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Transcultural Foundations of Success in Joint Ventures: The Best-Practice Case of MABE-GE

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TRANSCULTURAL FOUNDATIONS OF SUCCESS IN JOINT VENTURES:

The Best-Practice Case of MABE-GE

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ABSTRACT

Effective management of transnational joint ventures requires understanding of two major trends rooted in our globalizing information economy. Businesses are becoming ever more knowledge-centered; and they find themselves thrust into ever more transcultural environments. The MABE-GE joint venture is a best-practice case that offers important insights for coping successfully with both of these trends. Over the past twelve years an alliance with GE has transformed MABE from a dynamic but traditional Mexican firm with its share of traditional problems, into an autonomous transnational powerhouse expanding rapidly into South America. This has been made possible by the synergy between MABE's markedly transcultural orientation from its founding on, and GE's exemplary mentoring practices that transmitted GE's advanced corporate culture without undermining MABE's autonomy or national and corporate identity. GE's own rapid culture change, its minority (48%) holding in the joint venture, and its fortunate choice of the manager in charge of relations with MABE were key factors in this outcome. The study offers insights into the bridging of gaps between national, corporate, and functional/professional cultures, the choice of joint-venture partners, culture transfer, human resource development, and management training.

EXECUTIVE SUMMARY

International joint ventures are notoriously unpredictable. At times they stumble despite strenuous management efforts; at other times they succeed against great odds. In our globalizing information economy, it is crucial to arrive at a better understanding and better management control of such ventures - and of transnational projects in general in which cultural barriers invariably play a major role.

The present study addresses the above issue. It analyzes the best-practice case of a joint venture between General Electric and a leading Mexican major-appliance producer marketing under the MABE label. Over the past twelve years the dynamics of this joint venture, with crucial input from GE, have completely transformed MABE. From a reasonably well-run but traditional Mexican firm with its share of traditional problems, Mabe has grown into a transnational powerhouse, an organization that is confidently weathering Mexico's current economic storm while expanding in an aggressive and autonomous manner into South America. This is all the more interesting because the transformation has been achieved not in a fast-developing East Asian economy but rather against the backdrop of poor national economic management that has led Mexico into its current development crisis.

The insights of the study emerged from following the course of MABE's development that spanned two generations from its founding to the present, with particular attention to the transformation that had begun prior to the joint venture with GE and thereafter gathered momentum with astonishing rapidity. MABE's course was marked by seven major decision points or "moments of truth," all but one of which involved the joint venture. These were: (i) the dilemma of exit from the industry or fast growth through international alliances; (ii) commitment to the joint venture with GE; (iii) establishment of a close linkage between strategic coordination and human resource development; (iv) creation of a state-of-the-art plant for export to GE's markets in the U.S.; (v) integration of Mexican acquisitions into a unified corporate culture; (vi) transnational expansion into South America; and (vii) holding course through Mexico's current national crisis.

The experience of MABE and GE is out of the ordinary in ways that make it a best-practice case and thus carry direct implications for the success of international alliances and transnational operations in general. The ability of organizations to relate productively across cultural differences turns out to be critical in this regard. A willingness to address cultural differences with empathy and on the basis of mutual respect allows firms to adapt their corporate practices, particularly those centered on human-resource and core-competency[i] *development, in ways that support the attainment of transnational competitiveness.*

In this study, the term *"transcultural"* will be used to characterize business and other environments that transcend the narrowness of a single culture and demand attitudes or orientations that confer the ability to cultivate relationships and pursue objectives across cultural differences. The term "cross-cultural," as usual, will refer simply to arrangements or functions that operate across cultural differences, as in cross-cultural teams or cross-cultural issues.

On the Mexican side, the MABE-GE joint venture is noteworthy for the openness that had existed within MABE to cultural currents transcending a narrow national perspective, even before the first contacts with General Electric. This *transcultural* orientation has played a major role in MABE's ability to work successfully with GE because MABE, as the partner less advanced both in technology and management when entering the venture, has had to undertake the lion's share of transcultural adaptation, learning, and transformation to make the joint effort succeed. It has done so in an exemplary fashion.

Founded in 1947 by Basque immigrant families in Mexico whose transcultural awareness had been honed by many centuries of a separate Basque identity in Spain, MABE was being led from the start by persons oriented toward maintaining ties with Europe and cultivating new ties with the United States and South America. It is no coincidence that MABE's Director General, hired from outside the founding families in the Sixties, was bicultural, having spent a good part of his growing years in the U.S. The second generation of the founding families, that was soon to enter top executive positions, grew up with meaningful ties - by birth, university studies, or executive apprenticeships - to the broader world outside Mexico.

By the time the GE joint venture materialized as a possibility, there was a great felt need within MABE for an international partner corporation that would transfer to the firm high technical and management skills and provide access to major external markets.

Above all, there was at the top a genuine commitment to learning across cultural barriers, coupled with a lack of defensiveness that was made possible not only by the transcultural orientation of the individuals involved, but also by their strong sense of identity. This identity encompassed MABE's corporate culture as well as Mexican national culture. It communicated itself to all levels within the firm and made possible the rapid absorption of technical know-how and international management practices from GE.

On the side of General Electric, several factors converged that enabled GE to play a highly constructive mentoring role in MABE's transformation. GE has been able to transmit much of its advanced corporate culture to its partner while supporting MABE's autonomy and identity. GE's ability to sustain its high-quality mentoring of this joint venture is no less exemplary than MABE's ability to absorb it, and in the process to develop to the point of being able to offer worthwhile reciprocal experience to GE.

The factors that promoted GE's success included the company's own corporate culture change; GE's minority share in the equity of the venture that precluded heavy-handed policy impositions; and GE's fortunate, not fully conscious choice of the right kind of person to interface with MABE. This last factor was crucial for success, because it infused GE's mentoring functions with the appropriate transcultural orientation that is as important on the part of the mentoring firm as it is on the part of the firm being mentored.

Culture change within GE. Over the years since the joint-venture negotiations began in 1984, GE itself had been in the process of ongoing cultural transformation under its CEO, Jack Welch. The changes involved decentralization of authority by flattening the corporate pyramid; the systematic opening of upward communications ("Work Outs"); broad diffusion of significant advances ("Best Practices"); and a perspective encouraging free and productive interactions even beyond the organization's own limits ("Boundary-lessness"). This promoted good mentoring by placing intrinsic value on the transmission of technical and management know-how and the cultivation of initiative at all levels.

Equity shares. The exercise of initiative on MABE's part was, moreover, powerfully backstopped by the 52% equity share and all-Mexican management that the joint-venture agreement secured for the Mexican side. This obligated GE to rely on persuasion rather than formal instructions if differences ever arose - a far more effective tool over the long run, given a strong incentive to succeed on both sides. Persuasion requires effort to understand the culture and point of view of the partner; it also motivates the partner to reinforce his autonomy by doing things right the first time.

GE's choice of manager to interface with MABE. Finally, it was crucial that GE assigned the function of interfacing with this particular joint venture to an executive who both by his abilities and by GE's organizational dynamics turned out to be exceptionally suited to facilitation of a mentoring relationship. Transfer of know-how from GE to MABE required an atmosphere of respect for MABE's distinct identity, else the benefits that GE counted on from MABE's competence within the Mexican business environment would have been blunted and promising initiatives stifled. The task called for the mature ability to listen, to relate with empathy across cultural differences, to establish genuine mutual respect, and to allow insights and relationships to grow over a horizon of years.

Yet, these characteristics do not tend to be rewarded by rapid promotions in a large corporation. The hard-driving executive on the fast track, rather, typically exhibits energy, assertiveness, and a desire for the frequent job reassignments that will advance his career. There is thus reason to believe that our globalizing business environment with its increasing emphasis on transnational operations, is creating a latent contradiction between the more mature outlook required for successful mentoring across cultural barriers, and the typical characteristics of the fast-rising executive with his rather self-centered career drive.

Even though GE's own internal process of cultural transformation implies a higher valuation of the abilities that are also required for successful mentoring, incentive systems are slow to change. In this context, a truly remarkable feature of the MABE-GE case is that the manager whom GE had selected for interfacing with MABE did in fact possess the maturity and abilities to rise to the challenge. Moreover, as a result of GE's internal organizational dynamics, he was left in place long enough to see through the mentoring process to the point where the one-sided transfer of know-how from GE to MABE gave way to an organizational relationship of progressively greater reciprocal exchange of experience. Appreciation of the significance of this history is one of the insights gained from the present study.

Other important points for consideration that emerged from the study concerned the choice of joint-venture partners, the creation of flexible cross-cultural teams, learning across cultural boundaries, facilitation of multi-cultural change processes, and the development of strategic alliance networks.

Overall, the study indicates that many insights about transnational management problems can be gained by adopting an analytic perspective that focuses on cultural differences and on how they can be bridged. The usefulness of this perspective in confronting management decisions that arise in our globalizing, plyglot business economy is evident. It would appear, moreover, that adopting such a perspective will yield fresh insights in at least two other areas of current concern: first, coordination of different corporate cultures when creating larger organizations expected to function in a seamless manner; and second, integration of the work of professionals trained in different disciplines when striving to create new or improved corporate core competencies. Appreciation of the potential for generalization of the perspective that focuses on cultural differences is thus a significant result of this study.

Finally, the study carries implications for the personal characteristics, attitudes, and skills of managers who are likely to be successful in a transcultural business environment. The study suggests that a decisive advantage accrues to mature attitudes and skills as against the selfadvancing dynamism and drive of the typical corporate executive on the fast track. There appears to be a convergence between the characteristics required for success in transcultural functioning and the ones implicit in the most advanced practices advocated in the recent business literature. Thus the study raises important issues for human resource development and management training.

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INTRODUCTION

Why the MABE-GE Venture is of Interest

> *"My workers have to commute every day between the First World and the Third World and have had to do so from the start."*

These were the words in which Urbano Pérez, the leader of the Mexican side of a joint U.S.-Mexican project team, summed up the challenge facing him when the work on a 100-million dollar green-field plant got under way seven years ago in San Luis Potosi. It was the crucial first effort of a highly successful joint venture between General Electric and Exinmex (EXIN), a leading Mexican major appliance producer marketing under the MABE label.

The name "MABE" had over the preceding decades become firmly established in Mexico as representing the continuing identity of the firm over its entire history, even though the name was formally adopted as a legal designation only with the establishment of the joint venture with GE. In this report, "MABE" is used to designate GE's partner enterprise both before and after the joint venture.

The agreement establishing the MABE-GE joint venture in 1986 assigned to the expanded MABE organization all of MABE's pre-existing major appliance related assets, together with a substantial capital infusion from GE for the immediate construction of a major plant to supply GE markets in the United States. GE also committed itself to the ongoing transfer of technological and management know-how to MABE. The agreement gave GE a 48 percent equity in the expanded MABE organization but left MABE under exclusively Mexican management that has continued uninterrupted to the present day.

From 1986 to 1993 EXIN played no autonomous role in the industry. In the latter year, however, MABE laid the basis for some major acquisitions in South America that GE did not wish to pursue. These acquisitions were thus undertaken by MABE's Mexican investors alone, through the EXIN legal entity, but with a pending option for GE to join the ventures through MABE. In the meantime, MABE's continuing involvement has taken the form of royalty and management-services contracts with the respective enterprises.

> *The experience of MABE and GE offers a Best-Practice case of how firms involved in transnational joint ventures can help the ventures succeed. An appropriate transcultural orientation of venture partners is critical in this respect. Such an orientation allows partners to adapt their corporate practices, particularly those centered on human-resource and core-competency development, in ways that support the attainment of transnational competitiveness.*

In the MABE-GE alliance, the partner less advanced both in technology and management when entering the venture, has had to undertake the lion's share of transcultural adaptation, learning, and transformation to make the joint effort succeed, and has done so in an exemplary fashion. Yet the role of GE in mentoring MABE's transformation has been no less exemplary, because GE has been able to transmit much of its advanced corporate culture to MABE without undermining its partner's autonomy. Good transcultural corporate mentoring has surprising commonalities with good parenting.

The result has been the metamorphosis of MABE, a reasonably well-run but traditional firm centered on the Mexican domestic market, with its share of traditional problems, into an enterprise that over just a dozen years has matured into a transnational powerhouse in its own right. This enterprise is providing GE with more than just fast-expanding financial returns. Given that MABE is one of GE's highly successful international joint ventures, it also contributes world-class transcultural capabilities to GE, first of all in those parts of Latin America where GE does not yet have a leading major-appliance presence, and potentially in a broader international context as well.

The MABE organization, as expanded by the joint venture with General Electric, now supplies under the GE and Sears labels about one quarter of the market for gas ranges and three percent of the market for refrigerators in the United States. In Mexico, it serves half of the market for major appliances including washing machines (Exhibit 2). MABE production meets leading U.S. and world quality, cost, and on-time delivery standards by following advanced strategic and human resource management practices. Since 1993 MABE has set its sights on a course of expansion into South America whose sharing with GE is currently under negotiation.

MABE's experience touches on important issues that are at present at the center of concern in transnational human resource management. How can a company develop a shared vision and a global mindset? How should entry into emerging markets be managed? How can flexible global teams be created? How can global learning across boundaries be promoted? How should global networks and strategic alliances be developed? How can multi-cultural change processes be facilitated?

The case of MABE, as an example of a successful joint venture, is particularly informative for a number of reasons:

> *MABE is flourishing in the midst of the enormous current difficulties of the Mexican economy,* riding out the national crisis brilliantly. Its overall sales have held up remarkably well in the face of an almost thirty percent drop in domestic demand for major appliances in Mexico - because export growth, primarily to U.S. markets supplied by GE, has largely offset the domestic contraction (Exhibit 1). MABE, with strategic advice from GE, has also successfully offset a doubling of foreign subcontracting costs that resulted from the collapse of the peso, by switching to domestic suppliers suddenly faced with huge excess capacities.
>
> *Even before the present national crisis MABE had been exceptional,* both in its early abandonment of the traditional, highly authoritarian management style that continues to be prevalent throughout Latin America, and in its progressive transition to a high level of management excellence that by now incorporates core elements of GE's corporate culture.
>
> *MABE is being characterized by General Electric as the best of its joint ventures worldwide in major appliances* and among its top joint ventures in all its lines of business. This recognition rests on MABE's accomplishments in working with GE to bridge the Anglo-Latin cultural gap, as well as on MABE's success in unifying the diverse corporate cultures of its extensive acquisitions within Mexico. The result has been a corporate vision shared by all MABE units that includes a transnational and transcultural mindset.

> *Since 1993, MABE's top management has been on a course of aggressive transnational penetration into South America.* Initial acquisitions in Venezuela, Colombia, and Ecuador have been channeled through EXIN without MABE equity participation, because GE has not given its support to these ventures as originally contemplated by and for MABE. None the less, MABE's involvement through royalty arrangements and management contracts is at the core of these initiatives, with an option for GE to join the ventures by bringing them into MABE. At the same time, MABE has secured GE's tentative agreement to a joint MABE-GE penetration of South American major-appliance markets; final arrangements are under negotiation as of March, 1996.
>
> *MABE is now parlaying its transcultural experience, with the mentoring relationship reversed, into the ongoing rapid South American expansion.* In the past, MABE had contributed members to cross-cultural joint teams under General Electric mentoring; now MABE is mentoring personnel of its South American partners assigned to similar joint teams as it assists in the management of the new ventures. MABE had been absorbing know-how for decades across the U.S.-Mexico boundary; it is now passing on that learning from Mexico to South America. MABE had long cultivated U.S. ties that eventually led to the joint venture with G.E.; it is now in the process of developing a network of alliances spanning two continents. Patently MABE as an organization has advanced to the point of being an autonomous player on the transnational scene.

The question arises: how has MABE been able to achieve these successes? Where did it derive its decisive advantage over so many other struggling Mexican and other transnational joint ventures involving world-class partner enterprises? Was there a moment of truth in the company's past that, faced successfully, has given MABE a charmed life ever since?

It turns out that MABE's history contains not one moment of truth but, like the career of a great matador, a series of such moments over the years - each with the potential for a fatal miscalculation, each to be met with increasing panache and style for true greatness. We shall look in detail at seven moments of truth in MABE's history that represent seven particularly critical decision points. At each of these points, the organization chose what in retrospect has proven to be a favorable path. It is hard to avoid wondering whether it might not have been just serendipity or pure chance that had selected this one enterprise for a privileged outcome among many that took random turns at various points of the road. Yet, when for MABE the outcome happens to have been favorable at one turning point after another, it becomes compelling to seek systematic reasons behind the consistently right choices.

Objective and Approach of the Study

The objective of the present study has been to identify MABE's sources of strength - with a focus on the MABE-GE transcultural interaction and related human-resource development decisions - in order to gain insights from MABE's history for the management of transnational joint ventures in our rapidly globalizing information economy.

MABE was founded by Basque immigrants to Mexico; an important transcultural orientation can be recognized from the start at various points throughout the company's history that has given MABE a consistent advantage over the years. On the side of GE, exceptionally enlightened liaison with this joint venture has made a decisive contribution to success. The study suggests that the answer to the question: what makes a transnational joint venture truly successful? - may well hinge on the extent to which the partners in the venture are capable of adopting not just a transnational but a transcultural perspective.

The term "transcultural," defined in general terms in the Executive Summary, above, will be given more precision in a business context further below, in the Conceptual Framework section of this study, by identifying three specific cultural gaps that corporations need to bridge in order to be successful in their transnational operations. The gaps occur, first, between national cultures; second, between corporate cultures; and third, between the strategic and human-resource functions within particular organizations. These cultural gaps, and ways of bridging them, will be at the analytic core of the study.

Such a perspective, nevertheless, cannot stand on its own in providing joint ventures with the orientation needed for success. The trans-cultural perspective must rather inform a modern, "knowledge-centered" management apprach whose outlines are now emerging from the international management literature. The competitiveness of cutting-edge business units to-day, from small start-ups to leading transnational corporations, hinges ever more critically on their ability to mobilize all the knowledge resources to which they have access, both on the side of technology, information systems and communications, and on the side of organizational dynamics and human resource development. Key points of such an approach are also summarized in the Conceptual Framework section below.

The main body of the study follows the gradual unfolding of MABE's transnational capabilities over its consecutive moments of truth. Analytic commentary focuses on transcultural functioning in the framework of an integrated, knowledge-centered management approach. The study closes with tentative conclusions about concrete management issues that have to be resolved for the successful functioning of transnational joint ventures. The conclusions are presented from the point of view of both the more and the less advanced joint venture partner, with emphasis on the transcultural aspects of human resource development.

BACKGROUND

Origin of the Study

The idea for the study originated at the Executive Briefing of Cornell University's Center for Advanced Human Resource Studies in Mexico City in September, 1994, where MABE's Human Resources Director, Juan Diego Oliva Alvarado, gave a presentation on the advances in human resource management achieved by his firm. This presentation was noteworthy because it reported the results of a transition from the traditional centralized management style to a style in keeping with best international practice. The latter involved free flow of information within the organization, decentralization of decisionmaking and authority, advanced systems of management and worker education, and the involvement of personnel at all levels in the improvement of productive processes and product quality.

The presentation was impressive because modern management practices are still rare in Mexico. The case of MABE provided an instructive contrast with the experience of the author at one of the large Mexican para-state companies that attempted initiating corporate culture change. He was thus keenly aware of the difficulties in overcoming the traditional, highly centralized and authoritarian management culture that is still widespread in both the para-state and private sectors in Mexico. So it is, to be sure, all over Latin America and other Third World regions, not to speak of being far from extinct in the industrially advanced world as well.

MABE's presentation dealt with *what* has been was achieved, but did not encompass *how* it was done. This latter question has been at the focus of the present study. The study addresses the steps in the process of change which consist of identifying, confronting, and resolving a series of strategic choice situations over the years that such a transition usually requires.

It is important to analyze the roots of MABE's success for several reasons:

> The transition from a traditional to a modern management style is by no means easy to achieve in Mexico. Similar conditions prevail over much of Latin America, indeed, over much of the developing world; thus MABE's case is of broad general interest.
>
> MABE's success is particularly important because it is achieved against the background of the generally poor economic development experience of Latin America, as contrasted with the experience of the East Asian economies, recently analyzed by the World Bank.[ii]

The Current Economic and Business Situation in Mexico

Consumer markets and the crisis in economic development. Before the peso devaluation of December, 1994 that precipitated the current crisis, some 63% of workers in Mexico earned no more than the minimum wage of $ 200 per month, and only 15% earned over US$ 17,000.[iii] Thus, only the latter modest stratum could be considered as part of any reasonably defined consumer market, i.e., fewer than 15 million people in all.

This narrow market is mainly urban and young; over half of the population of Mexico is urban and three quarters are under 35 years of age. The consumer market is heavy in household durables including major appliances - an important datum from MABE's point of view - and also in homebuilding products and building materials.

Economic development, as is now beginning to be more widely recognized, requires structural transformations that broaden the middle class and thereby support productivity growth. Not only will the expansion of consumer markets depend on such a trend, leading to important economies of scale in domestic industries, but the accumulation of much of national wealth will likewise depend on this same trend, because middle-class families invariably finance the major part of human capital accumulation through the education of their children. A recent World Bank study[iv] has established that in the industrially advanced Western economies, between seventy and ninety percent of national wealth other than land and resources is embodied in human capital (the remaining category being produced and manufactured wealth). Moreover, the higher the level of development of a society, the larger is its per capita wealth in human capital; on the latter measure, Mexico registers at a level that is 4.6 times lower than the U.S. and 8.5 times lower than Japan.[v]

Events over the past decade, while Mexico marched under the banner of economic reform, have not been favorable for broadening the middle class. The reform involved an opening of the economy to the international market during the past two presidential terms (de la Madrid, 1882-88; and Salinas, 1988-94) - an opening that has been unnecessarily abrupt. It has been undertaken without appropriately cushioning the shock of the transition from a heavily protected to an open economy, by technical assistance and other short-term supportive measures. Many firms in Mexico's industrial core would have needed such help for undertaking the structural adaptations and modernization without which they could not compete in the newly opened market.

