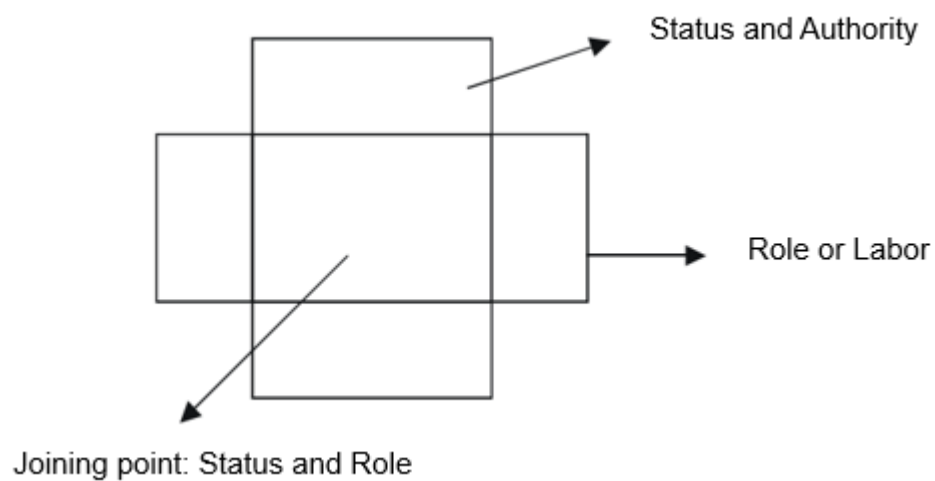
**GRAPH: FAMILY: STRUCTURE AND FUNCTIONALITY**



Source: Developed by Kando (1977)

It should be clarified that this is a simplified way of presenting the functioning of a family, as a single family member has, at the same time, different statuses and roles to play. The business is the other subcategory that forms the category of family business, and to explain it, it should not be detached from the family. The business is founded with the objective of generating wealth or income for the family. Its start as a family business comes from the personal savings of the entrepreneur or loans from the family itself. It also arises as a small organization, due to the lack of resources; this means that it tends to be simplified or not very complex with a simple hierarchical structure (Mintzberg, 1991<sup>a</sup>).

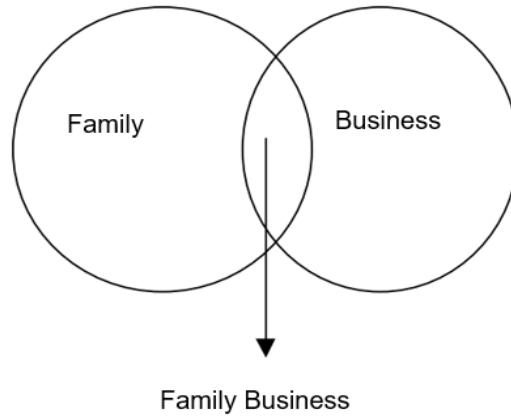
**GRAPH: FAMILY COMPANY: STRUCTURE AND FUNCTIONALITY (1)**



Source: Own Elaboration

Thus, we observe how the structure of the family and its functioning overlap on the same plane, and on the other hand, the structure of the business and its functioning. In a second theoretical and descriptive approach to the family business from a systemic perspective, already from the 60s and 70s, we find that the conceptual model actually consists of two interconnected subsystems: the family and the business (Gersick and Davis [et al.], 1997). Each of these subsystems apparently has its own norms: status and roles, but there is an area of interconnection where the roles of each of the subsystems becomes confusing.

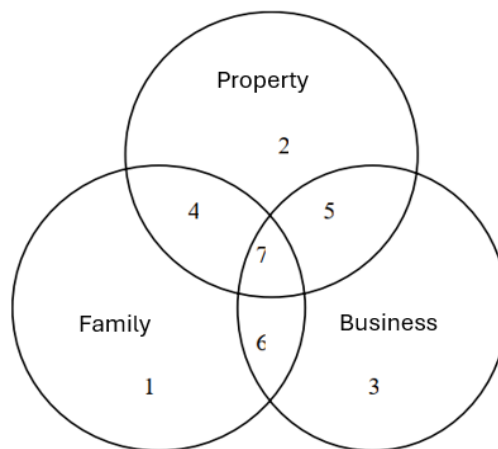
**GRAPH: FAMILY BUSINESS STRUCTURE AND FUNCTIONALITY (2)**



Source: Elaboration by Gersick and Davis [et al.], (1997).

In a third theoretical approach to the family business, in studies conducted at Harvard University in the 80s by Tagiuri and Davis, Gersick and Davis [et al.] (1997) suggest that there is a confusion of roles between ownership and management within the business circle. In other words, some are owners but participate in the management of the business, others are managers but control the shares. From here arises the model of the three circles.

**GRAPH: FAMILY BUSINESS: STRUCTURE AND FUNCTIONALITY (3)**



Source: Elaboration by Gersick and Davis [et. al.], (1997)

From this model or graphic, we deduce that conflicts are created when there are mixed interests between the ownership and the management of the family business. Expressed in other terms, between the patrimony and the decision-making, conflicts between different interests of the family and the business can then be mixed or reflected. This model provides us with a conceptual richness of what the family business is, finding an interaction between the three subsystems, and specifically seven delimited areas of interaction that imply 7 different areas of behavior.

Upon a general review, the 7 specific areas of interaction are:

- Area 1 belongs to the family.
- Area 2 belongs to the ownership.
- Area 3 belongs to the business.
- Area 4 belongs to being a member of the family and owner.
- Area 5 belongs to being an owner and member of the business.
- Area 6 belongs to being a member of the family and member of the business.
- Area 7 belongs to being a common member of the three subsystems: family, ownership, and business.

