

Small and medium-sized businesses in Mexico

Pequeñas y medianas empresas en México

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Received: 20/07/2017 • Approved: 20/08/2017

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ABSTRACT:

The aim of this paper is to review the key characteristics of small and medium business enterprises in Mexico and what must be done to achieve their future wellbeing. It is submitted that Mexico needs to revisit its credit financing and capital investment methodologies and regulatory frameworks to see how it can get resources into the hands of ambitious entrepreneurs. Mexican enterprises need to divest themselves of the paternalism and unsystematic managerial practices that have thwarted growth in the past.

Keywords Small and medium-sized businesses, entrepreneurialism, paternalism

RESUMEN:

El objetivo de este artículo es revisar las características clave de las pequeñas y medianas empresas en México y lo que debe hacerse para lograr su bienestar futuro. Se sostiene que México necesita revisar sus metodologías de financiamiento de crédito e inversión de capital y marcos regulatorios para ver cómo puede conseguir recursos en manos de empresarios ambiciosos. Las empresas mexicanas necesitan desprenderse del paternalismo y de las prácticas gerenciales no sistemáticas que han frustrado el crecimiento en el pasado.

Palabras clave Pequeñas y medianas empresas, emprendimiento, paternalismo

1. Introduction

Small and medium-sized businesses in Mexico constitute the backbone of the Mexican economy. It is here where Mexican entrepreneurialism is most pronounced, and it is also here wherein one finds the greatest example of Mexican social welfare on full display. These firms tend to be family-owned and operated, and they also tend to manifest a distinctive leadership model that includes prominent paternalistic features which have endured through one seismic economic and sociological shift after another. This paper explores the background to these enterprises, and how they exist at the present time. It also looks at where the future appears to be headed vis-à-vis these enterprises. The purpose of this research is to thoroughly explore the nature of these enterprises, how they function on a daily basis, what strengths they possess, and what vulnerabilities potentially mar their future – as well as their present. As significantly as anything detailed above, this paper is also an inquisition into how Small and medium-sized enterprises (SMEs) in the Mexican context intersect with, or collide with, the country's culture and meld with the basic contours and realities of the Mexican economy. Critical variables which warrant discussion are as follows: the size of the firm; the degree of family control and founder control over the firm; and the role that the industry within which any specific firm finds itself plays in shaping organizational activities and adaptations. The critical finding that emerges from any study of this sort is that Mexican firms are essentially the functionaries that do what the state is loath to do in terms of aiding employees and customers. As well, these SMEs are still grappling with the transition to leadership models and management styles that diminish the role of paternalism in operational and strategic management in favor of meritocracy, depersonalized bureaucratic functioning, and progressive facilitative, democratic and mentoring-based best practices. For now, small and mid-sized businesses can function in Mexico, but the time is fast approaching when a new paradigm will be needed.

If nothing else, the purpose of this scholarly inquiry is to illustrate the dynamic nature of small and medium-sized businesses in the Mexican context. These enterprises tend very much to be familial in nature, to be defined by rigid hierarchies and a paternal accent, and tend to resist the natural inclination towards ever greater growth that one generally finds in the North American or European context. They are enterprises that also face significant challenges: the infrastructure of Mexico does not compare to what one finds in North America, and the absence of the state – and the general weakness of the state – means that the typical business must step into interstitial spaces and fulfill functions, such as loans or advances or basic social welfare services, that would normally not be the purview of an employer. Such responsibilities create their own burdens, so it may be argued that another purpose of this paper is to emphasize the various ways in which businesses in Mexico have to overcome burdens and strains that are much greater (in a proportional sense) than the strains and burdens shouldered by huge American, Canadian and European enterprises. By merely glancing at the background of small and medium sized businesses in Mexico, by merely scanning the broader context, it can be seen that these enterprises are indelible parts of the national fabric and faced with a set of challenges and imperatives that say as much about Mexico as they do about the business enterprises in question.