The consequent flood of foreign imports critically weakened many domestic firms; it also created a major balance-of-payments deficit that the government attempted to close by attracting foreign capital through high interest rates. The latter policy undermined the position of domestic industry even more, because it put the capital needed for modernization out of the reach of many medium-sized and smaller firms. By 1993, over 100,000 jobs were lost in such firms alone;[vi] Mexico's industrial core was severely eroded.

Such was the country's economic situation before the December, 1994 devaluation crisis. As the value of the peso dropped by half, the U.S. Government in early 1995 bailed out Mexico temporarily by assembling a 50-billion-dollar international stand-by fund, but Mexico's structural problems continue to this day without being addressed, let alone resolved.

MABE's success stands out even more when contrasted with this structural mismanagement at the national level. One factor that may have contributed to MABE's success was the degree of competition in the appliance industry.

Industrial organization and competitiveness. Protection of domestic industries in Mexico before the international opening had typically, though not invariably, led to the establishment of inefficient, high-cost monopolistic industries behind a high tariff barrier, particularly in the chemical, steel, energy, and other core sectors.

Yet, an effective industrial policy to protect newly emerging national industries need not always lead to domestic monopolies. A counterexample to the case typical of Mexico is offered by Japan in the post-war decades where a protectionist policy with different institutional presuppositions brought fierce competition among domestic producers behind a high international tariff barrier similar to that of Mexico. Firms that could hold their own in this domestic rivalry would then find it relatively easy to enter international markets successfully, provided that the domestic markets had grown broad enough to support adequate economies of scale.

As part of an integrated policy, the government of Japan, unlike the government of Mexico, promoted rapid growth of the middle class, in order to broaden internal markets. Thus the expansion of consumer markets for three "golden goods," refrigerators, washing machines, and television sets, was strongly encouraged. The government deliberately fostered the perception that any family owning the three golden goods was in fact part of the middle class, a status to which families in modern societies invariably aspire. (Note that MABE produces two of the three golden goods.) Based on the expansion of domestic markets, Japanese firms then entered international markets. The most visible example had been Japan's entry into world automobile markets as a dangerous competitor at the point where the proportion of Japanese households that could afford a car rose to some forty percent.

From the point of view of competition, the Mexican metal transforming industry in general, and the appliance industry in particular, was in some ways more similar to typical Japanese industries than to typical Mexican industries. Behind Mexico's tariff barrier a reasonable degree of competition existed; this was reflected in the productivities in these industries which in some cases, such as that of automobile parts and components, approximated productivities in the United States.

In the major appliance industry there were about six to eight competing firms during the post-war decades (Exhibit 9). Therefore, the penalties for inefficiency in the domestic market were greater in this industry than in many other industries, and the attainment of international competitiveness was correspondingly easier. Yet, to attain that goal, traditional authoritarian management styles had to be overcome, as MABE has successfully accomplished.

Before embarking on a detailed analysis of how MABE has been able to do so, it will be convenient to present a brief overview of traditional versus modern management styles and their cultural roots. A more detailed discussion of the modern, knowledge-centered management approach, to which MABE successfully transitioned, is deferred to the Conceptual Framework section, below.

Traditional and Modern Management Styles

Traditional authoritarian management styles have been contrasted with case studies of private-sector Mexican companies with more modern management practices in a recent monograph by Eva Kras of the University of Toronto.[vii] As a foreigner, Kras softened her critique of traditional Mexican management and allowed many of her points to emerge indirectly from the contrast with better-managed firms. Yet the Foreword to her study, written by a Mexican national, pulled no punches. By drawing together Kras' message conveyed largely between the lines, it bluntly characterized managers operating in this style as:

> " ... incapable of teamwork, fearful of delegating responsibility and authority to their people, jealous of the development and creativity of their subordinates, dependent on family politicking and 'influential connections,' ignorant of the imperatives of quality and efficiency, unaware of the reality of the loyal and committed functioning of the common Mexican laborer. Self-satisfied in their own mediocrity, they are protected by their outdated petty power."[viii]

The above description paints an extreme picture of the negative elements of the traditional, authoritarian management style.[ix] Yet, not many individual managers are likely to exhibit all the worst features of the above stereotype. More importantly, the characterization of the traditional management style is notably one-sided. It leaves out of consideration, on the other side, those traditional cultural elements that manifest themselves in the negative in the authoritarian management style but that are bound to play an important positive role once a meaningful transition to modern management practices is initiated. What, then, are these potentially positive elements?

In Latin culture, the focus is on the person; relationships play an autonomous role; and relationships are understood to require time to unfold and mature. This is often toxic in an authoritarian management environment, yet can be a highly positive element in the emerging advanced human-resource-management and customer-service context. In U.S. and much of current international culture, by contrast, the focus is on the task not the person; relationships are expected to play an instrumental not autonomous role; and speed and flexibility are emphasized over the development of relationships.[x] U.S. and international business culture are functional but somewhat dehumanized in comparison with Latin culture. In analyzing MABE's accomplishments, it will be important to focus on the constructive role of Latin cultural characteristics, from at least two points of view:

> First, the transition to international management standards cannot succeed if it comes to mean a loss of cultural identity for the individuals involved; the resistances would be overwhelming. In an advanced international management context, the typical Latin focus on the person and on relationships can offer substantial help in achieving the transition appropriately; it did so in the case of MABE.

> Second, as world business moves into the information era and both knowledge-based businesses and services come to play an increasingly dominant economic role, the Latin cultural emphasis on personal involvements and the need to nurture relationships appears ever more in the light of an asset, while the U.S. and international cultural orientation to tasks, speed, and functional relationships gradually discloses its negative side, namely a reduced capacity to enter relaxed and comfortable personal relationships. In the Northwestern European countries and in the United States, special programs are already being made available to businesses that depend critically on customer goodwill, to train employees to behave more graciously and less impersonally in their interactions with customers and the public. Latins need no such training; the desired attitudes permeate their culture. MABE was able to benefit from this Latin characteristic in all of its customer service relationships.

In terms of management styles, Mexico today is in transition. Beside the case of MABE discused in this study, a number of important examples of firms with progressive management practices are presented in Vera Kras' monograph cited earlier.[xi] In addition, the recent export performance of the Mexican economy in the automobile sector and several other industries attests to management success in individual firms, despite the poor management of the economy at the national level.

Given this brief background discussion of economic conditions, competition, and management practices in Mexico, a summary overview of MABE is presented as it exists today.

MABE Today: a Brief Overview

MABE to-day is a joint venture whose equity is split 52/48 between a group of Mexican investors centered on the Berrondo and Saíz families on the one side and General Electric on the other. It is and has all along been under Mexican management. MABE produces gas ranges, refrigerators, and washing machines in manufacturing plants located in five major cities in Mexico, all of them on the country's principal export axis extending from the capital Northward to the U.S. (Exhibits 6 and 7). MABE also has a major technology development center in Queretaro.

The manufacturing plants employ approximately ten thousand people (Exhibit 3). MABE's domestic sales from these plants in 1994, the last normal year prior to the collapse of the Mexican peso, were 1.6 million units (Exhibit 4) with a value of 480 million U.S. dollars, figured at an exchange rate of 3.1 pesos to the dollar. During 1995, these domestic sales fell by twenty-two percent to 1.3 million units. In dollar terms, with the exchange rate well over 6 pesos to the dollar, the drop has of course been much greater, while the cost of imported parts and components, in national currency, has more than doubled. In this regard, it is of critical importance that since the peso crash MABE, with strategic counsel from GE, has accomplished a major substitution of imported components by Mexican-supplied components.

MABE exports from Mexico (Exhibit 5) have increased rapidly over the years including the current crisis year, in large part as a result of GE purchases which continued growing by some sixteen percent between 1994 and 1995. Total exports have reached 1.1 million units by 1994, with a value of some 250 million U.S. dollars; thus total MABE sales in this year were 2.8 million units with a value of the order of 730 million dollars. During 1995 a further increase in exports, to 1.3 million units, has offset much of the drop of domestic sales; total sales fell by less than six percent (Exhibits 1, 4, and 5). While so far, only a modest proportion of these exports has gone to

South America, the latter have grown some threefold between 1994 and 1995, offering great promise for the future.

Through three joint ventures since 1993, the last one in Ecuador in 1995 with a new distribution startup most recently in Peru, MABE's Mexican investors (under the EXIN legal identity) have also acquired a regionally distributed manufacturing base in Venezuela, Colombia, and Ecuador which is in the process of being integrated by cross-supply of parts and components. Under current negotiations this manufacturing base is likely to be formally transferred to MABE. In 1994, sales from the first two ventures stood at 100 million dollars. Thus the combined volume of MABE and EXIN sales in all markets during this year was some 850 million dollars.

The MABE organization today operates through thirteen major divisional units (Exhibit 8) whose directors report to the Managing Director. MABE's organization chart is thus flat at the top, reflecting the influence of the corporate organizational philosophy of General Electric that aims to give managers a large enough number of direct reports to make it next to impossible for them to micromanage the operations for which they are responsible. As with GE, though, this philosophy has not yet trickled down fully; the median number of direct reports at the next lower level is five.

Important milestones in the history of the major appliance industry in Mexico and in the corporate history of MABE are presented in Exhibits 9 and 10.

CONCEPTUAL FRAMEWORK

Bridging Cultural Gaps

MABE's need to plan for a workforce that would commute daily between the First World and the Third World applies directly to one particular Mexican-U.S. joint venture yet at the same time points to a more general issue that is at the core of the present study.

In to-day's rapidly globalizing information economy, how can we best integrate into corporate strategy the bridging of the cultural gaps that pose an ever-growing challenge to transnational human resource management, namely the gap between different national cultures and with it, typically, the gap between different corporate cultures? In other words, what principles should govern the corporation that aspires, beyond being transnational, to becoming truly transcultural?

While a number of topics related to this issue, such as the process of corporate culture change, human resource management in a transnational environment, or the meaning and centrality of work in different cultures, have received significant attention in recent business and social science literature,[xii] there has been less general awareness of the need to focus on the bridging of cultural differences as an integral part of transnational corporate strategy.[xiii]

Indeed, a precondition for addressing that challenge appears to be the bridging of a more fundamental cultural gap: the one that often separates corporate strategic decisionmakers from human resources managers - and in the process not only marginalizes the human resource function but also places corporate strategy under a handicap. This problem has received inadequate recognition in American business practice, even though such a cultural gap is more and more of a disadvvantage in to-day's information-intensive global competitive environment in which high-level human resources play a central role. While in Japan, for example, the core decisionmaking group of corporate officers often includes the chief human resources officer, in the U.S. this is hardly ever the case.[xiv]

The need to integrate corporate strategic and human resource functions arises from their close mutual interdependency under conditions of rapid change. Thus, human resource management must at all times adjust to the firm's overall strategic needs. As strategy implementation depends on effective human resource support, human resource management must constantly create new skills and capabilities that are required for meeting ever-changing strategic challenges. Conversely, strategic decisions must adapt to actual and potential human resource availabilities. Particular strategic challenges must be evaluated with regard to their human resource implications: can their skill requirements be met? Do they adequately exploit the opportunities provided by existing and potential core human resource competencies?

Therefore, effective transcultural corporate functioning to-day requires the bridging of at least three major cultural gaps:

> The gap between different national cultures - the most readily perceived gap.
>
> The gap between different corporate cultures - a gap that typically arises in transnational joint ventures but often also creates problems in multi-component corporate operations within a single national economy.
>
> The gap between corporate strategic decision-making and corporate human resource management - the most fundamental gap.

The concept of bridging cultural gaps also provides a useful perspective when addressing differences between advanced and lagging corporate components; or when dealing with gender, racial, ethnic, tribal, language, or religious differences in an organizational context.

To be effective, a management orientation to the closing of cultural gaps must operate within the framework of a modern management approach whose key concepts, now emerging from the international management literature, are rapidly spreading among top-performing companies worldwide. Key points of such an approach, which will be referred to here as being "knowledge-centered," are summarized below.

The Knowledge-Centered Management Approach

Focus on the human capital resource is the categorical imperative of the knowledge-centered management approach.

In to-day's business environment, the human capital embodied in highly knowledgeable, educated, trained, and skilled human resources at all levels of a corporation constitute an increasing fraction of social wealth at the corporation's disposal, coming to rival the value of conventional physical and financial assets. None of this human capital can by definition be owned; any part of it may be withdrawn on short notice. *The corporation is thus in fact far more heavily leveraged than would appear and must be managed with increasing attention to the human capital resource.* This brings supposedly "soft" policy issues involving teamwork, organizational and personal relations, as well as the continual upgrading of human resources, into the core of top corporate policymaking concern.

In a business context, *knowledge* embraces effective ways of dealing both with technology and with the organizational relations that promote collective learning. Such learning is required for the harmonization of streams of technology and for cooperation in directing them toward an agreed objective.

According to World Bank estimates cited earlier,[xv] human capital represents the preponderant part of social wealth in the industrially advanced countries. Thus it is not surprising that strategic human-resource considerations are advancing toward a position of equality with financial considerations in key business decisions; access to high-level human resources and the ability to channel their effective use plays an ever-increasing role in global competitiveness.

In the public mind to-day knowledge, as applied to business, still primarily means high technology, but the trend is moving beyond a predominantly technological emphasis. Effective coordination of the activities of highly educated people within a fast-changing information environment calls for pioneering advances. The latter are needed in areas such as open information flows, lifelong education, team learning, the building of core competencies, mobilization of the firm's latent knowledge and creativity, and the involvement of entire organizations in strategic goal setting and implementation. With it all, there has to be a transition from authoritarian to nondirective business leadership that poses challenges and devolves power, in order to let people at lower levels find ways of meeting these challenges.

Important aspects of a knowledge-centered management approach have been described in a variety of sources in the business and organizational literature. *The conceptual framework adopted for this study attempts to integrate these aspects, with the transcultural dimension added.* Key sources that overlap in many respects have been the writings of Gary Hamel and C.K. Prahalad; Peter Senge; Michael Porter; and Peter Block (cited below). These have been complemented, particularly in view of the focus of this study on a General Electric joint venture, by inclusion of conceptions arising out of GE's corporate practices under Jack Welch. The present attempt at integration has also been greatly influenced by years of discussion of core topics between the author and his colleague at Cornell, Alan McAdams of the Johnson Graduate School of Management. The "knowledge-centered management approach" set out here incorporates many elements of McAdams' "New Industrial Paradigm" which he presents in his Management Consulting course.

The knowledge-centered management approach responds to ongoing changes in our business environment. Key aspects of this approach are briefly summarized here under four headings: (i) competitive advantage; (ii) strategic intent and core competencies; (iii) devolution of power[xvi] and nondirective leadership; and (iv) team learning and organizations without boundaries. The concepts developed under these four headings have close mutual interrelations and add up to an integrated whole that marks the path of industrial society into the future.

Competitive Advantage.[xvii] Competitive advantage is the capacity to keep ahead of change. In given lines of business, static advantages - human-resource and technological capabilities, access to markets and supplies, positional strengths in relation to rivals and competitors - are perishable assets apt to be eroded by change. Ultimately, the only way to sustain competitive advantage is to keep upgrading assets continually. Preferential access to the supply of existing factors must be extended by the creation of new specialized factors; markets can seldom be indefinitely sheltered by entry barriers and must be continually upgraded by innovation. At the corporate level, the ongoing sharing of activities and transferring of critical skills between different lines of business is essential for sustained competitiveness and growth.

Strategic intent and core competencies. Under rapid, massive structural change, effective corporate strategy cannot take the traditional form of strategic planning. With the predictive horizon becoming shorter and shorter in most industries, there is an erosion of corporate control and direction because conventional strategic plans reveal more about today's problems than about tomorrow's opportunities. Stability cannot come from projecting the present forward incrementally.[xviii]

> *Strategic intent.* A stable strategy can emerge only from a clear purpose that transcends the past: a strategic intent. Such a strategic intent chains the future - the road to which is far from clear and is indeed often "off the map" - backward to the present. The important question is not: "How will next year be different from this year?" but "What must we do differently next year to get closer to our strategic intent?"[xix]

> *Challenges.* An appropriate strategic intent can hold over decades (such as Canon's "Beat Xerox"; or Coca-Cola's "Put Coke within arm's reach of every consumer in the world."[xx]) Therefore, it must be translated into specific shorter-term challenges that can change as often as yearly, in function of the fast-changing pressures and opportunities emanating from the firm's environment.

> *Core competencies.* The challenges involve the firm's core competencies which represent the outcome of collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies.[xxi] More fundamentally, core competencies stand for knowledge: both personal knowledge resting on lifelong education and social knowledge embodied in technologies and their cooperative implementation in a given concrete production setup. Existing core competencies define what the firm is currently capable of accomplishing; challenges typically involve finding ways of expanding the firm's core competencies and acquiring new ones. In the long run, competitiveness derives from building core competencies that spawn unanticipated products.

Devolution of power and nondirective leadership. To succeed, strategic intent must have the total commitment of the entire organization; it cannot work by senior management making strategy and lower levels executing it. A traditional strategy hierarchy undermines competitiveness by fostering an elitist view of management that tends to disenfranchise most of the organization.

> *Devolution of power.* Challenges represent short-term strategic objectives that are formulated with critical input by upper management levels but are not to be pursued under their control, much less their micro-management. Jack Welch's conception of the need to flatten the corporate pyramid that has been successfully put in practice within GE serves precisely this purpose.[xxii] Devolution of power to all levels of the organization is essential to finding and implementing ways of meeting major challenges, because doing so requires mobilizing all manifest and latent resources of knowledge, energy, imagination, and creativity of the entire organization. Such a harnessing of the "wisdom of the anthill"[xxiii] in the only way of rising to severe challenges, to which no appropriate response is known at the time when they are posed. Conversely, the devolution of power that makes mobilization possible is the only way to ensure that the challenges the organization poses itself are worthy challenges, capable of continually honing the organization's edge of competitiveness.

> *Nondirective leadership.*[xxiv] In to-day's business world, the sum total of the knowledge dispersed throughout the corporation's personnel greatly exceeds the ability of management to comprehend, let alone to control. The hierarchical command-

and-control management style of the past, modeled on the military, is thus inadequate to the task of mobilizing the capabilities of the organization in service of its continued competitiveness and growth in an ever-changing environment. There is an increasingly urgent need for a more demanding, nondirective leadership style that develops, unfolds, coordinates, and gives scope to the organization's human resources. At best, the functions of such leadership are performed with a low profile that gives the feeling to all persons involved in meeting challenges that they have done most of it by themselves.

Stewardship. Stewardship is a concept that goes to the heart of the issues of devolution of power and nondirective leadership. As summarized in the theme of *choosing service over self-interest,*[xxv] it expresses the ethical aspiration that provides direction to the transition from the authoritarian to the knowledge-centered management style. Though this aspiration points beyond what is concretely attainable, it reflects the reality that in the emerging knowledge-based economy, the desirable balance between our interests as isolated individuals and our interests as social beings is shifting in the social direction. If we want to work for well-functioning, competitive organizations, then we must restrain somewhat our individual drives for power and prestige and become more oriented to the needs of others. This shift - which parallels the growth in our personal lives from adolescent egotism to more mature interpersonal relationships - is a precondition for nondirective leadership. It also emerges as a precondition for the effective transcultural functioning of individuals and organizations.

Team learning and organizations without boundaries. Nondirective leadership can work only when information is not hoarded as an instrument of control, either at each level of authority or within vertical chimneys that restrict information to particular organizational units. There must be a free flow of information and broad access to it throughout all parts and all levels of the organization - and even beyond - if the process of team learning, which is at the core of a knowledge-centered management approach, is to be given scope.

Team learning. Team learning expands, pools, and mobilizes the knowledge of an organization. According to Senge,[xxvi] systems thinking, personal mastery, mental models, and the building of shared visions are the basic social technologies or "disciplines" that support the most important discipline, that of team learning. The latter is the central survival skill of organizations in to-day's fast-changing, information-laden business world. It is the process of aligning and developing the capacity of a team to create the results its members desire. Key dimensions of team learning within an organization include insightful thinking about complex issues; innovative, coordinated action; and the interlocking of multiple teams through shared team members. Team learning requires not only free circulation of information within the organization, but more than that, open discussion and dialogue that transcends the presentation and defense of individual, politically tinged points of view. Only in this way can a genuinely collective thought process get established whose outcome goes beyond any one individual's understanding. Leadership roles within a learning organization do not disappear but undergo a qualitative change in the direction of facilitating, supporting, and enriching the process of team learning.