The general conclusion that is obtained is that in the family business, the initiator of the business or entrepreneur belongs to the family, is the owner of it, and directs or makes the decisions, mixing the interests of the family, the ownership, and the business.

### **C. Analysis of SME Management from a Strategic Management Perspective**

Strategic Management identifies the SME as an organization and allows, through different organizational forms or configurations, to make findings about its management signs. From this organizational approach, SMEs can then be described as organizations, and therefore, it is pertinent or convenient to talk about MSMEs (Micro, Small, and Medium Organizations).

MSMEs are organizations that have boundaries in relation to their context; they self-regulate through inputs (supplies), are transformed through human and mechanical work, giving outputs (products) for a market. MSMEs are characterized as family organizations, which are described through the subcategories: organization and family, where the organization is a small group of individuals integrated into a social system, and the family is a grouping of individuals whose purpose is to socialize. The organization is formed by two systems: the social (feelings and values) and the formal (status and roles). The family is formed by two systems: Status (levels of authority) and Roles (explicit behavioral tasks).

MSMEs are characterized as informal organizations, where roles overlap family and business, tending towards disorganization and disorder, within an open system, thus

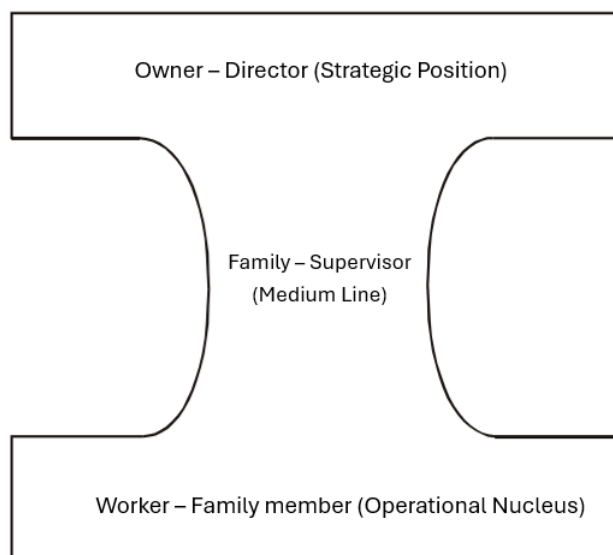


oriented towards positive entropy, or total disorder (Kast and Rosenzweig, 1979); under these terms, many of them are doomed to disappear.

This informality of MSMEs is referred to by organizational theory as individual discretion, within its external environment, inversely related to preprogrammed behavior (Hall, 1987). Another recognized and prestigious representative in the field of Organizational Theory: Mintzberg (1991b) explains this type of family organizations, through the configuration: "Entrepreneurial Organization," which has the following characteristics:


1. Strategic Apex. Owner-Director: autocratic leader, power is centered on him and he exercises it, does not foster formal controls because it threatens his authority (ideology) and his technical knowledge. Often a visionary leader, as the entrepreneur of the business.
2. Structure: is simple, not elaborate, a small group of supervisors, and a slight division of labor. Activities and procedures are not formalized, there is no work planning. Work relationships are characterized as family relationships.
3. Organization: is characterized as new and adopts this type of configuration whatever the sector to which it belongs.

**GRAPH: SMOs: ENTERPRISE ORGANIZATION**



Source: Elaborated from Mintzberg (1991b)

## CONCLUSIONS

1. The identification of the profile of SMEs, belonging to the manufacturing sector where family businesses stand out for their importance, was possible through the analysis of contributions from different schools of thought in Organizational Theory, generating a set of characteristics related to different configurations presented in this work.
2. The findings on the characteristics of SMEs are made visible through the different organizational configurations designed as a contribution to the analysis of small and medium-sized enterprises.
3. SMEs are organizations that are financed through family savings, dedicate most of their economic resources to the purchase of raw materials, and are oriented towards local or concentrated niches.
4. SMEs are businesses that aim to generate income for the family through creative management that faces the inherent scarcity of resources.
5. SMEs have a simple hierarchical structure, where the formal line of authority between the manager and the workers is practically direct and is exercised, sometimes, through a supervisor or group of supervisors. However, their functioning becomes complex considering their characteristics as family businesses.
6. SMEs are characterized by a structure in which the roles of owner, manager, worker, and family member overlap.
7. SMEs are complex family organizations, whose characterization and management signs referred to in this work led us to consider the relevance of naming them as small and medium organizations (MSMEs). 



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Autonomous Metropolitan University, Xochimilco Campus  
Division of Social Sciences and Humanities  
Department of Economic Production

## Journal *Administración y Organizaciones*

### EDITORIAL POLICY

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*Administración y Organizaciones* is a scientific journal published by the Division of Social Sciences and Humanities of the Autonomous Metropolitan University, Xochimilco Campus, Mexico City, Mexico. It is a biannual journal with continuous flow, specializing in the field of administration and organizational analysis. This publication serves as a medium for disseminating advancements and results of applied research, aimed at generating new academic perspectives in local contexts and deepening current theories, methodologies, and debates in Latin American organizational analysis.

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*Administración y Organizaciones* was established in November 1998 with the goal of bridging the gap with administrative and organizational reality through works derived from rigorous scientific research on organizational analysis. This publication is directed towards the academic community: researchers, professors, undergraduate and graduate students, as well as government officials, decision-makers, and members of the scientific community in private, public, and social organizations interested in the journal's topics.

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E-Book:

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