Small and medium-sized businesses have been a part of Mexico since long before the Mexican-American war of 1846 brought Texas into the United States (US) fold. And the twentieth century in Mexico was a story of small and mid-sized enterprises struggling to survive in the face of state clientelism, fashionable socialist experiments, inefficient governance, and the depredations and impingements caused by thinly-veiled American colonialism (Guedea 2010; Archer, 2010). As late as 2005, it was reported that small businesses comprised 95% of the total economy of Mexico. Likewise, a 2007 OECD report revealed that approximately 99 percent of the nearly three million companies registered in Mexico as of 2007 were small, micro-sized, or mid-sized (Kakihara, 2010). While one tends to associate the idea of a nation of small shops with other lands, Mexico has been a nation of small businesses for much of its history.

Finally, it bears notice that small firms in Mexico tend to be substantially slower in terms of productivity and growth than the largest, modern firms. Wages in traditional small firms fell markedly from the late 1990s to the end of the 2000s, and productivity growth was practically non-existent in these smaller, traditional firms, as well (Bolio, Remes, Lajous, Manyika, Rossé, & Ramirez, 2014). Thus, in a culture that still demands businesses to provide social support for employees, up to and including affordable housing (Ward, 1999). These businesses face the corresponding drain that arises from low productivity, low growth, and fierce outside competition. This challenging state of affairs may very well be the quintessence of the SME experience in Mexico. It is therefore vital to find new means of allowing such firms to establish viability as they struggle to achieve success in a world without borders and insulation. Government planning and assistance can potentially play a great role in achieving the best possible outcomes

2. Methodology

A thoughtful exposition of the available literature seems the most efficacious means of drawing out the nature, characteristics and future prospects of the SME constellation in Mexico – to say nothing of how cultural expectations and sensibilities also play their key role. This paper will essentially highlight a meta-level approach to the literature that explores quantitative and qualitative source materials that highlight emerging trends and possible future areas warranting exploration. The paper will focus attention especially upon literature penned in the last generation, with peer-reviewed monographs and articles

being of greatest import. The study also looks at studies and scholarly treatises that employ a cross-sectoral and cross-disciplinary approach insofar as a holistic view of the Mexican SME economy seems to offer the greatest hope of capturing where the Mexican SME economy is strongest and weakest, and what large-scale prescriptive measures on the part of the state can lead to the greatest advance for one and for all. It is my conviction that a thoroughgoing literature review, one that embraces studies encompassing both quantitative and qualitative assessments, can lead to singular insight into what the future holds for Mexican SMEs.

3. Literature review

Given what has been described above, the next order of business is to adumbrate a methodology for better exploring the advantages and disadvantages of these enterprises, the general disposition of said enterprises, the intersection between Mexican culture and economic realities and vagaries and these enterprises, and how small and medium enterprises in Mexico can be strengthened and made more sustainable pushing into the future. It is also incumbent to look at some critical variables that might well complicate – and explicate – the evolution of Mexican businesses in the new millennium.

To commence, a few words must be spoken about the Mexican culture and economy and its role in the nature and growth of Mexican small and medium enterprises. As noted at the outset, Mexico has a long history of small-scale entrepreneurialism coupled with a paternalistic expectation that businesses will care for employees. While it is alluring to argue that Mexican culture is insular, the reality is that there has long been a genuine desire for exchange with other cultures – including the American one – so that fresh ideas and concepts can be injected into the ether of ideas that shapes Mexican business activity (Moreno, 2003). This sentiment is echoed elsewhere, though perhaps more diffusely, such as in the work of Coria Sánchez (Coria Sánchez & Hyatt, 2016). The more significant cultural artifact, as it turns out, is not cultural insularity as much as it is the culture of paternalism that encourages directive-driven management styles and a firm belief that subordinates should follow order instead of offer advice. This approach, regrettably, has long served as a factor in denying Mexican women more ample opportunity in senior leadership roles (Hellriegel & Slocum, 2010). It can be said that, while things are changing, Mexico has largely been shaped by a conceptualization of business affairs in which those senior-most within the organization act as stern but thoughtful fathers while their employees act as dutiful sons (and daughters) (Leppert, 1996).