Boundary-lessness. The idea of team learning writ large leads to a qualitatively new conception. When team learning expands to the limits of entire conglomerate organizations, including their alliances and joint ventures, and then spills over into

> the social web of productive interactions beyond, we have arrived at the organization without boundaries, a conception that arose as the culmination of corporate culture change within General Electric under Jack Welch.[xxvii] This cumulative culture change began with the flattening of the corporate pyramid to avoid micro-management; continued with "Work-Outs" that systematically confronted managers with ideas for change coming from below; moved on to the wide sharing of all significant advances ("Best Practices") within the organization; and finally led to a perspective encouraging free and productive interactions even beyond the organization's own limits. In Welch's words, "In a boundary-less company, suppliers aren't outsiders. They are drawn closer and become trusted partners ... Customers' vision of their needs and the company's view become identical ... The boundary-less company blurs the divisions between internal functions; it recognizes no distinctions between 'domestic' and 'foreign' operations; and it ignores or erases group labels such as 'management,' 'salaried,' and 'hourly' which get in the way of people working together."[xxviii]

The above core concepts, integrated with the conception of bridging of different cultures that has been set out in the preceding subsection, will help to interpret and evaluate MABE's historical performance and its emergence as a modern transnational corporation.

The Dynamics of Ongoing Change: Analyzing MABE's Performance

MABE as a Mexican corporate organization, and later as a joint venture with GE but under Mexican management throughout, has over the past dozen years made a spectacular transition from a predominantly traditional management style to the new knowledge-centered management approach. In the process of its association with GE, it has absorbed core aspects of GE's management practices and corporate culture but has successfully maintained its own identity. In interaction with GE, MABE has also found a distinctive way of dealing with transcultural issues.

We now turn to a presentation and analysis, within the conceptual framework developed in this section, of how MABE has achieved a transition from a traditional to a knowledge-centered management approach and how it has bridged the three basic cultural gaps in order to do so.

The next section reviews how MABE's latent potential for the transition developed from its founding year in 1947 to the critical year of 1984 when traditional management practices were decisively confronted. The subsequent section analyzes the formation of the MABE-GE partnership. The third survey section covers MABE's transformation into the modern transnational company we see in operation today.

The study concludes with conclusions concerning what MABE's experience contributes to our understanding of the transcultural foundations of success in transnational joint ventures, with emphasis on the development of human resources and core competencies.

EVOLUTION OF MABE'S LATENT POTENTIAL'S

Early Historyry

MABE was founded in 1947 by Basque immigrants to Mexico, Egon Mavardi, Francisco Berrondo, and Luis Berrondo Sr., brother of Francisco. A third Berrondo brother, Antonio, soon joined the enterprise. MABE derives its name from the Mavardi and Berrondo family names. In the Fifties, Egon Mabardi sold out his founder's share to investors in the Berrondo and Saíz families; from that time to the present, these families controlled the enterprise.

Francisco Berrondo Sr. acted as Chief Executive Officer until his death after which Luis Berrondo Sr. took over the leadership of the company. The current chief executive officer, Luis Berrondo Jr., is Luis Sr.'s son.

The immigrant background of the founders - one of whom, Luis Sr., continues as an important influence on MABE's decisions to the present day - leads to some key questions, given MABE's exceptional ability later in its history to operate across cultural divides.

Did the Basque vs. Spanish, or the Basque vs. Mexican cross-cultural tension that the founders' life experiences brought to the new enterprise, give MABE an important advantage from the start? Did the industrial and business experience that they brought with them from the economically more advanced European environment play an important role? Had perhaps even the harsh realities of the Spanish civil war, which hit the Basque country with particular ferocity, taught the founders important lessons about the interconnectedness of economics and politics that were helpful in their new environment? Though these questions might be hard to answer in a convincing manner, they must be raised in view of MABE's success in operating across the Mexico-U.S. cultural divide and the company's exceptional willingness to enter a foreign arena in South America.[xxix]

Among the important factors mentioned within MABE in the above connection is the coherence and mutual support of the post-civil-war Spanish immigration to Mexico. Another factor emphasized is the culture of work and the culture of quality characterizing this immigration, which has given rise to some highly successful and visible enterprises, such as the Aurrera and Superama supermarket chains or the Vip's restaurant chain.

Certainly, MABE's transcultural potential did not disclose itself in any obvious way during the early years when its management style and corporate culture blended into the traditional ways of the industry. After being established, MABE produced mostly metal kitchen cabinets and did not enter the major appliance industry until 1953 when it began manufacturing gas ranges.

The more sophisticated metal stamping operations involved in the production of gas ranges represented an upgrading of the metal bending and cutting capabilities developed by the company in the preceding years in kitchen cabinet production. This upgrading was the beginning of the build-up and extension of core competencies that continued over MABE's entire corporate history.

At the time of MABE's entry into the gas range market in Mexico, two other firms, Acros and Delher, were already serving this market. The major appliance industry in the 1940's and 50's also included four firms producing refrigerators and three firms producing washing machines (see Exhibits 9 and 10). There was thus a significant degree of competition in the industry.

A key event from the point of view of MABE's later transcultural functioning occurred when Luis Berrondo Sr. retained Jaime Dupuis as President of the company, a post he occupies to the present day. Dupuis has been widely described both within MABE and within General Electric as truly bicultural; he had lived from the age of six to nineteen in the United States and is said to function with equal ease in a Mexican or U.S. business environment. He was eventually to become a critical asset for MABE in creating the MABE-GE synergy.

Of equally decisive importance for the fortunes of MABE was the circumstance that the second generation in the Berrondo and Saíz families, which was soon to take over key responsibilities on the board and in the management of the company, has had significant international experience before taking management positions in MABE. Luis Berrondo Jr. worked for six years as chief executive officer of a Venezuelan corporation, Tanques Para Gas (Gas Cylinders), in which the Berrondo family had an interest. While there, he organized three joint ventures, two of which were transnational (Venezuela-Mexico and Venezuela-U.S.). His cousin José, born in Spain and also representing the second generation of post-civil-war migration to Mexico, received an MBA from the University of California and brought back from the U.S. many modern business management ideas; upon his entry into the business he had the reputation of a young turk who was eager to make a significant contribution and to do so fast.

These were some of the elements that constituted the background for MABE's succesful confrontation with its first crucial decision point that brought with it a notable transition from a traditional to a modern management culture and a commitment to a breakthrough in growth.

First Moment of Truth: The Dilemma of Exit from the Industry or Fast Growth through International Alliances

The specific situation within the company that eventually led to the first and truly existential moment of truth in the history of MABE began incubating with the decentralization of part of refrigerator production from Mexico City to Queretaro in 1976.

Prior to this time, all of MABE's production operations in all lines were concentrated in one block of industrial property that the company owned near the Mexico City airport. As MABE grew, factory buildings were added and expanded within this one block which over time became more and more confining. In 1976, when the decision was taken to initiate a serious export push, it was simultaneously decided to decentralize the production of single-door refrigerators out of Mexico City to a new plant to be built in Queretaro.

A look at the geography of MABE's present producing plants (Exhibit 7) indicates that the Queretaro site was chosen with a view to locational advantage; it was the major urban center closest to Mexico City on Mexico's main export route to the North. The Queretaro plant started producing in 1978 and became a center of expansion over the years (Exhibit 10). Because of its export focus, and because it was managed by José Berrondo who implemented management concepts acquired during his U.S. education, this plant from the start emphasized quality, labor training, and modern management practices; it never had any labor problems.

Not so the main operation in Mexico City. By this time the plant complex had a twenty-year history of entrenched, antiquated management and labor practices. The authoritarian management style at the top has been characterized by MABE's current Chief Executive Officer, Luis Berrondo Jr., as "solar management." Luis Berrondo Sr., the President at the time, and Jaime Dupuis, the CEO, were the twin suns around whom the entire management system revolved. Relationships were authoritarian down the management hierarchy; they were particularly rigid and arbitrary at the factory foreman level.

Moreover, beginning with 1976 the national economic and political scene underwent significant changes that brought a devaluation from 12.5 to 25 pesos to the dollar as well as increasing industrial centralization, expropriations, and protectionism. The years between 1982 and 1984 were particularly severe crisis years for the Mexican appliance industry. Private firms were weakened by price controls, while some previously failing firms, taken over by the government, competed in a tight market with special government support. The crisis period brought about consolidation within the industry; the government was eager to sell back ownership to solvent firms in the private sector.

Over this entire period the role of unions, especially in the capital, became more and more politicized and there was much union rivalry, with agitation and contested representational elections. MABE's operations in the Mexico City plant were increasingly caught between antiquated management practices on the one hand, and union power politics on the other.

Escape from the multiple inefficiencies inherent in the above situation required two major, simultaneous commitments. First, the entrenched, antiquated, authoritarian management structures in Mexico City had to be liquidated and modern management practices had to be laid in place, modeled on MABE's much more progressive management culture already successfully established for several years in the Queretaro plant. Second, the unions which had a vested political interest in the status quo had to be confronted. Undertaking these commitments and acting on them carried high risks; yet proceeding with temporary compromises and putting off fundamental change involved costs in both money and workforce morale that grew heavier with every passing year.

The crucial decisions, finally undertaken in 1984, coincided with a generational shift in top management. By this time Luis Berrondo Jr. had returned from Venezuela and had spent a full year studying the operations of MABE from an office within company headquarters but taking no part in management decisions. Subsequently he was named Director General of the firm and took over many top responsibilities from his father while Jaime Dupuis continued as President.

In recounting the history of that period, Luis Berrondo Jr. stated that even though he returned from Venezuela with a clear understanding between himself and his father that he would take over running MABE, the company was by no means handed to him on a silver platter. He came to be included in the top triumvirate running the company, but in a characteristic cultural difference between the U.S. and Mexico, no intent ever existed, to this day, to spell out with precision the authority and responsibilities of each of the three top men. Sensitive communications and mutual adjustments were handled by indirection on the basis of personal relationships, not in a direct manner, as would be the case in the U.S., on the basis of interrelations between functional tasks. Luis Jr. had to make a sustained effort over the years to acquire *de facto* authority in specific areas because Dupuis was a strong president.

It did fall to Luis Jr., none the less, to take major responsibility for the decision of whether or not to take on the risks of fundamental change, notwithstanding that both his father and Dupuis had definitive say in the matter.

Luis Berrondo Jr. recalled that by late 1984 it had become clear to him that from the point of view of MABE's investors, only two real options existed. The business either had to be sold; or else the risks of fundamental structural change had to be confronted and the renewed company had to make a commitment to achieve a breakthrough in growth by means of international alliances. With its traditional management structure and problems in Mexico City and at its existing scale of operations, MABE was subject to too many pressures and uncertainties, even though among the firms in the appliance industry, it was the least wounded by the problems of the industry during the period of the national devaluation crisis.

> *At the moment of truth before the end of 1984, Luis Berrondo Jr. came down strongly on the side of fundamental structural change and a commitment to fast*

growth. He succeeded in carrying his father and Dupuis along with him in this decision, despite the more conservative personal inclinations of the two older men.

Implementing the structural change option. When facing up to this critical decision, Luis Berrondo Jr. had at his disposal a plan for fundamental change including key reorganization proposals that had been worked out with broad management participation, above all that of Juan Diego Oliva, José Berrondo's human resources director in MABE's excellent new Queretaro operation. Input into the plan included formal studies, some of which were based on worker interviews. The plan involved four principles:

> The problems facing MABE in Mexico City were, over the long run, of the company's own making.
> Labor unrest was ultimately rooted in workers' justified resentments.
> A strategy of change had to start out with this recognition.
> There had to be a housecleaning before a new management culture could be established.

By 1985, the plan was in full execution. A new culture of work teams and more open communications was being established, with emphasis on the plants in Mexico City; worker rights and needs were being fully respected; and a major management and worker training effort had been put in motion.

Implementing the fast growth option. For MABE to achieve a breakthrough in growth meant a commitment to building or acquiring additional gas range fabrication capacity beyond that available at the Mexico City plant which was incapable of further expansion. It meant acquisition of a complete product line in major appliances by buying firms in the industry that were willing to participate in the effort to attain growth. Last but not least, it meant seeking association with a partner enterprise that would give MABE access to advanced international manufacturing technology, export markets, and modern management practices.

At the moment of decision, MABE had the advantage of previous contacts with General Electric dating back to 1982, the year in which GE had approached MABE with a possible interest in a joint venture. These contacts had been maintained primarily between Dupuis on behalf of MABE and Robert Reid, General Manager of the Latin American operations of GE Appliances. The two men got along very well from the start and eventually developed a close friendship involving both their families. With MABE's commitment to growth, Berrondo and Dupuis now had a greatly increased interest in intensive joint venture negotiations with GE which were subsequently carried out on a continuing basis mostly by Dupuis. Yet, both MABE and GE also considered other possible partners. This process led to MABE's second critical decision point, to be presented in the next major section.

Retrospective evaluation. This first moment of truth was the most important in MABE's history. It involved the existential decision of selling the company versus committing it to fundamental change and growth; thus it was a precondition for all of MABE's later successes. In retrospect, it is essential to analyze the dynamics of change. What provided the motivation and the push? And more importantly, what energized such a fundamental commitment to change?

By the time the commitment to change was made, MABE's operations in Mexico City had reached a point where not taking action would have involved more and more severe costs. The imperative for change was palpable; but so were the resistances. These were both internal, from a conservative management culture at the top, disinclined to take risks that could be bypassed by compromises; and external, from the trade unions that were politically benefiting from the status quo. Many companies in a comparable situation would have continued to put off the decision until most sources of company strength were eroded. What enabled MABE to bite the bullet?

In this connection, we have to ask whether at the moment of truth MABE did or did not possess a strategic intent which would have compelled change? The answer is that a strategic intent could at most have been implicit because the company was being pulled in opposite directions.

Pulling one way, three strategic factors were moving the company in a direction that might be regarded as representing an *implicit strategic intent to achieve primacy in the national industry.*

The first such factor was an ongoing commitment to exports, starting in 1974 with gas ranges and expanding from 1977 on with refrigerators (Exhibit 5). A commitment to exports could not have been sustained without an underlying culture of quality that MABE's founders had originally brought with them from Europe; lacking this, successful entry into export markets could not have been contemplated.

The second strategic factor was the modern organizational culture implanted in the Queretaro operation since its inception in 1976 by its director, José Berrondo, the family's young turk bent on rapid modernization. In this, he had the help of Juan Diego Oliva, his human resource chief over the critical early years of the Queretaro plant, who in 1982 was promoted to corporate human resource director. Oliva played a key role in arranging for the studies and in working out the plan of action that underlay Luis Berrondo Jr.'s thrust for change at the moment of truth.

The third strategic factor was the generational transition that had acquired sufficient momentum by late 1984 to give Luis Berrondo Jr. a decisive voice in persuading his father and Dupuis to accept fundamental structural change at the crucial moment. The transition required exceptional strength of character on both sides of the generational divide. It is rare within the Latin cultural tradition and all the more admirable, for a father to hand over to his son progressively more of the top authority and move on to the role of senior corporate statesman. It is equally rare and admirable for the son to do so with a grace that retains the full backing and counsel of his father, one of the firm's founders and key investors. The generational transition, moreover, also involved the relationship of Luis Berrondo Jr. to Jaime Dupuis, both of whom handled the transition with a similar grace. Dupuis transferred authority gradually but made Luis Jr. fight hard for each step. It was not until the turn of the Nineties that Luis Berrondo Jr. began implicitly emerging as the *de facto* center of authority at MABE; at the same time Jaime Dupuis, like Luis Berrondo Sr., gradually moved over to the role of senior corporate statesman, a role in which he remains highly active to the present day.

The combined pull of the above three strategic factors has in fact allowed MABE to weather the preceding crisis years in better shape than the other industry participants. The company was, however, at the same time also being pulled in the opposite direction by the resistances and inertia of its entrenched old-line operations in Mexico City.

> *MABE's implicit strategic target underwent a qualitative change with the resolution of the sell-or-grow dilemma. What resulted was the first instance in which MABE came to be motivated by a* ***clear strategic intent that explicitly committed the company to fundamental change, fast growth, and the pursuit of international competitiveness.***

Seeking an appropriate strategic alliance held out the promise of critical assistance on the last two objectives. The partner in such an alliance turned out to be General Electric.

ESTABLISHING THE MABE-GE PARTNERSHIP

Second Moment of Truth: Commitment to the Joint Venture with GE

The signing of the joint venture agreement with General Electric represented MABE's second moment of truth. Without this commitment, the company's fortunes would have taken a completely different turn.

General Electric made the first approach to MABE about a possible joint venture in 1982. GE had been active in Mexico for almost a century, since 1896. In the early 1980's a joint venture in which GE held a 49% share, CONFAD, was producing refrigerators and washers in Mexico and was competing with MABE in the market for refrigerators. In the U.S., beginning with the accession of Jack Welch as CEO in April, 1981, General Electric was reviewing its operations under the guideline that a business had to be, or had to have the potential of fast becoming, either number one or number two in its line, else it would be divested. In keeping with this approach, GE actually divested 118 businesses between 1981 and 1983. At the same time, GE also made huge investments, including $500 million between 1980 and 1983 spent on modernizing its major appliance group.[xxx]

In connection with the above major investments, GE Appliances had earlier conducted a broad survey of its market in the United States. In this survey consumers had been asked, among other questions, what brand of gas range they were considering to buy? *Twenty-five percent of respondents specified the GE brand, even though at that point General Electric was not marketing gas ranges!*[xxxi] Given the opportunity disclosed by this survey, GE turned to independent U.S. suppliers for sourcing gas ranges, including Tappan and Magic Chef,[xxxii] but at the time of the initial approach to MABE, was not satisfied with its existing arrangements and was exploring alternatives.

Mexico was highly attractive to General Electric as a potential supply location, for several reasons. GE wanted to produce gas ranges to U.S. quality standards at substantially lower cost than could be attained by U.S. suppliers. Productivity per labor hour in Mexico was beginning to approach U.S. levels in some industries closely similar to the major appliance industry, particularly in automobile parts and components, at hourly wage rates that were five to ten times lower than in the U.S.[xxxiii] In these industries, Mexico had the lowest labor costs world-wide on a unit productivity basis. Among foreign supply locations, Mexico also had a transport cost advantage compared with all countries other than Canada, a higher labor cost area. Finally, product characteristics already established in the Mexican market were somewhat more closely similar to those in the U.S. market than those of potential European supply locations where product design and distribution were strongly influenced by national cultural patterns differing from those of the U.S.[xxxiv]

MABE was selected by General Electric for an approach in part because MABE was widely respected in Mexico as a strong competitor with good technical standards. In the technical area MABE was, for example, the first to use polyurethane insulation in refrigerators when other producers in Mexico were still using glass fiber, and was also the first to introduce gas ranges with sealed burners in Mexico. Beyond this, MABE's original selection for an approach by GE was perhaps even more influenced by the consideration that MABE had top leadership, in the person of Jaime Dupuis, with whom key GE executives could easily communicate.

GE saw a great commercial potential in the U.S. market for gas ranges, but it could not realize that potential on its own because its competition had well-established experience and competence in cost-effective production involving advanced technology and design. GE was therefore seeking a partner organization that could give it a substantial production cost advantage rooted in lower wages while being capable, in a major joint effort with GE, of coming up to the quality standards demanded by the U.S. market.

A suggestion advanced from the MABE side but disputed from the side of GE was that GE might also have been seeking a partner with well-established, dynamic distribution and marketing capability in Mexico, because GE had not been able to bring about real growth in its appliance business in this country. The purported cause of this would have been GE's corporate culture. Any capable executive on the fast track would supposedly have felt highly constrained if he had remained in any given assignment for more than two years; yet two years were not enough for an American executive to get his bearings in the Mexican cultural environment. As soon as GE executives were beginning to feel somewhat comfortable with Mexican culture, according to this point of view, they were already packing their bags.

In retrospect, it is both hard and not particularly relevant to decide how persuasive each side's interpretation might be concerning the motivations involved in exploration of the possibility of a joint venture. What matters is that the joint venture did come into being and was hugely successful.

After MABE faced its first moment of truth in 1984 and opted for fundamental change, fast growth, and international competitiveness, it thereby established an explicit strategic intent. The first challenge under this strategic intent was to find and enter into alliance with an appropriate partner organization that would provide access for MABE to international markets, advanced manufacturing technology, and a modern management culture. Luis Berrondo Jr. and Jaime Dupuis addressed this challenge by moving the joint venture negotiations with General Electric into high gear. Without the intensive and focused work of the following three years, in the course of which Dupuis carried much of the negotiating load, the 1987 signing of the joint venture agreement could not have been realized.

None the less, before finally signing an agreement in 1987, both GE and MABE considered alternative joint venture options. MABE was looking at a possible association with Whirlpool. In 1983 General Electric actually entered a joint venture with Grupo Industrial Saltillo, a producer mainly of washing machines; but GE maintained the right to pull its refrigerator operations out of this agreement and associating itself with a third party in the manufacture of refrigerators. This opened the door to the MABE-GE joint venture.

At this point, however, General Electric was also looking at the Monterrey-based Vitro group as an alternative to MABE. In the 80's, the Vitro group had become a major power in appliances with a series of acquisitions. From GE's point of view, the choice between MABE and Vitro boiled down to a simple tradeoff. Vitro was substantially stronger in capital resources, but MABE's management culture had by this time become far more progressive and efficient than that of Vitro, not only in MABE's Queretaro operations, but also in Mexico City.

The choice on behalf of General Electric, whether to sign with MABE or Vitro, was finally made in favor of MABE by Bruce Enders, Vice President of Marketing of GE Appliances. The wisdom of this choice was amply confirmed some years later by the debacle of Corning's joint venture in consumer housewares with Vitro in 1993, which Corning, according to press reports, attributed to Vitro's antiquated, hierarchical management structure. This structure created an impossible bottleneck for timely, flexible management performance by centralizing authority for all important decisions at the very top[xxxv] - precisely the same traditional "solar" management style that MABE had successfully shed when it faced up to its first moment of truth.