Glancing briefly at the economy of Mexico, it is enough to say that, while the country has expansive natural resources and a massive labor market, it also faces systemic failures in terms of its infrastructure, internet architecture, credit sector (low liquidity and accessibility barriers), and training and educational attainments. The formal economy has not served many Mexicans well, and that is why – largely because of too few jobs that pay a livable wage – the informal economy continues to flourish (Snyder, 2017). Time will tell, but it seems manifest that Mexico needs to find a way to modernize its economy and to train its young people on the skills and competencies they will need if they are to be successful entrepreneurs. Economic issues such as the above do seem to explain why entrepreneurialism in Mexico is oftentimes a terrific challenge. But there are other considerations to take into account when looking at the vagaries of the Mexican experience.

For one thing, there is an awareness on the part of SMEs in Mexico that innovation and knowledge management are critical to overarching long-term success (Perez-Soltero & Soto, 2017). At the same time, however much SMEs in Mexico may struggle comparatively in terms of growth and productivity, there is a keen awareness of the need to seek out managers with surpassing managerial skills in order to remain competitive in a time of exceptionally daunting competition (Leyva-Carreras, Espejel-Blanco, & Cavazos-Arroyo, 2017). Furthermore, academic observers of the Mexican scene appear to be largely unambiguous that small and medium-sized businesses need new managerial strategies and tactics if they are to ward off some of the dangers posed by a competitive international economy (Pinzón Castro, Maldonado Guzmán, López Torres, 2015). There is something heartening about this recognition, even if it has not changed the unfortunate fact that Mexico SMEs continue to grapple unhappily with how to make themselves more competitive in a world that punishes low productivity severely.

Pressing forward, there is some evidence that small and medium sized businesses in Mexico are thwarted in some measure by the perceived absence of sophisticated training for business crises; for instance, concerns about business problems tend to be more pronounced in Mexico than in the United States, and this appears at least partly correlated to competitive strategies that are suboptimal for dealing with crisis circumstances (Parnell, 2015). SMEs in Mexico are very much family affairs, and that does leave them open to damage when shifting sands and changing fortunes demand new approaches or dramatic paradigm shifts.

Significant challenges do confound entrepreneurial efforts within Mexico when it comes to small and medium sized businesses struggling to assert themselves in a crowded marketplace. Not least of all, there are issues surrounding adequate availability of venture capital, appropriate human resources, supportive auxiliary structures from the government, and the right kind of strategic planning. What does serve as somewhat of a boon for Mexican SMEs, however, is that the Mexican government is now contemplating new programs for the establishment of micro loans for such enterprises along with encouraging the erection of cooperatives that can accommodate business clusters (Hayes, Chawla, & Kathawala, 2015). Interestingly, there is some evidence that Mexican state governments tend to much prefer distributing benefits to small business organizations instead of granting them directly to entrepreneurs or to other associative groups. The reason for this appears to largely be attributable to electoral politics and to the desire on the part of members of the political class to secure their own prospects (Palmer-Rubin, 2016). A developing nation that wants to see more robust and vigorous SMEs needs to do a better job of directing money directly into the hands of struggling startups and fledgling business owners. As another note of interest is the fact that state insurance coverage programs for employees tend to offer merely a modest tax write off which only serves to offset the employer portion of the insurance premium. As a result, it is proposed that in the realm of insurance, as in so many other areas, additional supports for businesses are desirable (Sommers, Abraham, Spicer, Mikow, Spaulding-Bynon, 2011).

By this point, many clear disadvantages manifest themselves when it comes to the wellbeing and sustainability of small and mid-sized businesses in Mexico. They appear to be short on capital, often lack the vital expertise that might steer them through difficult circumstances – this is most evident amongst rural-based micro-enterprises seeking a larger footprint in the marketplace (Hollingsworth & Ray, 2006) - and are burdened by a state administrative and bureaucratic network that appears more concerned with political machinations and intrigues than with efficiently distributing monies into the hands of aspiring entrepreneurs. Be that as it may, it is also true that Mexican firms must grapple with an international economic order that privileges productivity – and this is not something generally associated with Mexican firms, as noted previously. Still, if there is one advantage that Mexican firms do enjoy – though it may certainly seem a dubious one – it is that compliance and oversight administration tend to be comparatively less comprehensive than might be found elsewhere. The down side to this, however, is that administrative oversight which leads to environmental compliance also tends to lead to greater environmental innovation, which has a heartening effect upon sustainability and firm performance (Sánchez-Medina, Díaz-Pichardo, Bautista-Cruz, & Toledo López, 2015). The key point here is that there is relatively more interstitial space for Mexican firms to act aggressively in their own interests without the same fear of sanction from the state bureaucracy. The down side is that the kind of innovation that comprehensive oversight demands – especially in areas such as environmental stewardship and emissions – tends to be precisely the kind of innovation that leads to greater business success and a more innovative approach. Overall, the Mexican context is not doing nearly enough to foster and nourish the growth of a business sector that can enter into the vanguard of global actors.

But, as with so much else in Mexico, the overall picture is more nuanced than the paragraphs above might suggest. While there are undoubtedly serious issues that cannot be dismissed lightly, Mexico is a nation that does have some important loci for small businesses to grow and flourish and interconnect with positive results. One of these loci is Pueblo, which is noteworthy for having in its midst a cluster of successful and productive firms that, while comparatively small in nature, are nonetheless proving quite adept at making the most of modern scientific management practices (Robison, 2008). Even if there is a clear need for more sophisticated leadership amongst family-dominated business undertakings, the simple reality is that Mexican firms have shown, albeit intermittently, a marked talent for employing leading management practices in a forward-looking and thoughtful manner. Fascinatingly, an intriguing study focused upon San Luis Potosi, Mexico, reports that innovation and stalwart competitiveness are intimately linked when describing the business performance of local SMEs; in fact, some businesses are rather impressively innovative and competitive when all factors are taken into account (Martínez Rojas, Palos Cerda, León García, & Ramos Barcenás, 2013). Such a state of affairs becomes rather more striking when it is acknowledged that Mexican entrepreneurs, at least in the electronics sector, have historically ruefully acknowledged the country's relative deficit when it comes to needed infrastructural components – most certainly when compared to the United States (Galbraith, DeNoble, & Estavillo, 1990). SMEs in the Mexican context have the advantage of a robust SME tradition that valorizes such undertakings – as manifestly apparent in the sheer number of small businesses that dot the national landscape. But, at the same time, these businesses groan under the weight of infrastructural deficits, and a politicized bureaucracy, that makes progress a daunting proposition.

The more one looks at events and long-term trends in Mexico, the more one is struck by how the country has established a context that really leaves business success and failure up to the efforts of individual entrepreneurs or groups of investors (quite often, as intimated above, family investors). Even

without dwelling upon the literature, this is most problematic because the state of Mexico lacks the global heft and weight to pursue protectionist or asymmetric trade policies and industrial policies that might safeguard its business interests. A nationalist trade policy, especially when bordered by a much larger and more chauvinistic state, will most likely come to ruin. Thus, it is hardly revelatory that the scholarship loudly proclaims that the entrepreneurial orientation of business leaders in the case of Mexican SMEs – particularly in the industrial manufacturing sector – is the most significant factor in whether or not fledgling Mexican businesses survive (Montiel Campos & Aguilar Valenzuela, 2013). Marketing effort is also termed a very substantial factor in the sustainability and viability of SMEs in Mexico (Chawla, Khanna, & Chen, 2010). In light of this last fact, it seems manifest that maybe Mexican policy makers should make a concerted effort to more assertively defray the costs of marketing initiatives for small and mid-sized domestic enterprises so that they can actually present the value of their wares to a larger marketplace. But even if that were to be done, it would not change the essential fact that life as an entrepreneur in Mexico can be a very lonely and frightening one because there may not be anyone there to catch one's fall when a business enterprise begins to falter.