The joint venture agreement gave General Electric a 48 percent equity share in the expanded MABE organization. GE contributed the refrigerator component separated out from its joint venture with Grupo Industrial Saltillo, plus 25 million U.S. dollars in cash. Management responsibility for the expanded MABE organization created by the infusion of equity by GE was assigned entirely to MABE; GE, however, was to provide management training and technological support to MABE for the ongoing upgrading of quality, productivity, and the expansion of exports to the U.S. and Latin American markets. The agreement, most crucially, also provided for building a new plant with a major infusion of GE design, technology, and management experience, to supply gas ranges for marketing by GE in the United States.

Following the signing of this agreement in 1987, MABE went ahead rapidly with a series of actions in line with its *strategic intent of structural change, fast growth, and international competitiveness:*

> MABE took out 70 million dollars in credit and with the agreed decisive input by GE, initiated the design and construction of a major new green-field plant at San Luis Potosi for gas range exports. The plant began production in 1990 (see Exhibits 6 and 7).
>
> Within a month of the signing of the agreement, MABE acquired IEM-Westinghouse (Industrias Electricas de Mexico), a firm producing mainly gas ranges and refrigerators that had been taken into public ownership by the Echeverria administration and was sold by the government to MABE in 1987.
>
> Within two years, at GE's initiative MABE bought out the entire major appliance capacity of the General Electric-Grupo Industrial Saltillo joint venture, mostly washing machines. Thereby, relying on GE's worldwide experience in the industry, MABE rounded out its own major appliance lines.

With these expansions and acquisitions, by 1989 MABE had a fifty percent share of Mexico's major appliance market which it has maintained ever since (Exhibit 2). Vitro has maintained a market share of some forty percent, with ten percent of the market served by smaller producers.

Evaluating the context of the second moment of truth. The question must be raised: what made the MABE-GE interaction as successful as it turned out to be, both during the years of negotiation of the joint venture agreement and afterwards, in the implementation phase?

Here the ability of the principals to transcend and bridge both their national and corporate cultures must be ascribed a major role. On the Mexican side Luis Berrondo Jr. and especially Jaime Dupuis with his U.S.-Mexican bicultural background, as well as Luis' cousin Francisco (Paco) Berrondo, were the key players. On the General Electric side, by all accounts a major share of the credit belongs to Robert (Bob) Reid of GE Appliances in Louisville, Kentucky. At the practical level of ongoing meetings where the devil is in the details, Dupuis and Reid had the exceptional ability to work together with a completely shared cultural understanding. This joint and simultaneous understanding of both cultures allowed them to shape the course of future action called for in the formal agreement in such a way that both Mexican and U.S. sensibilities would be respected and accommodated, from the weightiest economic issues down to the smallest nuances that symbolically reflect mutual respect and good faith.

Before moving on to the implementation phase of the MABE-GE joint venture agreement, it is important to note that in the same year in which the agreement was signed, the third moment of truth of MABE passed so quietly that it went almost unnoticed.

Third Moment of Truth: Establishment of a Close Linkage Between Strategic Coordination and Human Resource Development

While MABE's first two moments of truth revolved around obviously weighty issues with highly visible immediate consequences, the third, by way of contrast, brings to mind the clue of the barking dog in the Sherlock Holmes story. The clue was that *the dog did not bark.* In a like manner, this third moment of truth in the history of MABE was marked by its lack of claim to immediate attention; yet it had great significance that can be properly assessed only in retrospect.

In 1986, in the context of the ongoing management changes in Mexico City and the intensive joint-venture negotiations with General Electric, it became evident to MABE's top management that the preceding strategic pattern - under which every corporate unit formulated and implemented its own strategy in a largely independent manner with only limited input from the top - had reached a point of diminishing effectiveness. Accordingly, it was decided that a new function of strategic coordination between divisions needed to be created.

> *This was the point at which the dog did not bark. With no fuss and fanfare, the strategic coordination function was placed under the authority of Juan Diego Oliva, MABE's Corporate Director of Human Resources.*

Evaluation of the linkage between strategic coordination and human resource development.

This simple, seemingly routine decision showed both remarkable insight a foresight.

Its insight lay in the recognition that in a newly industrializing country, continuous upgrading of the quality of the company's human resources is the indispensable precondition of domestic industrial leadership and international competitiveness. In such a situation, it is unrealistic to formulate corporate strategy without a focus on where the company's human-resource capabilities currently stand and to what level they might be raised within the strategic horizon. Bridging the cultural gap that typically separates the human resource and strategic coordination functions and placing them under the same corporate executive greatly increases the likelihood that the two functions will be considered in their mutual interrelationship.

While emphasizing the key importance of this decision, it must also be noted that MABE's strategic coordination function, embedded in the Mexican cultural context, is by no means identical to the strategic planning function as understood in the U.S. In the same way as there has never been an intent to spell out precisely the division of authority and responsibilities between MABE's three top corporate decision-makers, leaving mutual adjustments to be handled by indirection on the basis of personal relationships, there has never been an intent to define a precise division of authority and responsibilities between Juan Diego Oliva in his capacity as Director of Strategic Coordination, and the Directors of substantive areas.[xxxvi] In this case as in the former one, mutual adjustments have been left to be handled by indirection on the basis of personal relationships.

In practice over the years Oliva, whose leadership style is in any event highly nondirective, has left most substantive strategic issues except human resource development to be handled in a decentralized fashion. Yet, he has interfaced with the strategic process of each substantive area to the extent that acquisitions, technical restructuring, joint ventures, or geographical expansion have had important human resource implications - as they of course invariably did. Since as Director of Strategic Coordination he has been and continues to be responsible for seeing to it that no base in the entire corporate strategic process is left uncovered, he has in fact *used the human resource development function to create key links that help to hold together the entire strategic process.*

The foresight of the decision lay in its anticipation of the recognition now emerging that the acquisition and deployment of core competencies, emphatically including their human-resource components, is the central strategic task of top management in modern corporations aspiring to global market leadership; and that business firms cannot remain competitive anywhere in the world without a commitment to the continuous buildup and proper architectural interrelation between these core competencies.

What enabled MABE to take such a progressive decision - and do so before significant exposure to GE's advanced business philosophies? A push from the past was the implicit recognition, in connection with the management troubles in Mexico City over the preceding years, that human resource concerns were crucial in governing the strategic options and fate of the organization. A simultaneous pull from the future was the emergence of a real possibility for a joint venture with General Electric which at this point was in its final stages of negotiation, and with it, the challenge that if MABE was not to lose control of its own destiny to key GE managers, the company needed to put human resource and especially managerial development at the center of its strategic concerns.

Perhaps the most important factor was the persistent transcultural orientation of key persons within the company - an orientation passed down from the founding generation to the younger generation. This orientation created a context for MABE's key decisions that enabled them to transcend the narrowness of a single national culture at a time when most firms, not only in Mexico but also in the United States, were still enmeshed in the parochiality of their own cultures. Looking outward from Mexico to the international business environment made it clear that MABE's aspirations in export development and the pursuit of international joint ventures hinged on a strategy in which human resource development played a central role; it was thus logical to link together closely the strategic and human-resource functions.

Before leaving the current discussion, it is important to point out the strong interrelations that existed between the three moments of truth that have been presented so far. They coincided closely in time, over the three-year period 1984-1987. The structural changes they wrought were complementary and mutually reinforcing. Jointly, they initiated the metamorphosis of a reasonably well-run but traditional firm with its share of traditional problems in 1984, into to-day's full-fledged, rapidly expanding transnational enterprise.

Fourth Moment of Truth: Creation of a State-of-the-Art Plant for Export to GE's Markets in the U.S.

The challenge of designing, building, and successfully operating MABE's new, million-units-per-year gas range plant in San Luis Potosi, which was at the center of the MABE-GE joint venture agreement, led to MABE's fourth moment of truth.

Under the joint venture agreement, the Mexican side retained management responsibility for all aspects of the operations of the expanded MABE organization. Final responsibility for making the project work thus in principle rested with Mexican management. Nevertheless, it was obvious that GE in effect had to lead the plant design and construction effort; moreover, Mexican managers were keenly aware that they could not afford to make any significant mistakes on the project without risking a major revision of the agreement. In practice they thus not only had to take day-to-day direction from their GE counterparts but were also under pressure to be very fast and very effective learners.

GE assigned a 30-member team to the project which worked closely with MABE's Mexican project team. While no GE technicians or executives ever moved from GE Appliance headquarters in Louisville, Kentucky, to San Luis Potosi to buy a house and take on long-term technical or executive functions, twenty people from GE did rent housing in San Luis Potosi and technicians were in and out all the time.

The gas range to be produced in the new plant was designed in Louisville, KY, embodying GE's long experience of producing electric ranges for the U.S. market. MABE's Mexican side contributed product and manufacturing know-how specifically pertaining to gas ranges. The design and building of the new plant was a major challenge for both MABE and GE. MABE had never taken on a construction project of comparable scope and complexity; GE on its part, had not previously designed and manufactured gas ranges for sale in the U.S. market. It is noteworthy that the gas range produced at the new plant was destined from the start for the high end of the line both in the American and Mexican markets; it was, for example, designed with self-cleaning features.

To realize its goals, the joint project posed a categorical imperative for highly intelligent, flexible, and dedicated cooperation across a gulf of both national and corporate cultures. That it succeeded is a major tribute to both partners.

The joint project team. Jaime Dupuis and Luis Berrondo selected Urbano Pérez for the challenge of heading up the project and leading the Mexican side of the joint MABE-GE design, construction, and start-up team. They left it to Pérez and the team to find ways of meeting the challenge - a crucial instance of modern nondirective leadership whose wisdom has been amply confirmed by the outstanding success of the project. Pérez's background was in engineering and administration; he had worked his way up in the compressor plants in Mexico City and San Luis Potosi and was heading the latter plant when he was tapped for the big job. He was thirty-three years old at the time; Luis Berrondo himself was only a few years older.

Pérez entered the scene after the joint venture agreement had been completed and a modest amount of preparatory work had been initiated. The GE side of the start-up team was headed by Ed Gibbon who jointly with Bob Reid had been negotiating for GE. Gibbon had earlier lived in Brazil for years; other GE members of the start-up team had also had international exposure, including Jim Boswell who had worked in Korea. At the beginning of the implementation phase, the MABE side of the team had six to seven full-time members. Of the thirty or so men and women on the GE side of team, four to five were assigned full-time, with an additional fifteen to twenty assigned part time in Louisville.

The cross-cultural genius of the team was in its age composition. By Luis Berrondo's account, he had asked General Electric to designate team members preferably in their late forties and early fifties; MABE in turn named a team with a mean age of twenty-eight. Berrondo had strongly felt that such a pronounced age difference on the two sides was going to be essential for the success of the team. Without it, Mexican team members would have considered it personally demeaning to be accepting guidance and mentoring from other professionals their own age, especially foreigners. Berrondo judged, however, that the emphasis of Mexican culture on strong emotional bonds within the family, creating an attitude of natural respect and deference by sons to fathers, would come to the fore as a result of the age difference and would ensure that MABE team members absorbed the knowledge, skills, and attitudes of the GE side in the most effective manner. This did, in fact, happen.[xxxvii]

Moreover, an evolutionary process occurred which gradually re-tuned the inter-generational emotional overtones in the direction of sibling relationships - as shown by a shift in responsibilities. In Pérez's opinion, a key to the success of the team was a clear division of these responsibilities at all times, with the MABE side in charge of the planning of production, materials, human resources, training, and systems; and the GE side initially in charge of the U.S. marketing plan, product design, and quality control. After production was started, however, over the years the responsibility for all quality control and most of product design was gradually passed to the MABE side.

Challenges of the project leader. The question of quality control, about which GE had some initial doubts, leads directly to what Pérez regarded as his most crucial initial challenge: *gaining immediate credibility* in front of the GE side for himself and his people. This required high levels of professionalism, but that was not enough.

> *Even within the father-son emotional context, which worked admirably to facilitate communications within the start-up team, the cultural gap separating the two sides remained to be bridged.*

An anecdote recounted to Mauricio Brehm of the Pan American Management Institute illustrates the point. Pérez noted that in cross-cultural teamwork, the small details were the ones that required special attention. He recalled that when he and his Mexican teammates visited the U.S. to meet with their GE counterparts, at lunchtime they were being served sandwiches and soft drinks that had been ordered in. They were put out by this because they felt that they were not being treated with proper respect. When the GE team members came to visit in Mexico, lunch was arranged at a good restaurant, taking up as much as two hours. It was now the turn of the GE people to be put out because they considered that such a long interruption of the work showed a lack of serious commitment.[xxxviii] These were the kinds of cultural traits that team members on the two sides had to recognize and accept; they had to bring into the open, analyze, and resolve many small sources of bad feelings that revolved around culturally fixed work and personal customs before the team could become fully effective.

Pérez formulated his second challenge as *bringing in both the plant and the product on schedule, up to quality standards, and on target as to cost.* In recalling the early heroic days of the project, he emphasized that it was an advantage to be able to design both the product and the plant at the same time, because this offered the opportunity for efficiencies of careful coordination - but it also made for a much more complex task. He perceived GE, the prospective recipient of most of the plant's output, as an extremely demanding client, but he stated in retrospect that he regarded this as an advantage because it spurred him and his team members to their very best efforts. He was also aware that his management of the project had to meet GE's standards if Mexican management responsibility for the whole expanded MABE operation, stipulated in the joint-venture agreement, was not to be called into question.

This was going to be a state-of-the-art plant. Pérez knew that it could in fact be built with the talented engineering group and the ample financial resources that he had at his disposal. Yet, it raised what Pérez regarded as his third challenge: *doing it right the first time.* Meeting this challenge compelled him to understand the difference between the First World and the Third World. "My workers have to commute every day between the First World and the Third World, and have had to do so from the start," he stated - the trenchant quote that had been selected to introduce the present study. "Training, training, and training," he continued. "The real thing was for these workers to understand attitudes ... complejísimo - an extremely complex matter." They also required knowledge, "easy," and skills, "a little bit more involved."

Long-term benefits of meeting the human-resource challenge-term benefits of meeting the human-resource challenge-term benefits of meeting the human-resource challenge-term benefits of meeting the human-resource challenge-term benefits of meeting the human-resource challenge-term benefits of meeting the human-resource challenge. What MABE has accomplished and is continuing to do so in the area of training is indeed extraordinary. Pérez stated that his workforce spends 5 to 8 percent of working hours in training or quality-team meetings, that is, some 100-160 hours per year; this compares to 40 hours per year at Motorola, one of the highest in the U.S. At San Luis Potosi, the training process started even before workers were hired into a formal permanent status; individuals selected for a pre-contracting stage were given a government fellowship for a training course. Additional workers were being hired progressively over a fairly long period of time as first the pilot line, and later three additional production lines started up one after another. The plant was designed for a total complement of 1100 workers and 600 employees.

The investment of an extraordinarily high proportion of paid labor hours in training as well as participation in teams systematically pursuing continual improvements, was a key factor in MABE's success in coming up to internationally competitive levels from the start of operations at the San Luis Potosi plant. Sustaining this investment over the years allowed MABE to stay in the competitive lead and together with other world-class companies in the global industry, to keep pushing pioneering standards forward. Such an ongoing investment in human capital has a very high financial return because it keeps the respective firms a jump ahead of the competition by enabling them to exploit cost-reducing and product-enhancing innovations as soon as they become available. Thus it continually upgrades and expands their core competencies and ensures them sustained profitable access to ever-changing broad markets.

This is true for companies in industrially advanced economies; it is doubly true for companies such as MABE that are able to come up to leading performance levels while operating in Third World regions where wage levels are substantially lower. The financial benefits are therefore correspondingly greater. At the same time, as Pérez has pointed out, *coming up to the international leading edge in Mexico does not imply matching U.S. productivities.* Optimizing the process at lower wage rates generally implies somewhat higher labor intensities; in the San Luis Potosi plant one can observe some manual operations that might be mechanized but under optimal conditions should not be. This means that productivity improvements have not been pursued blindly for their own sake. Yet, as Luis Berrondo Jr. emphasized, MABE has never withheld capital investments when these could contribute to improving international competitiveness - with full GE concurrence in this powerful long-range vision.

Management training proceeded in parallel with worker training. Apart from the extremely intensive *de facto* on-the-job training the key management members assigned to the joint MABE-GE project team received during the years of design, construction, and start-up of the new plant, other Mexican management members were also assigned to work in Louisville, Kentucky, for long periods of time, in order to absorb GE's management philosophy and practical skills.

During these years, under the leadership of Jack Welch, GE was embarking on a major effort of its own to change its corporate culture, with new tools being developed for putting the change into effect. MABE benefited greatly from being exposed to these new initiatives. MABE personnel was, for example, included in the Work Out[xxxix] sessions of GE Appliances in Louisville, alone among that organization's joint venture partners. MABE was also fortunate in that GE Appliances in 1990 pioneered within GE a new set of practices named Quick Response that allowed manufacturing operations to become much more flexible. "Quick Response, the result of a Best Practice from an outside company, has made Appliance Park the hottest destination on GE's internal Best Practices circuit."[xl] MABE personnel was thus able to witness the development of a major culture change initiative within GE at its point of origin within that organization. MABE personnel was, moreover, also assigned to attend one, two, and four-week intensive training courses at GE's management education center at Crotonville, NY, on a par with GE executives. This practice continues to the present; Pérez states that executives in his management team participate in a training project of their own choosing once a year.

It was emphasized by the persons interviewed for this report, both from the MABE and the GE sides, that the success of the cooperative arrangements between the two companies owed very much to the personal abilities of Bob Reid. He has been described as a very kind person, easy to get along with; a person with whom Mexicans felt very comfortable and with whom they could easily identify. This enabled him to undertake the shuttle diplomacy - in his own words, "like Henry Kissinger" - that kept the peace between the top levels of the two organizations. Luckily for the project, he stayed in place at GE Appliances in Kentucky over the entire span of years to the present during which his functioning as a corporate diplomat, catalyst, facilitator, and spokesman for "the hidden team of believers" has been critical for the success of the joint venture.

Evaluating the fourth moment of truth and its human resources sequel. The design, construction, and start-up of the San Luis Potosi plant was the make-or-break test of initial cooperation between MABE and GE. It represented *a major challenge under MABE's strategic intent of structural change, fast growth, and international competitiveness.* The noteworthy features of coping with this challenge can be summarized as follows:

> The challenge was posed directly by MABE's CEO to the Mexican side of the joint MABE-GE team, allowing the personnel involved to find its own solutions without micro-management from the top. This is fully in accord with the principles involved in the concept of strategic intent.
>
> The Mexican project leader counted it as a benefit to have a highly exigent client in GE, because it ensured best effort and promised great returns in competitiveness - very much in keeping with Porter's principle of pursuing dynamic rather than static advantages.[xli]
>
> The bridging of the cultural gap between the Third World and the First World was central to the project's focus from the very beginning, as was the bridging of the cultural gap between GE and MABE. These tasks were undertaken by a massive transfer of training, skills, and new tools emerging from GE's own fast evolving, modern corporate culture to MABE at all levels. They succeeded without compromising the Mexican side's sense of cultural identity because MABE retained control over the process throughout its entire course.
>
> Underlying the successful bridging of the above two gaps was the integration between corporate strategy and human-resource management, jointly targeted at

attaining and maintaining international competitiveness. This integration and the resulting high levels of performance safeguarded MABE's continuing management authority.

Ongoing team learning and the underlying disciplines advocated by Senge[xlii] had been built into the culture of the evolving organization at San Luis Potosi from the very beginning.

The start-up of production at the new plant in 1990 coincided approximately with the end of the period of major acquisitions and expansion of MABE that ushered in their own problems - and thereby carried MABE towards its fifth moment of truth.

Fifth Moment of Truth: Integration of Mexican Acquisitions into a Unified Corporate Culture

MABE's fifth moment of truth revolved around the challenge of moving the greatly expanded MABE organization, following the signing of the GE joint venture agreement and various acquisitions, toward a unified, modern corporate culture. Meeting this challenge was, indeed, indispensable for international competitiveness whose attainment and maintenance, together with structural change and fast growth, represented MABE's strategic intent.

Given the mixture of traditional management styles within the acquired components and MABE's own rapid transformation, there were many ways in which the unwieldy conglomerate arising out of these consolidations could have gone off the tracks. Yet, the moment of truth brought on by the acquisitions was addressed with the same style and panache as the previous ones.

By 1989, the expanded MABE organization consisted of the original major production facilities of MABE in Mexico City and Queretaro; GE Appliances Mexico merged into MABE by the joint venture in 1987; the appliance business, mainly gas ranges and refrigerators, of IEM-Westinghouse; and the appliance business, mainly washing machines, acquired from the GE-GIS (Grupo Industrial Saltillo) joint venture in 1989. These acquisitions were important in their own right because they increased the size of MABE and gave it a complete line of major appliances; they were even more important because they put MABE to the test: could it integrate the initial congomerate assemblage into a high-powered, modern organization? Accomplishing this task was the precondition for parlaying MABE's privileged access to the U.S. export market into powerful transnational operations.

Primary responsibility for meeting this challenge, including crucial tasks of planning and facilitation, was on the shoulders of Juan Diego Oliva, MABE's chief officer in charge of human resources and strategic coordination. In discharging this responsibility successfully he had the full backing of Luis Berrondo Jr.