Another issue that Mexican firms face, and this appears to have been the case for some time, is crime. Specifically, accrued evidence presents the stark reality that high rates of property crime are inextricably linked to a lesser likelihood of business expansion on the part of local micro-enterprises, while income growth is also markedly compromised (Ben Yishay & Pearlman, 2014). This phenomenon also becomes quite profound when one also contemplates that Mexico has a large informal labour market that persists even in the face of variable economic booms and busts (Fernández & Meza, 2015). It may seem ambitious to state it, but a society wherein many people are informally employed – and this includes those who are fledgling entrepreneurs who have not bothered to register their enterprises – is one that is especially cruelly vulnerable to the depredations of property crime insofar as there is an understandable reticence to report such crimes to the lawful authorities and thus put oneself at risk for sanction. Predictably, informal enterprises are unlikely to aggressively expand or market themselves in the face of rampant crime – not merely because of the damage and discouragement that crime inspires, but because of the complications that can easily arise from reporting these crimes. Even larger, registered firms can easily spend more time and energy on trying to prevent crime than devoting energies to expanding the company niche in the marketplace.

The aforementioned enterprises certainly have merits and demerits. Small and medium-sized enterprises are widely perceived as being the chief engines for growth in Mexico because, for all the aforementioned talk of infelicitous management decisions, they are the enterprises wherein the preponderance of the country's entrepreneurial dynamism can be found (Rodríguez Arregui, 2012). It certainly sounds wonderful, but scholarship into the contretemps and phenomena of Mexican business reveal that SMEs are greatly hampered by a lack of financing, and by a dearth of skilled workers. Since 2001, efforts have been undertaken by the Mexican federal government to reduce barriers to entrepreneurial activity – principally involving easier access to credit financing and an effort at streamlining the process through which a firm can be formally constituted. Be that as it may, the late 2000s saw Mexican SMEs continuing to struggle to be competitive with foreign competitors (OECD, 2007). In a related vein, the idiosyncratic nature of small and medium-sized business management in Mexico can impede firm performance insofar as collaboration capacity (especially between firms and suppliers) is a clear factor in ultimate organizational success (Van Hoof & Thiell, 2014). If a family-run enterprise cannot establish effective, collaborative interactions with suppliers, then the enterprise's capacity for robust future growth is greatly imperiled. That is yet another reason why the focus in Mexico should be upon the progressive professionalization of SME senior management. There is definitely certifiable evidence that managers within Mexican manufacturing firms largely lack preparation and acumen when it comes to the management process (Iduarte & Zarza, 2010). There is talent to be harvested, and latent potentialities still to be explored, but it would be foolish to ignore the reality that SMEs in Mexico do need a sizable upgrade in the professional skills and methodologies of their senior management. The challenge, as one might anticipate, is the extent to which many family-run firms will tolerate the imposition of new standards and managerial decision-making methodologies after many years – or even multiple generations – of doing things one particular way.

In light of all the above, Mexico may be described as a country with a burgeoning middle class business sector that possesses a strong zeal for entrepreneurialism. Where the country can do better, in addition to the prescriptive measures suggested above, is to begin directing more support and more training and preparation tools to small and medium-sized businesses. This is a departure from a historic propensity for favoring a few elite firms to the exclusion of most others (Hearn, 2015). More scholarly investigation uncovers that professional consulting services can be quite beneficial for Mexican small and mid-sized enterprises, but such research appears to be relatively modest in size and scope and revolves around randomized trials conducted at the local level as opposed to the national level (Bruhn, Karlan, & Schoar, 2012). A nation-wide consulting initiative that gives entrepreneurs the tools to deal with business reversals, competitive challenges, costing difficulties, and employee turnover or attrition would appear to be well worth the investment for the Mexican government.