Oliva recognized from the start that forcibly imposing MABE's own rapidly modernizing management style on the acquired units would have been a sure way to disaster. If this had been attempted, resistances to change would have been hightened by the sense of loss of organizational identity in the acquired units and with it, a sense of threat to the personal identities of the key people involved at all levels.

What Oliva decided, instead, was to proceed on the model of team learning under nondirective leadership. He organized a cycle of intensive management meetings of top executives who needed to make important decisions. Directors from all units participated. The cycle ran for four months with meetings of two half-days per week, Thursday afternoons and Saturday mornings, and also involved special assignments that participants were asked to tackle outside of meeting hours. All management issues were discussed; differences between the way they were being handled in different units were compared; and their advantages and disadvantages were being threshed out.

Ideas and suggestions for change were contributed from every side. There was no expectation that all change was going to take place in the acquired units; many of the agreed-on ways to coordinate corporate cultures also required changes within MABE's original units. This made it much easier for the managers in the acquired units to go along with agreements calling for significant changes in their own management styles and corporate practices. Moreover, since all participants contributed to the all-around agreed changes, they were able to identify with the process of change and the agreements hammered out; they were motivated to put the latter into practice.

The process of consolidating a company-wide, uniform management style and corporate culture that was initiated with great success by the joint four-month management seminar could not be expected to end there. A decisive step had been taken, but results were not instantaneous. Indeed, the seminar was the beginning of an ongoing effort that involved the development, testing, implementation, and refinement of a series of human-resource training courses and seminars with a standardized set of manuals and other training materials used company-wide, together with other instruments of integration and consolidation. Many of the advanced practices were taken over from General Electric whose own rapidly evolving corporate culture in the late Eighties and throughout the Nineties exerted a major influence in bringing MABE's corporate culture and management practices into the very forefront of international business developments.

Among the instruments of integration and consolidation, computerized systems played an important role in implementing the concept of free information flows, moving in the direction of GE's concept of an organization without boundaries. An early move toward this concept was in practice brought down to the grass-roots level with the start-up of operations at San Luis Potosi in 1990 where 110 computer terminals, dispersed throughout the manufacturing areas, could be accessed by all personnel attached to the new plant complex.[xliii]

The effort aiming at a seamless integration of all of MABE's components still has some way to go even to-day, especially because after 1993 the extent and complexity of the task has acquired a new dimension as MABE has gone transnational by expanding into South America.

THE MODERN TRANSNATIONAL COMPANY

Sixth Moment of Truth: Transnational Expansion into South America

As MABE, in its association with GE, successfully conquered and held an important share of the gas range and refrigerator markets in the United States, and as it was rapidly attaining all-around international competitiveness by absorbing and spreading GE's advanced management techniques throughout the entire company, it upgraded its aspirations. From 1992 on, Luis Berrondo Jr. contemplated expansion into South America.

Technological basis of transnational operations. No company can become a truly transnational power from a position of technological dependency. From this point of view, 1993 was a seminal year as MABE opened a new technology development center in Queretaro and concentrated all of its research and development functions and personnel into this facility, thereby gaining a decisive measure of technological autonomy in the major appliance industry. The initial objective of Luis Hoyos, the Center's director, has been to come up to international research and development standards in products and manufacturing, leaving basic scientific research for a later stage. The Center has a number of advanced development projects, the most immediately important of which concerns practical manufacturing problems involved in the use of a new family of halogenated refrigerants that eliminate up to 90% of the harmful environmental effects of the currently used chloro-fluoro compounds.

> *MABE was now ready to raise its sights and redefine its strategic intent from achieving international competitiveness to achieving primacy in major appliances throughout the broader Latin American region comprising the Andean countries of South America.*

Expansion into South America and the issue of its sharing of the expansion with GE. In September and December, 1993, Luis Berrondo closed two consecutive joint-venture deals in South America. In Venezuela, he acquired 49% of Menaca, SA, a manufacturer of washing machines and gas ranges. Menaca was acquired from SETECO, a firm based in the Netherlands whose South American operations were being run, according to Berrondo's account, by "Latinized Dutchmen." Berrondo parlayed the friendly relations he developed with these SETECO executives in the course of negotiating the Venezuelan deal, into an inside-track approach to Phillips of the Netherlands, from whom he acquired a 51% share of Polarix Electrodomésticos, SA, a manufacturer of refrigerators in Colombia. This latter deal pre-empted Whirlpool with whom Philips had close associations in other countries; it also included the option of buying the remaining half of Polarix.

Berrondo undertook these transnational joint ventures even though at that point General Electric had decided not to go along with this South American expansion. Thus the deals and financial transactions were concluded not on behalf of MABE but on behalf of the investors on the Mexican side of the MABE-GE joint venture, in the name of EXIN, a legally independent entity - but in effect, with a MABE management contract. The current arrangement is that EXIN's transnational ventures pay a royalty to MABE that entitles them to the use of MABE designs and production technologies, together with short MABE executive visits of less than one week duration. More extensive technical and management services rendered by MABE are being accounted for by specific, itemized additional charges.

There can be no doubt that MABE's Mexican management is strongly identified with the Menaca, Polarix, and later transnational acquisitions of EXIN, and with the subsequent diffusion of MABE's corporate culture into South America. As Berrondo put it, "We love General Electric but we are MABE." MABE's sense of corporate identity is in substance if not in legal form, with or without GE, involved in the South American expansion.

Berrondo has, nevertheless, given GE the option of buying into the South American venture; at the same time he has also set out to persuade GE to make MABE its appliance arm throughout Latin America. Though GE in fact owns a substantial competing interest in Venezuela and though each country in South America possesses appliance industries, the continent as a whole may be considered as wide open for penetration by a world class operation combining the cultural, marketing, and regional manufacturing competecies of MABE with the vast technical capabilities, advanced corporate culture, and brand recognition of General Electric.

In 1994 Richard Stonesifer, the top executive in charge of GE Appliances, tentatively decided to go along with Berrondo and to make MABE his point organization for penetrating appliance markets in the entire Latin American region. There are, however, indications of resistance in GE to ceding this crucial role to a joint venture that, with GE's 48% equity share, is not under GE control. Another consideration from GE's point of view is the SEC rule that precludes GE from reporting the rapidly growing profits from its minority share in MABE as a part of GE's own profits. If GE owned a half share or more, these profits would benefit GE's own performance figures.

Final arrangements concerning Berrondo's option offer and the future sharing of expansion into the South American appliance market between MABE and GE, with consideration of the above and other related issues, have been under negotiation as of January, 1996.

MABE's standing with GE is, in any event, very strong. Not only is the company considered GE's best joint venture partner in appliances world-wide, but MABE is being increasingly relied upon as a source of advice and human resource training for GE's overseas appliance operations outside of Latin America. Thus the original mentoring relationship, in which all training and skill transfer moved from GE to MABE, has by now turned into more of a two-way relationship in which MABE has much to offer GE in terms training human resources and making joint ventures succeed in a transcultural context.

MABE's transnational momentum. The degree to which MABE has become a true transnational is attested by the ease with which it has shrugged off the near-disaster that the Mexican economy has gone through during the past year. Not only has MABE made up in exports most of what it has lost in domestic sales; in the middle of the Mexican macroeconomic calamity in 1995 it has possessed both the self-confidence and the resources to continue its aggressive expansion into Central and South America.[xliv] It acquired a two-thirds share in DUREX S.A., an appliance manufacturing operation in Ecuador; purchased rights to the respected "Centrales" brand in Colombia; set up distribution organizations in Guatemala and Costa Rica; began expansion into Peru; and prepared the ground for a venture in Brazil whose specific arrangements are now being negotiated with GE.

Luis Berrondo Jr., who has a special interest and experience in creating new joint ventures, has indicated that in all the ventures mentioned above, a key consideration has been the purchase of existing markets. He considers that production plant associated with a given potential venture may or may not be worth taking over in whole or in part. MABE clearly aims at either establishing world-class production facilities at existing locations, or else transferring product from world-class facilities at other locations. MABE is now integrating regional manufacturing operations by means of the exchange of parts and components between its three partners in Venezuela, Colombia and Ecuador, thereby greatly reducing costs and minimizing the need for extra-regional imports. MABE is also heavily engaged in transfusing its modern management culture into all South American ventures, including intensive human resource training.

The next subsection will present a brief summary of how a truly well-run transnational operation can turn even some aspects of a major economic contraction in its home market into a source of long-term strength.

Seventh Moment of Truth: Holding Course through Mexico's National Economic Crisis

This last moment of truth has much in common with the second one discussed earlier; once again, we encounter Sherlock Holmes' clue of the dog that did not bark. In the midst of the national storm, MABE showed scarcely a flutter. The moment of truth passed so quietly that its significance comes to the fore only upon close consideration of the question: what made it possible for an important corporation in Mexico to be so untouched by the major national macroeconomic crisis?

This moment of truth requires only a brief review, because most of the elements that make up its setting have already been recounted when MABE was introduced in the early sections of this report.

The key situational element was the national macroeconomic crisis following the collapse of the Mexican peso in December, 1994. In the course of this crisis, the national market for major appliances contracted by some 26 percent. MABE's domestic sales, because of its quality advantage and marketing strength, fell only by 21 percent (Exhibit 1).

MABE's export markets were not affected by what happened in Mexico; the rapid expansion of sales in these markets continued from the preceding years into 1995. In terms of physical units produced (not in terms of the devalued peso which would produce a spurious jump) exports increased over 15 percent in 1995 compared with 1994. Exports to the U.S. for marketing by GE represented the major part of this export growth, simply because they were so massive. Yet, in terms of growth rate from a small base, exports to Latin America were spectacularly, exceeding a 200 percent growth rate. Exports took up the slack in MABE's Mexican domestic market to such an extent that the total number of units sold by MABE during between 1994 and the crisis year of 1995 fell by less than six percent.

As a result of the devaluation of the peso, MABE's cost of imported components in its Mexican manufacturing operations more than doubled overnight. What is most impressive is the speed and dispatch with which MABE responded to this shock; it makes apparent the outstanding quality of management that explains MABE's long-term performance - as well as the reason why the dog did not bark when the roof fell in.

In response to the devaluation of early December, MABE at GE's suggestion put up within three months, by March, 1995, a major two-day commercial fair in a Mexico City hotel for Mexican national suppliers. Imported parts and components were laid out on exhibition tables; national producers were encouraged to submit bids for supplying them, to replace imports that had become much too expensive.

The fair was extremely well attended, because Mexican suppliers of the automobile industry and other metal transforming industries had seen demand for their products contract precipitously with the crisis of the national economy, and were only too happy to submit bids to a potential customer who could take up the slack in their productive capacities. The end result was that MABE succeeded in creaming the national supply. So many attractive bids were received that the company was in a position to give preference to suppliers that were geographically close to MABE's respective production locations. In all, MABE not only succeeded in avoiding a major jump in part and component costs, but ended up with high-quality, low-cost, geographically well-located supply sources. In addition, through its support of national producers during the slump, MABE also derived a major dynamic benefit, both by expanding its local supply base and by cultivating relationships of intensive technical and organizational interaction that in the future could very well lead to the expansion and upgrading of MABE's own core competencies.

MABE is increasing its penetration in the U.S. market; it is rapidly increasing its exports to Latin America; it is now involved in appliance production, through a royalty and management contract mediated by EXIN, in three South American countries; and it has its sights set on the whole continent. In the inauspicious context of a poorly managed national economy, it offers a truly instructive example of Best Practice in Third-World corporate cultural change that provides many pointers for corporations bent on emulating its transnational and transcultural successes.

CONCLUSIONS

The preceding sections of this study presented the major decision points - "moments of truth" - that led to the MABE-GE joint venture's emergence as an autonomous transnational enterprise in its own right. This section spells out some conclusions to be drawn from this experience.

> *The most important conclusion is that an exceptional ability to relate across cultural barriers in the course of this joint venture, both on the side of MABE and that of GE, was a crucial determinant of success.*

> On MABE's side there had been an exceptional transcultural orientation ever since the firm's founding that MABE has consciously cultivated throughout its history, both before and after the alliance with GE.

This conclusion is supported by the cultural background of the founding families, the international ties of the second generation, the hiring of bicultural top personnel, and a series of episodes of MABE's creative interaction with GE during the entire course of the joint venture, including the three-year negotiating process that led up to it.

> On GE's side, the critical transcultural element was the corporation's willingness and commitment to transfer to MABE advanced technology, advanced management practices, and key elements of GE's pioneering corporate culture that has been in rapid evolution since the Eighties.

GE played an exemplary mentoring role throughout. It selected a manager, Bob Reid, to interface with MABE who was highly suited to cultivating personal relationships across cultural barriers, and left him to continue in this function throughout, up to the present. GE also assigned highly competent individuals to joint technical teams, invited MABE personnel to work in its own facilities over extended periods, opened the doors of its technical and executive training programs to MABE personnel, and even included MABE - alone among the joint ventures of GE Appliances - in some of its own rough-and-tumble "Work-Out" sessions.

As a result, MABE was able to absorb the most progressive elements of the technical and management culture of its partner and mentor, General Electric. Given the exemplary executive decisions by both partners, MABE was at all times also able to maintain its autonomy, its Mexican management, its strong Mexican identity, and its transcultural perspective. Today MABE is in a position, on the basis of this perspective, to make reciprocal contributions to GE not only in fast-growing profits but also in helping to expand GE's global core competencies by sharing critical skills required for the successful penetration of South American appliance markets.

What are other specific insights arising from the seven moments of truth of MABE's corporate history, all but one of which involved the joint venture with GE? What else does this history tell us about joint ventures, about transnational operations in general, about human-resource and core-competenecy development?

In looking over what can be learned from the MABE-GE experience, the focus will be on joint ventures. Yet, many of the conclusions also apply to transnational operations in general. This holds especially for conclusions that involve the transcultural aspects of human-resource and core-competence development, as they prominently do in the case of the MABE-GE experience. The transcultural insights turn out to be significant even when national cultures are similar, as in the case of countries such as Mexico, Venezuela, Colombia, and Ecuador that share a common language. Indeed, these considerations undoubtedly apply *within* countries that have significant cultural differences between regions, such as Canada, South Africa, India, and many others.

In appraising joint ventures, it is convenient to emphasize the differing points of view of the more and the less advanced partner. Two partners may of course form an alliance on the basis of approximate equality, yet even so, one partner may often be more advanced in some respects, the other partner in others, coloring their points of view.

Choice of Joint-Venture Partners

The GE-MABE case provides three separate experiences in this regard from which conclusions can be drawn. *First,* GE was seeking a partner to provide a low-cost foreign source of supply for its emerging gas-range business in the U.S. - a market in which it had not been traditionally present and which it began penetrating only recently. Mexico was the preferred location for such a source of supply. GE also wanted help from the prospective partner for gaining a dominant position in the growing Mexican major-appliance market. *Second,* MABE was seeking an international partner to open up export possibilities to foreign markets and to provide additional capital resources as well as access to advanced technology and management methods. *Finally,* after the joint venture with GE was already in full operation, MABE was seeking new joint venture partners to help it in the penetration of South American markets; at this point MABE was in a position to transfer advanced technology and management practices to its prospective South American partners.

In GE's choice of MABE, the leading position of MABE in the Mexican appliance market and its good management within the Mexican context were decisive criteria. It is, however, not clear to what extent GE at the time appreciated MABE's transcultural orientation that was to prove crucial in the effective absorption of technical and management know-how from GE. Without the latter, MABE's success in meeting highest U.S. quality and cost standards would not have been possible - and yet, this know-how received from GE proved to be the foundation of all later successes of the joint venture.

> An important pointer from the MABE-GE case for international corporations is the importance for them to appraise the extent of transcultural orientation of their prospective joint-venture partners. The latter orientation offers a clue to the ease with which these partners are likely to absorb transfers of advanced know-how and corporate culture, which in turn is essential if such ventures are to attain and hold on to international competitiveness.

MABE in choosing GE gained immediate access to a large U.S. market and a partner of eminent international stature. An important clue to GE's probable quality as a mentor firm that

MABE possessed at the time was the quality of interaction with the individuals assigned by GE to the joint-venture negotiations over a period of three years. One of these was the manager later assigned to interfacing with MABE who had an outstanding ability to relate across cultural barriers. MABE did not know, however, how the quality of this one individual would translate into GE's overall mentoring relationship to MABE. From this point of view, it was important that MABE was able to negotiate successfully to retain management control and a majority of the equity of the joint venture, thereby safeguarding its autonomy.

> The useful insight for dynamic firms hoping to break out of the confinement of domestic markets is that they should evaluate the probable willingness and ability of potential international partners to engage in effective mentoring across cultural barriers. Retaining management control and a majority of the equity of the joint venture, if possible, will obligate the more advanced partner to advise and persuade, should policy disagreements ever arise, rather than issue heavy-handed instructions.

MABE's choice of South American partners hinged almost entirely on their established position in the respective markets in Venezuela, Colombia, and Ecuador. The acquisition of productive capabilities and facilities played either a minor role or, in one case, none at all, as many existing facilities were antiquated and slated for replacement. MABE as the more advanced partner in these alliances was able to offer its prospective partners the transfer of know-how that it had absorbed from GE, including world-class product designs, technically superior production methods, and modern management practices and support.

> A noteworthy feature of MABE's South American expansion strategy is that MABE has chosen to enter these markets through joint ventures rather than independently. This raises an important consideration for international corporations that aim to penetrate emerging markets. If a highly successful firm such as MABE, despite its long history of transcultural orientation and obvious ease of functioning in a Latin setting, prefers joint ventures to independent operation, then there is all the more reason for firms with a less transcultural mind-set and greater cultural barriers to overcome, to learn how to choose the right partners and pursue transnational joint ventures successfully. In entering emerging markets it may often be indispensable in to rely on joint ventures or, at the very least, to have bi-cultural individuals in key executive roles.

Creation of Flexible Cross-Cultural Teams

MABE had in the past created such teams jointly with General Electric; it is now extending its experience with joint teams into its South American operations. The successful functioning of these teams has required, as a base line, high professionalism, nondirective leadership, the team learning disciplines, and team members with transcultural backgrounds. Yet these were by themselves not enough. The first MABE-GE project team had to deal with clashing, culturally fixed expectations revolving around personal and work habits. This has provided the study with an important insight:

> Team members had to have the self-confidence as well as the introspective and inter-personal skills to bring sources of culturally based discomfort and resentment into the open, in order to recognize, accept, and resolve these among themselves.

> In this situation in which significant one-way transfer of knowledge, skills, and attitudes was desired, a deliberately arranged difference of half a generation between the ages of the GE and MABE sides has contributed greatly to the ease of mentoring and the effective functioning of the team. This aspect of the experience may in all likelihood be generalized to other similar situations.

The same is not necessarily true for the entire experience of the MABE-GE project team. The recounted history the team conveys the impression that its members were in many ways exceptional and that the generalization of their experience cannot be taken for granted. Indeed, there are indications in the business literature (in a context completely apart from cross-cultural issues) that significant difficulties may be expected in this area. Functioning effectively on a cross-cultural team involves an unusual learning experience that at times inevitably elicits reactions of frustration and personal inadequacy. Yet, the individuals assigned to such high-profile teams are likely to be fast-track professionals who have been almost always successful at what they did and rarely experienced setbacks; thus they have typically never learned *how to learn from failure.* The typical result, as discussed in a seminal article entitled "Teaching Smart People How to Learn,"[xlv] is for such individuals to deny their own role in any difficulties and to blame instead everybody and everything in sight. The way around this trap is designated as "double loop learning." It requires team members to subject their own professional performance to the same standards of rational analysis that they habitually apply to technical problem solving tasks and then to use this analysis to upgrade their own performance - an entirely new and different kind of learning that does not come easily.

Learning Across Cultural Boundaries

The MABE-GE experience suggests that joint project teams, frequent movement of foreign specialists in and out of specific local tasks, the assignment of managers from MABE for long periods of on-the-job learning with GE, and attendance of MABE managers at formal training courses of GE's Crotonville center all played essential roles in the success achieved. Beyond this, there is a strong indication that MABE's own corporate culture that had previously been reoriented toward learning, teamwork, and the shedding of authoritarian relationships may have played a major role in the ability of its personnel to absorb from GE knowledge, skills, and attitudes rooted in an advanced, knowledge-centered management philosophy.

MABE has also had significant experience with learning across boundaries of corporate culture where the objective has been creation of an integrated larger organization. MABE's experience suggests that the key to success has been non-directive leadership of a high quality that facilitated commitment from all sides to developing a shared culture.

> In the coming together of multiple partners, even when one is in nominal command - as MABE has been in relation to its various acquisitions - no one partner can impose its business culture on the joint effort without risking failure because of massive organizational resistance. Asking one partner to emulate another is likely to be perceived as a threat to organizational and even personal identity.
>
> It is important to recognize that within different cultures, the same objective might be best served by different means. In the U.S., a clear division of authority and responsibilities is regarded as basic to efficient decisionmaking. Yet, the history of MABE provides instances where decisionmaking has been very effectively shared by indirection, on the basis of typically Latin personal relationships, with neither a clearcut division of authority and responsibilities, nor a desire for one. Such a

situation existed for years between the three top individuals within MABE; it has also long existed between the directors of substantive areas[xlvi] and the director in charge of strategic coordination. Similar differences are found not only between national cultures but also between corporate cultures within the same country.

Success in drawing together multiple partners into a unified organization requires, as in the case of MABE's consolidation of its Mexican acquisitions, that the partners joining together should be given the opportunity to take the best of each of their cultures, combine it with the latest in management thinking, and create a shared culture that reflects both current needs and the many-sided heritage of the combined venture. It also appears essential to stress the need for a freer information flows and organizational flexibility - that is, asking all sides to give, including the nominally dominant side. This may provide the best framework for bridging the cultural gaps and integrating all relevant processes and decision flows.

Facilitation of Multi-Cultural Change Processes

MABE has blended diverse corporate cultures within Mexico and has successfully bridged the Anglo-Latin cultural gap. In recent years, MABE and GE have been successfully coordinating the evolution of a pioneering cultural change process that is unfolding within both corporations. MABE is now in the process of involving its South American partners in the same multi-cultural change processes.

Several conclusions can be drawn from these experiences.

The first precondition for success in multicultural change processes is visible support and leadership from the top. In the case of GE the impetus of the drive during recent years for changing the corporation's culture has at all times been coming directly from Jack Welch; in the case of MABE, the continual upgrading of corporate culture has had the full commitment and backing of Luis Berrondo.

A second precondition most likely is commitment to a shared corporate culture by all units participating in the multicultural change process. This implies that all units must be willing to change. The key insights arising from MABE's experience in consolidating the corporate cultures of its various acquired units in Mexico, mentioned above, apply directly to MABE's efforts of transmitting its own advanced knowledge-based management culture to it South American partners.

A third precondition appears to be a shared strategic intent or, in the case of cooperating autonomous units, compatible strategic intentions. The latter situation exists today between MABE and General Electric. GE is undergoing a major corporate culture change with the intent of maintaining the growth rate and leading global position in its core businesses. While MABE directly interacts with only one of GE's thirteen core businesses, it shares with GE key aspects of GE's culture change. This serves MABE's strategic intent of leadership in the appliance markets throughout Latin America.

In addition, the instruments for implementing multi-cultural change processes have to be at hand. Both in the interactions of GE and MABE and those of MABE and its South American partners, a broad group of such instruments has been available as a result of earlier experiences of the principals. The respective instruments include joint cross-cultural project teams; exchanges of technical specialists for short-term assignments; and mentoring relationships that transmit knowledge, skills, and attitudes from the mentoring firm to the mentored firm by means of training manuals, special training courses, on-the-job training for extended periods, or participation in formal training that the mentoring organization makes available to its own personnel.

Development of Strategic Alliance Networks

MABE's experience, both with GE as the more advanced partner and with its new, less advanced South American partners, suggests that for the success of a prospective alliance or joint venture, it is essential for both sides to lead from strength. Outstanding global firms such as GE seek out strong and respected joint-venture partner organizations that are perceived to be capable of transcending the limitations of their national cultures - such as MABE had been in Mexico in the early Eighties. Conversely, when strong firms that are respected in their local markets wish to break out of the confines of their national environments and seek to develop broader associations, they can confidently approach top-quality international corporations as prospective partners.

When MABE currently intends to enter a new markets in South America, it seeks to establish ties with local firms that have strong, respected brands and good reputes in their own markets. MABE then initiates the alliance from this baseline, by upgrading the core competencies and corporate management practices of its new partners. Moreover, MABE strives to integrate these core competencies not only with those of its own but also regionally among its partners. Thus MABE, in the course of modernizing the production technologies of its new partners in the Northern region of South America, is designing the new facilities for a mutual interchange of parts and components within the region. This greatly increases the scale of particular operations and creates an integrated regional complex with higher productivities and lower costs than would be possible for self-contained national operations. In this way MABE builds up a formidable international competitive advantage.

It is noteworthy that the excellent mentoring that MABE has received from GE is precisely what MABE is now passing on to its South American partners as its is building a network of alliances spanning two continents. MABE is currently in negotiations with GE about how to share emerging initiatives in South America. This shows that MABE has developed to the point where its relationship to GE has to be re-tuned to reflect MABE's increasing capabilities.

The original MABE-GE joint venture is now on the point of expanding into a network of alliances that promise a great increase in benefits to both MABE and to GE as the two partners readjust their relationship on a more equal basis. This development provides an important consideration for transnational corporations in similar situations:

> A successful mentoring relationship has striking commonalities with a good father-son relationship. As the mentoring firm transfers its culture and experience while nurturing its partner's autonomy, identity, and initiative, the partner firm grows into a relationship where it has more and more of its own particular competencies to contribute to benefit its erstwhile mentor.
>
> In this way the network of alliances has the potential of broadening more and more as mentored firms successively grow up to initiate mentoring relationships of their own.

The latter process certainly does not offer the only dynamic that works to expand networks of alliances. None the less, this may turn out to be an important mechanism whereby technological and organizational excellence is being transferred to emerging markets, providing them with genuinely enhanced productive capabilities. If so, this network expansion process would help reduce the gap that separates the Third World from the industrially advanced economies.

EPILOGUE: TRAINING THE EXECUTIVE OF THE FUTURE

Effective management of transnational joint ventures requires understanding of two major trends, both of which are rooted in our globalizing information economy. Businesses are becoming ever more knowledge-centered; and businesses find themselves thrust into ever more transcultural environments. The MABE-GE joint venture is a best-practice case that offers important insights for coping successfully with both of these trends. By the same token, it raises the question: how should human-resource development be managed to produce executives ready to meet this knowledge-centered and transcultural, brave new business world?

A fascinating intimation about possible answers is offered by the observation that there exists a latent convergence, though not yet a manifest meeting, between two sets of managerial skills. The first includes those that will be in increasing demand as GE's internal culture change progresses and similar changes occur in other firms (as partly attested, partly postulated by the recent business literature). The second comprises the ones that have been found essential in the present study for productive interactions across cultural barriers in transnational joint ventures.

The common denominator of the two converging sets of managerial skills is given by the capability of relating across qualitative differences rather than similarities; practice in developing interactions on a footing of mutuality rather than hierarchy; orientation toward working across barriers of national, corporate, and functional/professional cultures; and experience with what Argyris calls "double-loop" learning. In sum, the attitudes, skills, and capabilities that arise from a mature personality, as against the somewhat adolescent, self-centered drive of the typical executive on the fast track.

> *In the process of GE's internal culture change,* these skills translate into the efficient nondirective leadership demanded by a flattened organizational pyramid; into the flexible decisiveness needed for handling the challenge of *Work Outs* with dispatch; into the openness required for finding and adapting *Best Practices;* and into the all-around non-hierarchical interactions and crossing of cultural watersheds required for moving toward the *Boundary-less* organization.

> *In the process of interactions across transnational cultural barriers,* the same skills translate into competent and respectful mentoring; into the open and committed absorption of the transfers of technical and managerial know-how; into effective joint teams; and into the kind of cross-cultural organizational learning in joint ventures that becomes more and more reciprocal as the less advanced partner moves toward international standards of excellence.

To the extent that these insights are valid, the challenge for the development of human resources is twofold: coming up with efficient executive training methods focused on the critical common-denominator skills; and putting in place incentive systems throughout the organizations involved that will reward managers who practice these skills effectively.

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ANNEX

QUESTIONS FOR DISCUSSION

This Annex presents a set of questions suitable for classroom or seminar discussion when the study is being used for instructional purposes.

The questions refer, in part, to the materials included in the study and serve to focus attention on key points discussed in the chapters above. Yet, in part, the questions aim to go beyond what is covered in the study itself and attempt to explore several kinds of related issues where no "correct" answers exist, such as:

> Precisely what meaning should be assigned to general concepts (cultural differences, human resource development) that have been used in the study without detailed explanation?
>
> Do the contributions that have been selected from recent business literature to represent the conception of a modern corporate culture, do so fairly? Are any major ideas missing?
>
> Do the findings and conclusions of the study appear to be well supported, or is there reason to take exception to them from this or that point of view?
>
> To what extent can the observations, insights, and findings of the study be generalized to other similar business situations?
>
> Does the study permit anticipation of likely future developments in the transcultural functioning of businesses?

The questions have been organized by the three phases of MABE's history that are discussed in separate major sections of the text, beginning with *Evolution of MABE's Latent Potential.* An additional set of questions concerns the study as a whole as well its conclusions. No questions have been developed specifically to cover the *Executive Summary, Introduction, Background,* and *Conceptual Framework*; yet the materials included in these sections are represented by questions dispersed among the four groups of questions below.

Questions Concerning the Evolution of MABE's Latent Potential

- What is the difference between traditional Mexican and modern management styles, as given in the study? Is this distinction persuasive? Should it be changed? If so, how?
- Does the conception of a traditional management style generalize from Mexico to other countries? Which? In what way?
- What indicates MABE's transcultural orientation from the founding of the enterprise onward? Can businesses founded by immigrants be generally expected to show an above-average transcultural orientation? Can such an orientation, if present, help a modest-sized, local business? If so, how?

- What was the relationship, in MABE's case, between the company's management style and transcultural orientation? Can we expect more readiness to transition from a traditional to a modern management style in the case of a company with a pronounced transcultural orientation? If so, why? Does this apply to MABE's case?

- Some of the benefits of the transcultural orientation of MABE's founding families did not appear until the second generation had come into its own in the business. Can we expect that the respective benefits will provide a general motivation for a transnational orientation over such a long time horizon? Were there shorter-term benefits in the case of MABE? What were they? Do they generalize to other cases?

- In MABE's case, how was the corporate top decisionmaking process affected by the relationship between the founders and hired managers? Did MABE derive a competitive advantage from hired top management? How?

- What were the factors that gave MABE an advantage over other appliance manufacturers in weathering the difficult years following 1976, especially the crisis years 1982-84? What helped MABE in turning around an unhealthy union-management relationship in its Mexico City plant that was far from unusual in Mexican industry? What role did personalities play in this process?

- In the Mexican cultural context, in what way can personal interactions in decisionmaking substitute for a clearcut definition of authority and responsibilities of the interacting executives? How has such a process worked in MABE at the top decisionmaking level? Is this personal-interaction mechanism necessarily inferior to the generally accepted U.S. and international approach to organizing the executive decisionmaking process? What advantages might it have? Under what business and/or cultural conditions? Does it provide a paradigm that might be worth emulating elsewhere under certain conditions?

- What were the key considerations involved in the decision of whether to sell MABE or to commit it to fast growth by means of an alliance with a transnational partner? What role did the personal-interaction process at the top play in this decision?

- How did MABE's business strategy evolve into a clearcut *strategic intent* prior to the alliance with GE? What was the first major challenge under this strategic intent?

- What are the key ideas embodied in the "strategic intent" concept in the literature? What is the relationship between a stable, decades-long strategic intent and short-term challenges? What is the role of mobilization of the organization's resources? What kind of a management style does it imply?

Questions concerning Establishment of the MABE-GE Partnership

- What made GE Appliances look for a foreign partner? Why in Mexico?

- What made MABE attractive to GE? In general, what should a major transnational firm be looking for in selecting a partner?

- What other options were available to GE? On what basis did GE decide?

- What made GE attractive to MABE? What other options did MABE explore? In general, what criteria should a dynamic Third World company apply in looking for a transnational partner?

- What role did personalities play in the negotiation process that shaped the joint venture agreement? What were the respective roles of general considerations versus personalities, on both sides, in working toward a final commitment to the joint venture?

- Why was it an important challenge for MABE to link closely its corporate strategy with human resource development during the long period of joint-venture negotiations, in preparation for the impending changes to be introduced by the joint venture? By what mechanism was the linkage between the two functions achieved? In what way did the decision to undertake this linkage show both exceptional insight and foresight?

- What enabled MABE to take this decision and implement it successfully? Did MABE's transcultural orientation play a role in this regard? If so, what role?

- How did the linkage of the two functions work out in practice? In what way did personal interactions in decisionmaking substitute for a clearcut definition of the respective authority and responsibilities of the divisional directors and the director in charge of strategic coordination and human-resource development? What instrumental role did the human-resource development function play in achieving company-wide strategic coordination?

- What were the key features of the joint venture agreement? Is the allocation of 52% of the equity and with it, management authority to the Mexican side of the joint venture, a viable paradigm for other joint ventures? What were the consequences of this core feature of the agreement for MABE's success?

- After the creation of the joint venture with GE, in what way did MABE's strategic intent hold constant? In what way was the construction of the new gas range plant at San Luis Potosi the major new challenge under MABE's strategic intent? Why was it a challenge for GE? In what way was it a challenge in terms of the first MABE-GE collaboration?

- On what principles was the joint MABE-GE project team organized that had to design, construct, and start up the new plant? What was the arrangement that made it easier for Mexican team members to accept the transfer of technological and management know-how without feeling that their personal and national identities were under pressure?

- What were the three key challenges as perceived by the project leader on the Mexican side? How was a Third World labor force brought to the point of performing at international technical and economic standards? What was the role of labor training? Of "continuous improvement" teams? Why did performance even to this day not rise to U.S. productivity levels? Is this a target for further improvements, or is it a pattern to be emulated in other Third World production processes?

- Why was a clearcut division of responsibilities between the U.S. and Mexican sides of the joint team not only accepted but even desired by the Mexican project leader in this case? What was the division of responsibilities? How did it evolve over time?

- In what ways were the mutual cultural expectations of U.S. and Mexican team members incongruent at the start of joint work? What was an example of this incongruity? What made it possible to work out satisfactorily the initially clashing expectations? What role did the transcultural orientation of MABE's top management play in this process? Was the earlier transition of MABE from a traditional authoritarian to a more modern management structure a factor in the success of this process? What role did personalities on the GE side play in the process?

- Other than joint teams, what other arrangements were used to promote the transfer of GE corporate culture and management techniques to MABE? In what ways did GE maintain a successful "mentoring" relationship with MABE? What was the essence of this relationship? What are the characteristics of an appropriate mentoring attitude?

- In meeting the second major challenge arising after conclusion of the joint venture, what process did MABE use to begin integrating the diverse corporate cultures of the several appliance manufacturers it acquired? How was resistance from the acquired companies minimized?

- What were the attitudes on the part of MABE management that made the above process successful? To what extent did these attitudes reflect a transfer of corporate culture from GE, and to what extent were they home-grown? In what way did MABE's transcultural orientation and transition to a modern management culture help in this process? Can the strategy used for achieving the integration of diverse corporate cultures be generalized?

- What role did personalities play in the successful progress of the above integration process?

- What were the key elements of the culture change that GE itself was undergoing while it was interacting with MABE? Did MABE benefit from GE's own culture change over the years?

Questions Concerning the Modern Transnational Company

- What were the crucial elements of technological culture that MABE had to absorb from GE before it was ready for an autonomous transnational role? What were the crucial elements of managerial culture? What were the preconditions of this successful culture transfer from the MABE side? From the GE side?

- What factor in MABE's transcultural orientation, from its founding on, played an important role in the South American expansion? What does this say about the time horizon of operation of a transcultural orientation?

- On what considerations has MABE been choosing its South American partners?

- In what ways has MABE been transmitting transmitting to its South American partners the advanced technological and management culture it has absorbed from GE?

- What considerations might have motivated GE to withhold participation in the South American expansion?

- What device has been used to give MABE a key role in this expansion without committing GE's 48% equity share in MABE to the expansion? What option has GE been offered with regard to future equity participation?

- What does this situation say about latent or potential tensions in the MABE-GE relationship?

- Was MABE's extraordinarily successful absorption of GE's technical and managerial culture, to the point of making MABE an autonomous transnational player in its own right, a factor diminishing, or contrariwise increasing, latent or potential tensions? What does this say about the long-term development of successful mentoring relationships in general?

- Despite the above potential or latent tensions, what is the overwhelmingly positive side of the MABE-GE relationship? Having absorbed much of GE's advanced corporate culture without losing its Latin identity, what benefits can MABE now convey to GE? Is there a significant promise of qualitative benefits over and above the 48% share in MABE's rapidly expanding profits? What reverse transfer of MABE's own corporate culture to GE may be attractive from GE's point of view?

- How might the above reverse transfer of corporate culture influence the negotiations between MABE and GE (not concluded when the present study was closed), concerning GE's option to join MABE's Mexican investors in the existing South American ventures? How might it influence the negotiations concerning further expansion into South America, especially into Brazil?

- What continuing quantitative and qualitative benefits does MABE derive from its relationship to GE?

- In particular, how did its relationship to GE help MABE weather the current Mexican economic crisis? What role did MABE's exports for GE marketing in the U.S. play in stabilizing its economic performance? Over and above that, what helpful strategic suggestion did MABE receive from GE for coping with the crisis?

- How much weight should be assigned to MABE's U.S. exports for GE marketing, and to MABE's absorption of GE corporate culture, respectively, in MABE's ability to ride out the current Mexican economic crisis successfully? How much weight should be assigned to the South American expansion? Are all of these factors interrelated? How?

- Is import substitution, as practiced by MABE during the crisis, a valid approach to joint venture development in general? Under what conditions should it be considered as a serious option? Under what conditions should it be avoided?

Questions concerning the Study as a Whole and its Conclusions

- Do "moments of truth" or critical decision points constitute adequate markers for reviewing corporate history? Are the ones chosen for MABE appropriate? Are there too many? How could MABE's history be broken into periods in a more insightful way?

- Is transfer of a modern technological culture a precondition of the success of a joint venture? What are the essential characteristics of a modern technological culture?

- Is transfer of a modern management culture a precondition of the success of a joint venture? What are the essential characteristics of a modern management culture?

- Have the key aspects of a leading-edge international management culture, summarized in the Conceptual Framework section of this study, been appropriately chosen? Are any core ideas missing? Can any of the aspects included in the summary be attacked as not being valid or as being marginal? Is this evaluation meant to apply primarily to the MABE-GE case or is it meant to be general?

- Is a modern technological culture closely interrelated with a modern management culture? Does the concept of "core competencies" adequately capture the essence of this interrelation? Should anything be added?

- What is a transcultural orientation? What are cultural "gaps" or "barriers"? How are these encountered in relation to management styles? In what other ways do they manifest themselves in joint ventures?

- What was transferred to MABE from GE's management culture? How was MABE able to absorb this transfer of culture without losing its corporate and national identity? What made it possible on MABE's side? On GE's side? Can the factors and principles involved in the MABE-GE case be generalized to other situations?

- What are the key considerations for a leading transnational firm in looking for a joint venture partner? For a dynamic Third World firm? For two firms on a level of approximate equality with respect to advancement toward the leading edge of international business practices?

- What attitudes or skills are desirable in members of a cross-cultural team? How can such attitudes and skills be cultivated? What is the role of an appropriate scheme of incentives in motivating the development of appropriate attitudes and skills?
- How important have personalities been in the MABE-GE case? How important have they been on the side of MABE? Of GE?

- How important is support and involvement from the top for success in culture transfer projects? How important is commitment to the development of a shared culture? Why?

- How persuasive is the proposition that alliance networks may grow out of chains of mentoring relationships over time? What is the process whereby this might happen? What are its strengths and weaknesses?

- What is "double loop learning"? Why is it an essential skill for members of cross-cultural teams? Why does it come hard to corporate executives on the fast track?

- How persuasive is the proposition advanced in the Epilogue that there exists a latent convergence between managerial skills that will be in increasing demand as the internal culture change of leading corporations progresses, and the ones that have been found essential in the present study for managing transnational joint ventures?

- Do the major insights gained and conclusions drawn from the MABE-GE joint venture generalize to foreign subsidiaries of transnational corporations? Do they generalize to alliances between corporations at comparable levels of development with respect to leading international standards?

EXHIBIT 1
MABE PERFORMANCE DURING THE CURRENT CRISIS IN MEXICO
(000 UNITS)

Mabe

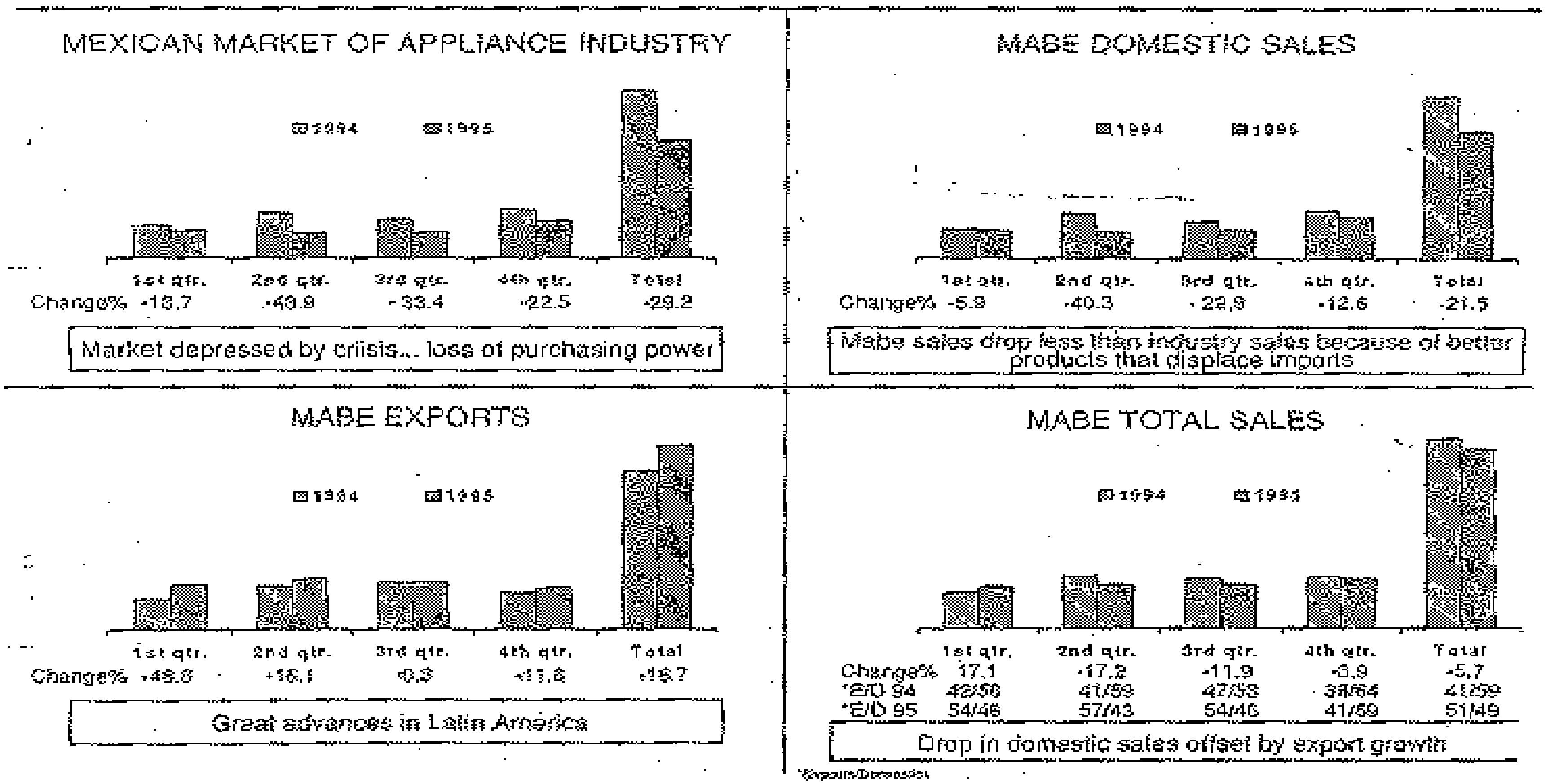

EXHIBIT 2

MABE MARKET SHARE IN THE DOMESTIC MARKET FOR MAJOR APPLIANCES IN MEXICO (000 units)

	GAS RANGES	REFRIGER ATORS	WASHING MACHINES	TOTAL INDUSTRY
1990	876	803	914	2593
1991	969	988	1095	3052
1992	1013	1040	1093	3146
1993	840	999	1079	2918
1994	942	1201	1200	3343
1995	762	816	780	2358
		MABE		
1990	360	430	550	1340
1991	439	482	577	1498
1992	481	478	609	1568
1993	414	468	550	1432
1994	434	581	608	1623
1995	375	470	429	1274
		MABE PERCENT		
1990	41	54	60	52
1991	45	49	53	49
1992	47	46	56	50
1993	49	47	51	49
1994	46	48	51	49
1995	49	57	54	54

EXHIBIT 3

MABE EMPLOYMENT 1953-1995

	GAS RANGES			REFRIGERATORS			COMPONENTS			WASHING MACHINE			OTHER			TOTAL			Missing
	Oper.	Empl.	Total	Oper.	Empl.	Total	Oper.	Empl.	Total	Oper.	Empl.	Total	Oper.	Empl.	Total	Oper.	Empl.	Total	Empl.
1953	NA	NA	NA	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA	NA	-
1958	NA	NA	NA	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA	NA	-
1963	NA	NA	NA	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA	NA	-
1968	NA	NA	NA	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA	NA	-
1973	NA	NA	NA	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA	NA	-
1978	NA	NA	1750	349	145	494	-	-	-	-	-	-	-	-	-	349	3645	3994	1750
1980	NA	NA	1600	408	227	635	-	-	-	-	-	-	-	-	-	408	3427	3835	1600
1981	NA	NA	1609	431	267	698	-	-	-	-	-	-	-	-	-	431	3485	3916	1609
1982	NA	NA	1636	327	208	535	-	-	-	-	-	-	-	-	-	327	3480	3807	1636
1983	NA	NA	1534	340	220	560	-	-	-	-	-	-	-	-	-	340	3288	3628	1534
1984	NA	NA	1160	241	175	416	-	-	-	-	-	-	-	-	-	241	2495	2736	1160
1985	NA	NA	1203	422	219	641	-	-	-	-	-	-	-	-	-	422	2625	3047	1203
1986	NA	NA	1556	481	250	731	-	-	-	-	-	-	-	-	-	481	3362	3843	1556
1987	NA	NA	1590	744	348	1092	-	-	-	-	-	-	-	-	-	744	3528	4272	1590
1988	NA	NA	1905	1208	568	1776	-	-	-	-	-	-	-	-	-	1208	4378	5586	1905
1989	0	1930	1930	1380	660	2040	711	280	990	2077	601	2678	342	477	819	4510	5878	10387	1930
1990	883	2428	3311	1492	737	2229	710	280	990	2294	570	2864	368	593	961	5747	7401	13148	2793
1991	1341	2171	3512	1496	723	2219	705	320	1025	2219	539	2758	366	616	982	6127	7312	13439	2943
1992	1214	1775	2989	1833	778	2611	730	313	1043	2011	565	2576	301	729	1030	6089	6602	12691	2442
1993	1181	1475	2656	1778	658	2436	604	231	835	1466	441	1907	389	697	1086	5418	5627	11045	2125
1994	1275	1333	2608	2119	835	2954	803	255	1058	1539	356	1895	412	742	1154	6148	5586	11734	2065
1995	2212	766	2978	2223	699	2922	782	273	1055	1298	292	1590	313	1194	1507	6828	3224	10052	0

NOTE: The sum of employee subtotals falls short of the totals given.
This remains to be reconciled.

EXHIBIT 4
MABE DOMESTIC SALES 1953-1995

	GAS RANGES		REFRIGERATORS		WASHING MACHINES		TOTAL	
	K units	M N$	K units	M N$	K units	M N$	K units	M N$
1953	NA	NA	-	-	-	-	NA	NA
1958	NA	NA	-	-	-	-	NA	NA
1963	NA	NA	-	-	-	-	NA	NA
1968	NA	NA	-	-	-	-	NA	NA
1973	NA	0.3	-	-	-	-	NA	NA
1978	NA	0.9	NA	NA	-	-	NA	NA
1980	NA	1.5	NA	NA	-	-	NA	NA
1981	NA	1.5	NA	NA	-	-	NA	NA
1982	NA	2.3	NA	NA	-	-	NA	NA
1983	NA	4	NA	NA	-	-	NA	NA
1984	NA	5	NA	NA	-	-	NA	NA
1985	NA	8	NA	NA	-	-	NA	NA
1986	NA	17	NA	NA	-	-	NA	NA
1987	NA	51	NA	NA	-	-	NA	NA
1988	NA	105	NA	NA	-	-	NA	NA
1989	NA	136	NA	NA	NA	NA	NA	NA
1990	360	170	430	NA	550	NA	1340	NA
1991	439	168	482	NA	577	NA	1498	NA
1992	481	152	478	NA	609	NA	1568	NA
1993	414	157	468	NA	550	NA	1432	NA
1994	435	160	581	NA	608	NA	1624	NA
	393	NA	453	NA	490	NA	1336	NA

EXHIBIT 5
MABE EXPORTS 1974-95
(000 units)

	GAS RANGES	REFRIGERATORS	WASHING MACHINES	TOTAL
1974	7	-	-	7
1975	13	-	-	13
1976	24	-	-	24
1977	23	1	-	24
1978	23	13	-	36
1979	25	38	-	63
1980	17	40	-	57
1981	14	19	-	33
1982	6	21	-	27
1983	10	33	-	43
1984	17	34	-	51
1985	17	26	-	43
1986	26	40	-	66
1987	36	48	-	84
1988	45	37	-	82
1989	32	84	4	120
1990	109	133	5	247
1991	431	188	8	627
1992	681	239	12	932
1993	705	290	12	1007
1994	821	310	16	1147
1995	929	393	23	1339

EXHIBIT 6
Mabe Wholly Owned Subsidiaries and Producing Plants in Mexico

SUBSIDIARY	PRODUCTS/LOCATION	PRODUCTION CAPACITY (000 Units per year)	BRANDS
MABESA, S.A.DE C.V. (Holding)	Holding company for All Subsidiaries		
Ensambladora de Refrigeradores, S.A. de C.V. (ENRESA)	Refrigerators/Mexico City	384	MABE, GE, IEM, KELVINATOR, EASY
Industrias, ASTRAL, S.A. de C.V.	Refrigerators/Queretaro	1,150	MABE, GE, IEM, EASY, KELVINATOR, DUREX, REGINA, POLARIX, HOTPOINT
MABE-SANYO compressors, S.A. de C.V.	Compressors/San Luis Potosi	700	
Productos Troquelados y de Alambre, S.A. de C.V. (PROTAL)	Plastic Model Components, and Stamped and Wire Parts/Queretaro	*	
Industrias MABE, S.A. de C.V. (IMASA)	20" Gas Ranges/Mexico City	480	MABE, GE, EXCEL, KELVINATOR, IEM, DUREX, REGINA
LEISER, S.A. de C.V.	30" Gas Ranges/San Luis Potosi	1,000	MABE, GE, IEM, KENMORE
Industrias CONFAD, S.A. de C.V.	Washing Machines/Monterrey Fractional Electric Motors/Monterrey Alluminium Injection/Saltillo Machining/Saltillo	750 1,200 * *	IEM, EASY, MABE, GE, KELVINATOR, CINSA. GE, POWER ELECTRIC
Tecnologia y Desarrollo	Technology and Development Center/Queretaro		
Distribuidora CONSUL, S.A. de C.V.	Materials, Sales and Distribution/All of Mexico		
Servicios Integrados Fabriles, S.A. de C.V. (S.I.F.)	Customer Service /All of Mexico		SERVIPLUS

*All Captive

EXHIBIT 7
Location of MABE Producing Plants

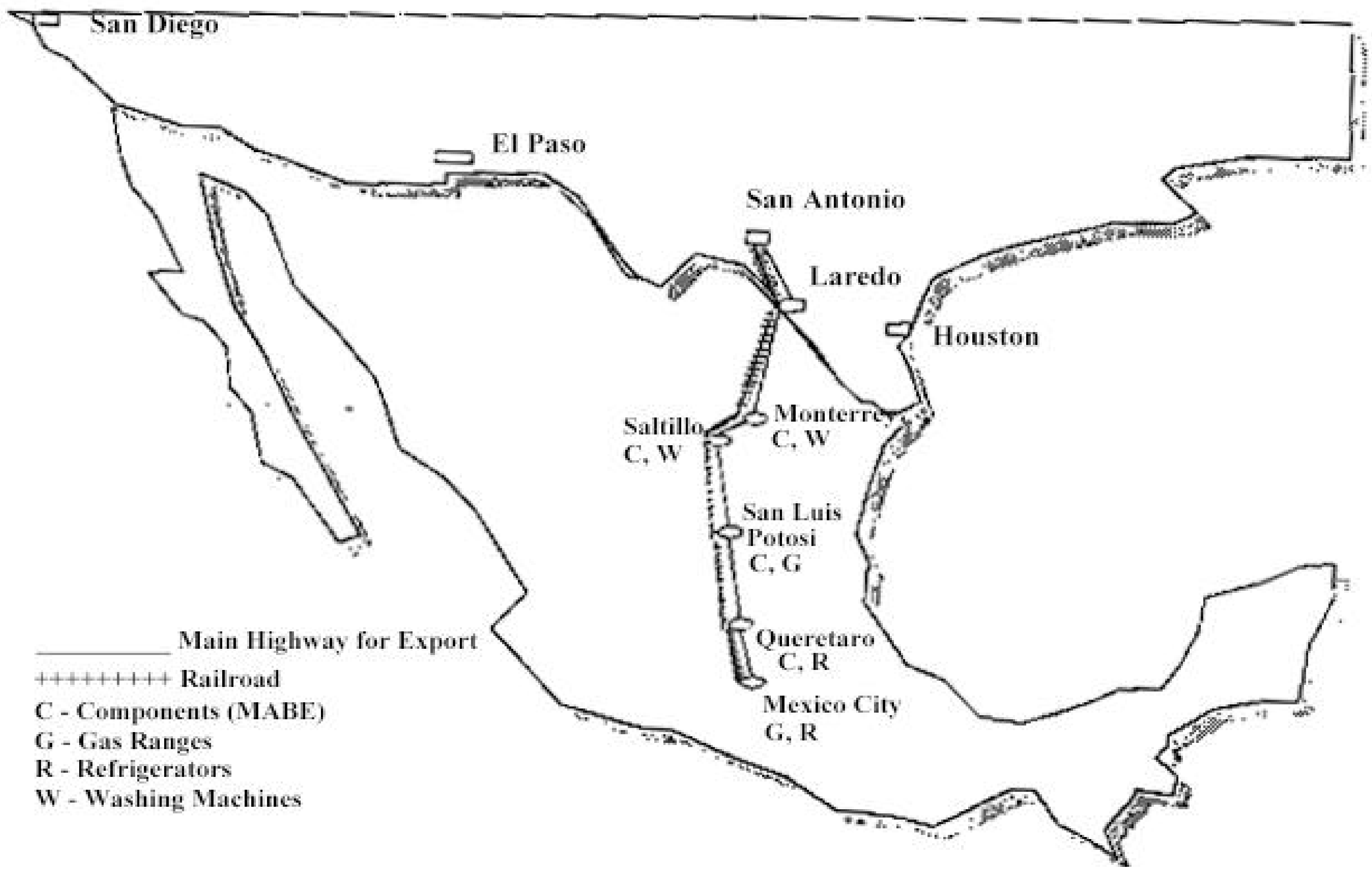

Exhibit 8
MABE Organization Chart
Overview

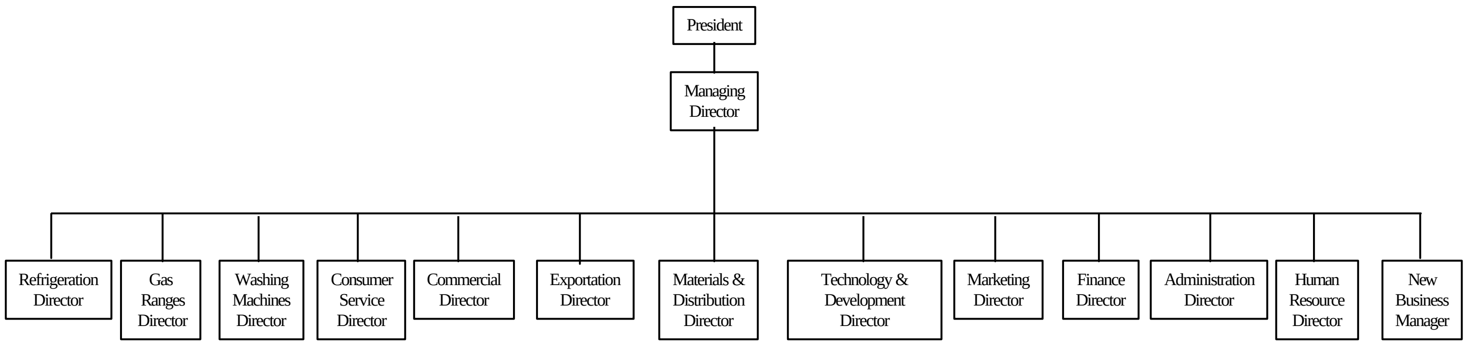

Exhibit 8A
MABE Organization Chart
Detail A

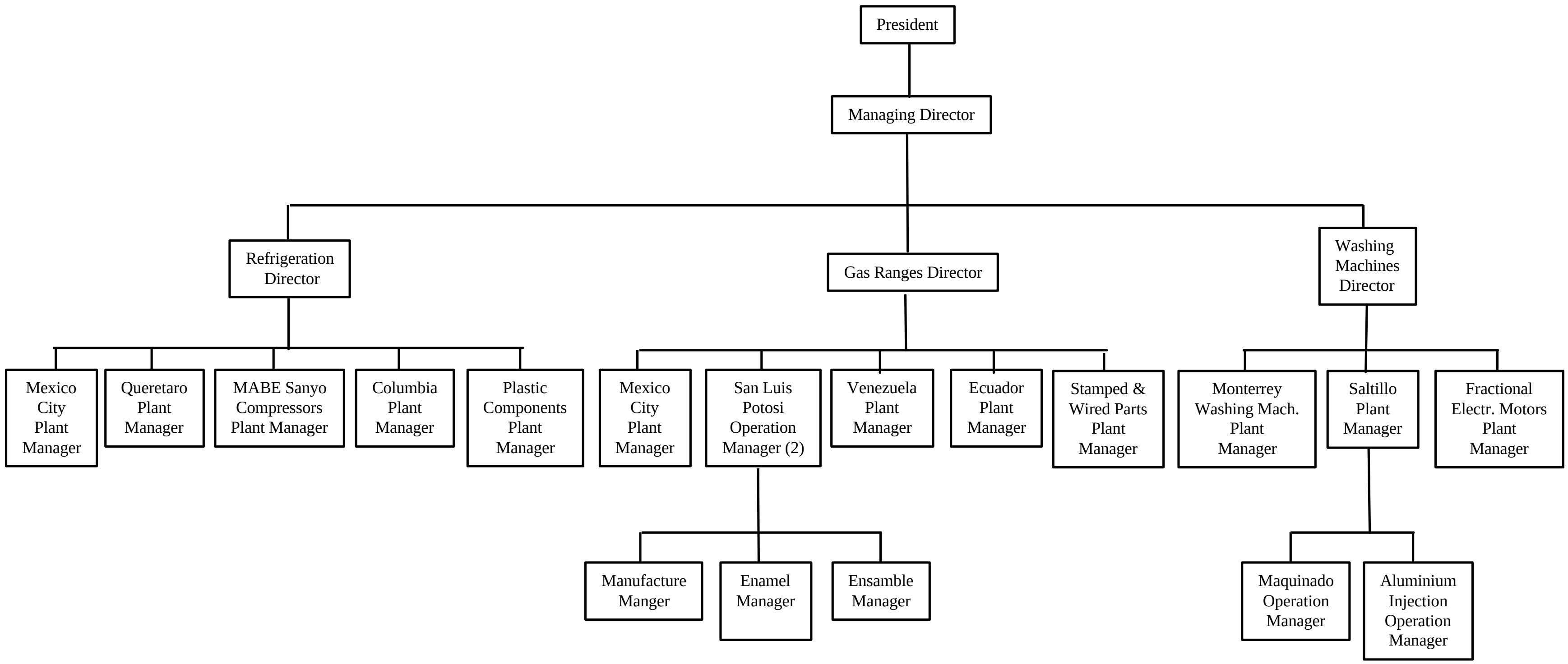

Exhibit 8B
MABE Organization Chart
Detail B

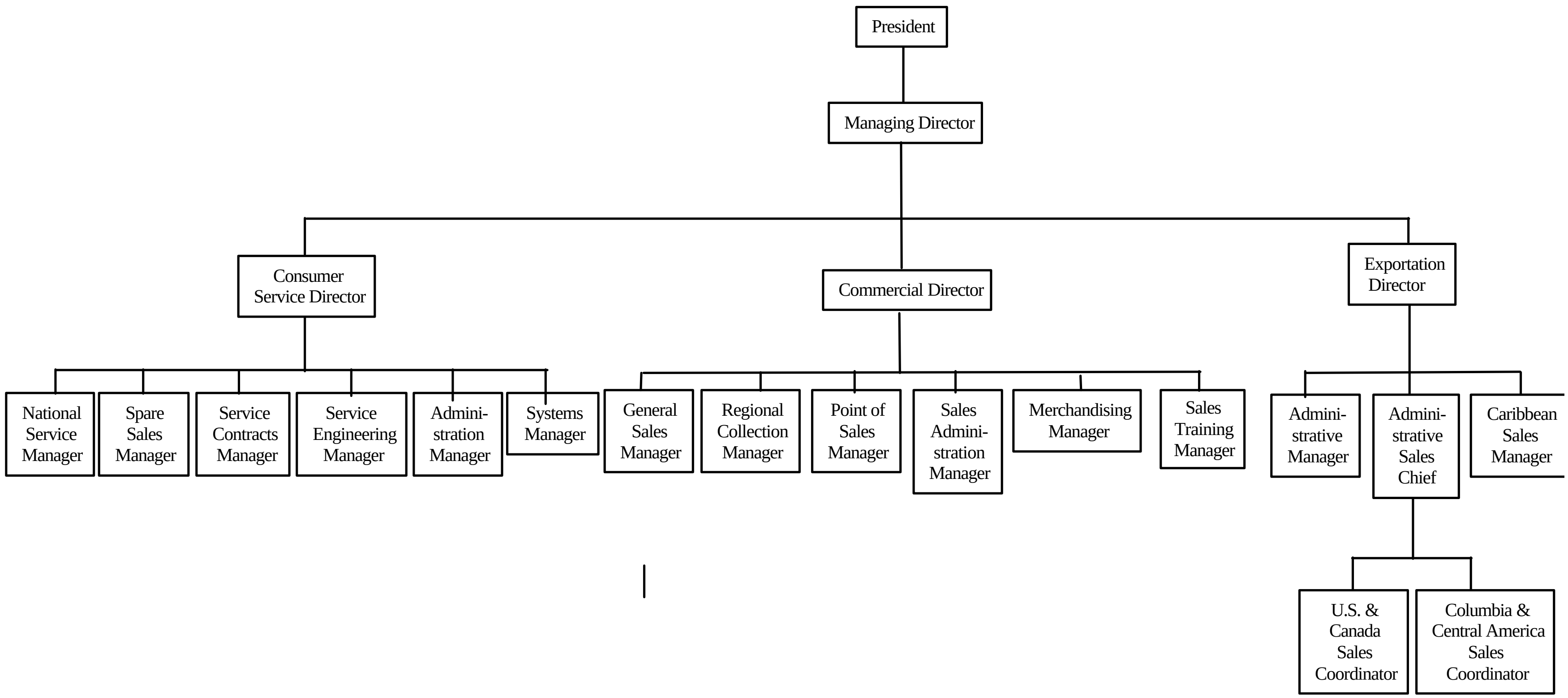

Exhibit 8C
MABE Organization Chart
Detail C

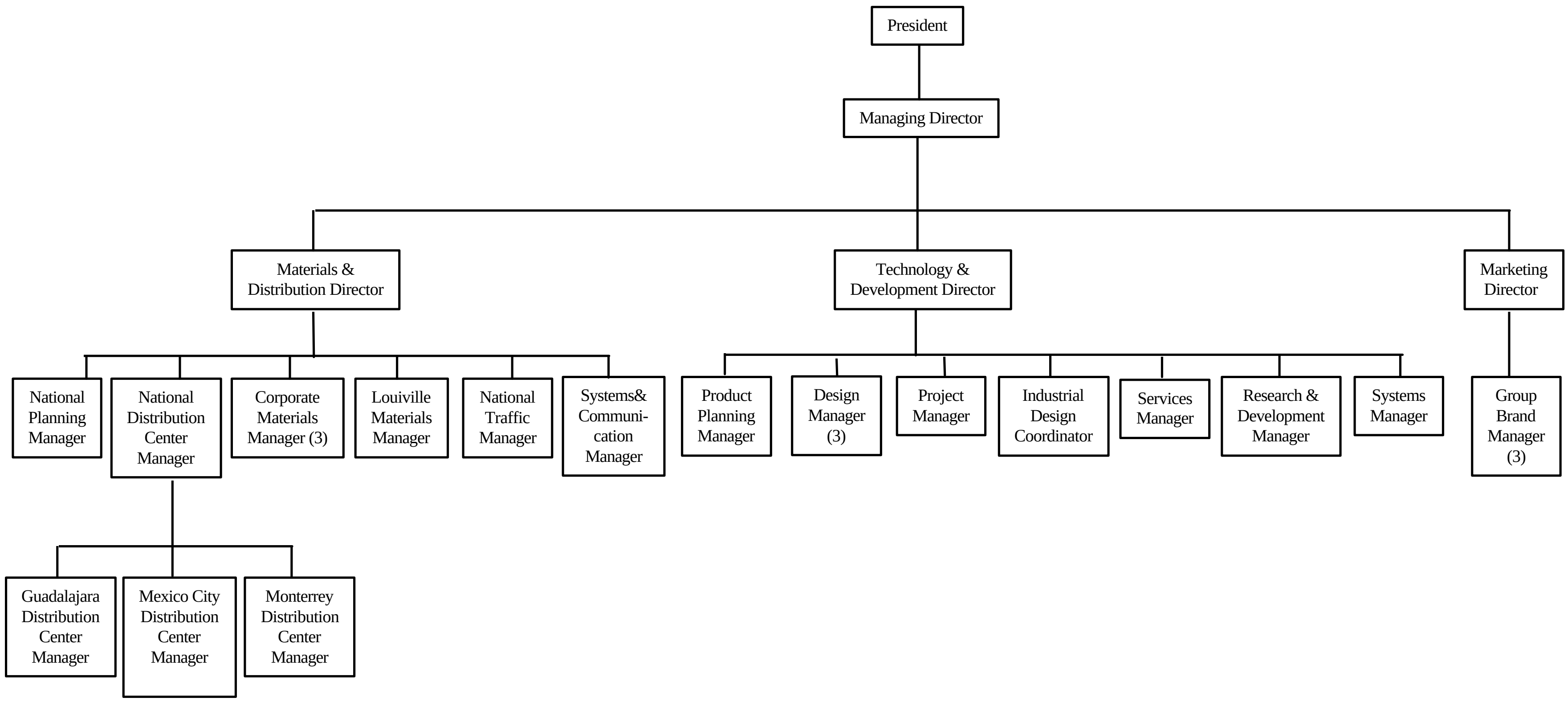

Exhibit 8D
MABE Organization Chart
Detail D

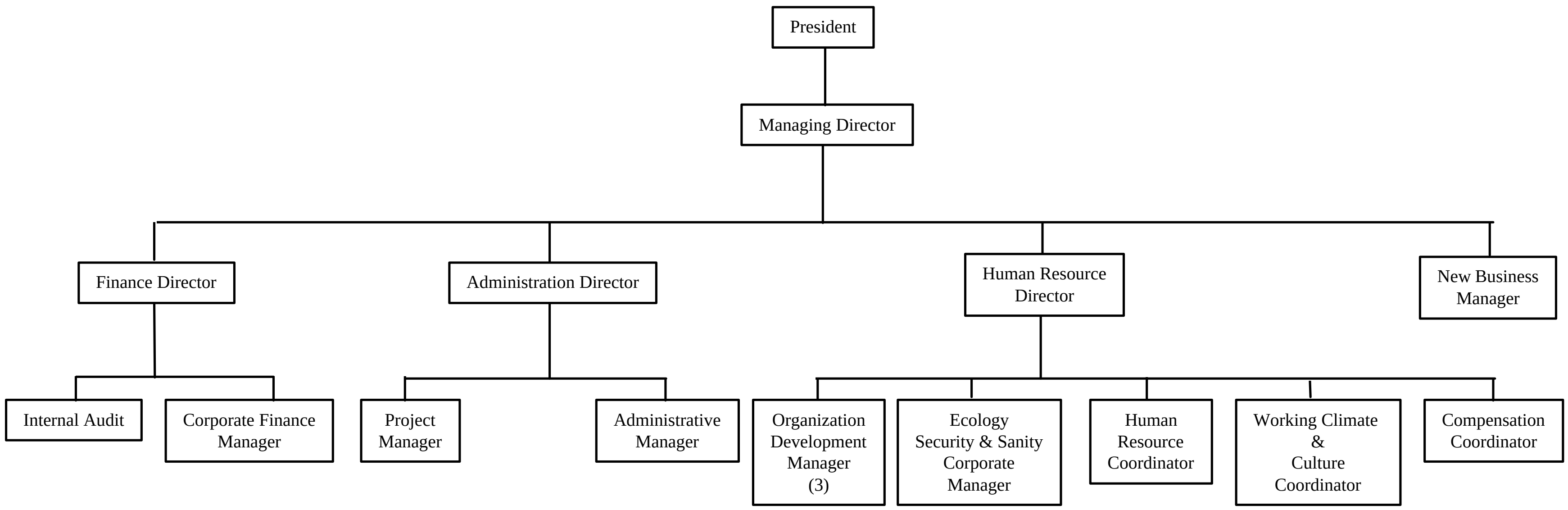

EXHIBIT 9:
MILESTONES IN THE MAJOR APPLIANCE INDUSTRY IN MEXICO, 1940'S TO PRESENT

1940's	Firms in the refrigerator industry: General Electric; Industria Electrica de Mexico (IEM-Westinghouse); Frigidaire (General Motors); Kelvinator.
1947	MABE is founded. Competing firms around this time in the gas range industry are: Acros; Delher.
1950	Firms in the washing machine industry: Troqueles y Esmaltes; Hoover Mexicana; Cinsa.
1964-Dec	**Diaz Ordaz presidency begins.
1964	MABE enters the refrigerators market.
1970-Dec	**Echeverria presidency begins.
1970	MABE produces the first refrigerator with polyurethane foam insulation in Mexico.
1960's-70's	The major appliance industry consolidates with 8 firms: Aceros Esmaltados; Troqueles y Esmaltes; MABE; IEM-Westinghouse; General Electric; Hoover; Cinsa; Corporacion Industrial Mexicana. By the 70's Aceros Esmaltados builds a plant (Erna) in Celaya, Guanajuato. Washing machines are produced by Hoover, Cinsa, Corporacion Industrial Mexicana (Easy), General Electric, and Crolls.
1976-Dec	**Lopez Portillo presidency begins.
1978	MABE's new refrigerator plant in Queretaro begins production.
1980's	Vitro acquires Troqueles y Esmaltes, Aceros Esmaltados, Erna, and Manufacturera Corpomex. Vitro closes plants of Troqueles y Esmaltes and Aceros Esmaltados. Manufacturera Corpomex ceases production prior to acquisition. Vitro builds a new plant (Supermatic) and acquires Crolls Comercial, a washing machine manufacturer, thus completing its product lines in appliances.
1982-Dec	**De la Madrid presidency begins.
1983-84	Debt crisis; inflation; currency devaluation. Drastic market contraction: 30-40%. Price controls; subsidies to failing firms; Government acquires 35% of major appliance capacity.
1985	Economic opening to international market begins. Deregulation; price decontrol. Sales of government-owned firms. Start of major foreign investments in Mexican industry.
1987	MABE and GE enter into a joint venture agreement; GE Appliances Mexico is merged into MABE.
	MABE acquires the appliance business of the IEM Company.
1988	First national industry-labor pact; maximum tariff rate reduced to 20%.
1988-Dec	**Salinas presidency begins.

EXHIBIT 9 (CONTINUED)

1989	Economic reform continues with accelerated liberalization of economy. Commercial treaties; inflation control; expansion of fiscal base. Sustained economic growth. Power of labor unions reduced. MABE acquires the appliance business of GIS (Grupo Industrial Saltillo), completing its business lines with washing machines. This acquisition consolidates MABE's position with a 50 percent market share of the Mexican major appliance industry.
1990	New MABE gas range plant in San Luis Potosi begins production serving domestic and export markets.
1990's	Vitro opens a new plant for appliances in Monterrey and enters into a joint venture with Whirlpool.
1992	Free trade agreement with Chile signed.
1993	NAFTA trade agreement signed with U.S. and Canada.
1993	MABE opens its Technology and Development Center and goes transnational with Venezuela, Colombia joint ventures.
1994	Chiapas crisis. Colosio assessination. Major fall in foreign exchange reserves.
1994-Dec	**Zedillo presidency begins. Collapse of peso signals national economic crisis.
1995-96	U.S. loan guarantee agreement prevents economic collapse. Economic and financial crisis bottoms out. Slow improvement begins. Democratization; political opening to all parties.
1996	Current structure of major appliance industry: Gas ranges: MABE (Mexico City, San Luis Potosi); Vitro (Monterrey) Refrigerators: MABE (Queretaro, Mexico City); Vitro (Monterrey) Washing Machines: MABE (Monterrey, Saltillo); Vitro (Monterrey); Cinsa (Saltillo)

EXHIBIT 10:
MABE MILESTONES, 1947-1996

YEAR	EVOLUTION OF MABE	CORPORATE CULTURE AND LEADERSHIP	MANAGEMENT FOCUS
1947	MABE is founded in Mexico City by Mavardi and Berrondo families. Product: kitchen cabinets.	Company has transcultural orientation from the start. Traditional management style.	
1955	MABE produces its first gas range.		
1964	MABE produces its first refrigerator.		
1970	MABE produces the first refrigerator with polyurethane foam insulation in Mexico.		
1974	MABE becomes industry leader as first gas range exporter.		
1976	First MABE decentralization project: refrigeration operation moved out of Mexico City.		Period of management conflict with a series
1978	MABE starts production at a new refrigerator plant in Queretaro; main product line: one-door refrigerators; capacity: 450,000 units.		of different unions at Mexico City plant; conflict does not extend to plants outside capital. Resolution of the long conflict
1983	Major industry crisis begins.		ends traditional "solar" management approach.
1984	Generational change in top management group.	Union crisis resolved with transition to new corporate culture focused on people and quality.	
1985	Exit or grow? Competition weakened. Negotiations begin with GE and Whirlpool.	■ First moment of truth: Commitment to growth with leading transnational partner.	
1986-87	■ GE negotiations concluded: MABE-GE 52:48. MABE acquires the appliance business of IEM-Westinghouse - mainly gas ranges and refrigerators. ■ Strategic planning introduced.	■ Second moment of truth: GE agreement signed. ■ Third moment of truth: Strategic coordination and human resource development linked.	

EXHIBIT 10 (CONTINUED)

YEAR	EVOLUTION OF MABE	CORPORATE CULTURE AND LEADERSHIP	MANAGEMENT FOCUS
1988-90	■ Appliance business of Grupo Industrial Saltillo (GIS) acquired - mainly washing machines; MABE thereby attains 50% appliance market share. ■ Joint venture "Leiser" plant for U.S. gas range exports starts up in San Luis Potosi.	■ Fourth moment of truth: challenge of joint team with GE to design and build new 100M new plant. ■ Fifth moment of truth: cultural integration of acquired companies.	■ Focus on international competitiveness. ■ Modernization of Mexico City plant.
1991	Modernization and expansion of refrigerator production begins.	Continuous improvement strategy introduced.	Focus on after-sale service: technically based, nation-wide service introduced.
1992-93	■ MABE adds a new 400,000-unit line to its Queretaro refrigerator plant. ■ Technology Center in Queretaro opens. ■ Acquisition of Ceteco in Venezuela and Polarix in Colombia.	■ Sixth moment of truth: Transnational expansion into South America.	Change from production focus to market focus: systematic reorganization of brands, sales channels, logistics, prices.
1994	Alliance with SANYO in compressors: 65% MABE, 35% SANYO.		Focus on marketing: market analysis, brand positioning, advertising media plan.
1995	■ Following 50% drop in exchange rate of peso, MABE at GE suggestion holds supplier and parts fair in Mexico City, initiating broad substitution of imported components by domestically supplied components in all lines. ■ Distribution in Guatemala & Costa Rica begins; acquisition of Durex in Ecuador; purchase of "Centrales" brand in Colombia. ■ New 1,800,000-unit joint venture (SANYO) compressor plant begins operations.	■ Seventh moment of truth: Holding course through Mexico's national economic crisis.	■ Focus on sales: horizontal specialization of sales channels; training in sales techniques. ■ Focus on the logistics of distribution: plant flexibility to produce what is sold; logistics information system; 8 distribution centers.
1996	■ Compact washing machine production transferred to Monterrey; new automatic washing machine plant in Saltillo starts up. ■ MABE PERU begins operations.		

ENDNOTES

i. "Core competency" is used in this study to denote the concept introduced into the business literature by Prahalad and Hamel, as discussed in detail below (see the Conceptual Framework section). Though "competence" is a legitimate variant both in pronunciation and spelling, it is convenient to select one variant, "competency" (pl. "competencies"), for specifically technical usage in Prahalad and Hamel's sense and to leave the other variant, "competence," for usage in the general non-technical sense.

ii. World Bank (1993), *The East Asian Miracle: Economic Growth and Public Policy,* Oxford University Press.

iii. 1990 Census and Kidder-Peabody estimates.

iv. World Bank (1995), *Monitoring Progress,* Washington, DC; also Peter Passell (1995), "The Wealth of Nations: A 'Greener' Approach Turns List Upside Down"; *New York Times,* September 19, pp. C1, C12.

v. The World Bank (1995) has estimated national wealth as the sum of (1) natural wealth in land (crops, etc); (2) other natural wealth (minerals, water); (3) produced or manufactured wealth; and (4) human and social wealth (education, skills, etc.). On the percentage measure mentioned in the text, the Western industrially advanced economies are consistently in the high band. Economies with lower levels of industrialization may or may not be in the same high band; Mexico registers 87 percent, China 84 percent, Ethiopia 66 percent. The dramatic differences are seen in the per capita wealth in human capital; in thousands of dollars, Japan registers 457, Germany 315, the U.S. 248, Australia 175, and Canada 154. The figure for Mexico is 54, for China 5, and for Ethiopia, less than 1.

vi. Peter Morici (1993), "Grasping the Benefits of NAFTA," *Current History,* Vol. 92. No 571, Feb., p.52.

vii. Eva Kras (1991), *La administración mexicana en transición* (Mexican administration in Transition), Iberoamerica, 1991.

viii. Kras (1991), Prólogo (Foreword), by José de la Cerda Gastélum. (Author's translation.)

ix. The features of an advanced international management style will, by contrast, be summarized in the Conceptual Framework section, below.

x. U.S.-Mexican cultural differences in management styles are also presented in considerable detail in Anthony de Palma (1994), "It Takes More than a Visa to Do Business in Mexico," *New York Times,* Sunday, June 26, Sec. 3, p.5.

xi. Kras (1991), Ch. 7, 91-121.

xii. See for example Charles Hampden-Turner (1990), *Creating Corporate Culture: from Discord to Harmony*, Reading, MA, Addison-Wesley; Robert Porter Lynch (1993), *Business Alliances Guide: The Hidden Competitive Weapon,* New York, Wiley, esp. Ch. 16, "Dynamic International Deals." See also CAHRS (Center for Advanced Human Resource Studies), *Working Paper Series* and CAHRS (1991), *Meaning of Work International Research Team Publication List* (1991) of the School of Industrial and Labor Relations, Cornell University, Ithaca, NY.

xiii. There have, however, been important contributions. See Philip R. Harris and Robert T. Moran (1991), *Managing Cultural Differences,* 3rd Ed., Houston, TX, Gulf Publishing Co; and Charles Hampden-Turner and Alfons Trompenaars (1993), *The Seven Cultures of Capitalism,* New York, Doubleday. Differences between U.S. and Mexican management styles are discussed in de Palma

(1994).

xiv. Institute for International Human Resources, personal communication. It is of course important to recognize that in Japan, key financial decisions are often determined at the supra-corporate level, that is, at the level of the banking institution that functions as the core of the *keiretsu* to which the corporation belongs. It is none the less noteworthy that Japan's form of business organization has often serendipitously permitted the human resource function to become part of the top corporate strategic level, with all the competitive advantage that this implies in a globalizing information economy.

xv. World Bank (1995).

xvi. "Devolution of power" is used to replace "empowerment."

xvii. Michael Porter (1979), "How Competitive Forces Shape Strategy," *Harvard Business Review,* March-April, 137-145; and Porter (1987), "From Competitive Advantage to Corporate Strategy," *Harvard Business Review,* May-June, 43-59.

xviii. Hamel and Prahalad (1989), "Strategic Intent," *Harvard Business Review,* May-June, 63-76.

xix. *Ibid.,* p.66.

xx. *Ibid.,* p.64.

xxi. Prahalad and Hamel (1990), *The Core Competence of the Corporation,* Harvard Business Review, May-June, 80-91.

xxii. Harvard Business School (1993), pp.3-4.

xxiii. Hamel and Prahalad (1989), p.75.

xxiv. This conception is present in one form or another in Senge (1990), Hamel and Prahalad (1989), and Block (1993).

xxv. See Peter Block (1993), *Stewardship: Choosing Srvice over Self-Interest,* San Francisco, Barrett-Koehler Publishers.

xxvi. Senge, P. M. (1990), *The Fifth Discipline: The Arts and Practice of the Learning Organization.* New York, Doubleday Books.

xxvii. See Harvard Business Review (1993) and Stewart (1991).

xxviii. From GE Annual Report, 1990, cited in Harvard Business School (1993), p.14. See also Note 39.

xxix. Though from the U.S. perspective this arena might not seem that different, indeed, Mexico and South America might look almost interchangeable, from a Latin perspective such a perception would be dismissed as a U.S. blind spot.

xxx. Harvard Business School (1985), pp. 3-5.

xxxi. Urbano Perez interview; also IPADE (1992) (Instituto Panamericano de Alta Dirección de Empresas - Panamerican Institute of Higher Management), *Organización MABE: Planta Leiser (San Luis Potosí)* (MABE Organization, "Leiser" Plant - San Luis Potosi), Mexico, p.3.

xxxii. Urbano Perez interview.

xxxiii. The ratio of minimum wages in the U.S. and Mexico was about 5:1; but since actual wages in the respective industries in the U.S. tended to be well above the minimum wage while in Mexico they did not, the ratio of actual wages was closer to 10:1.

xxxiv. IPADE (1992), p.4.

xxxv. Anthony de Palma (1994). Corning also blamed Vitro for unwillingness to acknowledge problems and faults, being too slow, and having an insufficiently aggressive sales approach. Vitro, in turn, complained about Corning's being too direct and too fast; it was particularly bitter about Corning's detailed public discussion of the causes of failure of the joint venture.

xxxvi. Substantive areas within MABE include gas ranges, refrigerators, washing machines, marketing, and service.

xxxvii. According to Bob Reid there was, however, one member of the initial GE team who while very bright was considerably younger; he was not able to relate effectively to the Mexican side and was soon withdrawn. This confirms the wisdom of providing deliberately for an age difference.

xxxviii. IPADE (1992), p.5. The same cultural incongruity with respect to business lunches is reported to have occurred between Banc One of Houston and BANCOMER, in de Palma (1994).

xxxix. *Work-Out* was designed "to create a forum where a cross-section of employees could speak their minds about the management of their business without the fear of retribution by their superiors. More importantly, it was the place to get immediate action on their recommendations." Harvard Business School (1993), p.10. Other tools of culture change were Best Practices and Process Mapping. Part of the new philosophy was an emphasis on speed, simplicity, and self-confidence.

xl. T.A. Stewart (1991), "GE Keeps Those Ideas Coming," *Fortune,* August 12, p.48.

xli. Porter (1979).

xlii. Senge (1990).

xliii. IPADE (1992), p. 5.

xliv. This expansion was undertaken under the same conditions as the earlier ventures in Venezuela and Colombia, that is, with capital of MABE's Mexican investors and under the same transitional arrangements as have been indicated in the preceding note.

xlv. Chrys Argyris (1991), *Harvard Business Review,* May-June, 99-109.

xlvi. See Note 36.