The brief mention of costing difficulties cited in the preceding paragraph brings to attention another confounding issue that may be described as a demerit of small and medium-sized Mexican businesses: the lack of expertise in activity-based costing (ABC). Incidentally, this leads into a brief excursion into possible cultural factors that complicate the existence of Mexican SMEs. To start, -It would seem that many modest Mexican enterprises lack expertise in terms of measuring and identifying their real-time business-related expenses and fluctuating burdens (Ríos-Manríquez, Muñoz Colomina, & Rodríguez-Vilariño Pastor, 2014). In a related vein, having a suite of software tools that can functionally administer the logistical, security, accounting and costing tasks of the business are also vitally needed in the Mexican context – but scholars have cautiously noted that many smaller Mexican enterprises lack the technological expertise and trained staff – as well as the internal rationalization – to have in place optimal software architectures (Cámara & Armando, 2014). This is an unfortunate situation that seemingly places the Mexican business community in a laggard position relative to other communities – such as Vietnamese small and medium-sized business owners – that appear comparatively more appreciative of the efficiencies, market penetration and multi-platform and multi-modal potentialities of such online and software tools as e-commerce (Pham, Pham, & Nguyen, 2011). There is a clear need to do much more to expose Mexican businesspeople to the training and conceptual tools that will allow them to effectively exploit software architectures and platforms that can bolster their business operations. Lest the impression be created that Mexican SMEs labor behind competitors because of wholly cultural or human resources issues or deficits, it may be said that Asian SMEs, as well as Latin American SMEs, have shown – at least historically – some reluctance to embrace online technology as a mediating business tool (Johnston & Wright, 2004). While some cultures may be more receptive than are others to new technology, it must be emphasized that size, limited resources, and perceived vulnerability (in other words, the damage that might accrue should a large investment fail) are also critical factors in how technology is used and exploited. It is arguable that Mexico needs to do more to assuage the concerns of small businesses and medium-sized enterprises by subsidizing the institution of software and hardware architectures in the business milieu.

Staying with the topic of Mexican SMEs exhibiting a penchant for laggardly exploiting new technologies and methodologies, it bears notice that small enterprises in Mexico appear to be very much in need of comprehensive software improvement process (SPI) strategies; there is a marked absence of such strategies in the Mexican context and there seems a correlation between the failure to employ such tools and the relative size of the firm (Espinosa-Curiel, Rodríguez-Jacobo, & Fernández-Zepeda, 2016). Small and medium businesses in Mexico may well be the drives of employment and growth, to say nothing of being the frequent wellsprings of entrepreneurship, but they are also businesses that – as a collective – have not done enough to embrace new heuristics for reaching out to new markets and to new consumers while simultaneously fortifying their own internal practices. The literature plainly suggests that a great deal more can be done in this regard.

To this point, some critical variables have been discussed: domestic human resources; technological uptake (or lack thereof); finite firm resources; perhaps dilatory or ineffective efforts to train and educate both staff and superiors on the benefits of new technologies and management practices; and the fact that the Mexican state has not shown a marked propensity for efficaciously aiding and bolstering small and medium-sized businesses. All of these, in one or another, have mitigated the positive boon that might otherwise arise from new innovations and best practices. But still another issue identified by the literature is Mexico's own modest place in the world relative to its noisy American neighbor. Specifically, foreign direct investment (FDI) – which includes a substantial sum from the US – has been identified as quantitatively and empirically undermining smaller firms because the aforementioned FDI has gone towards the subsistence of larger firms (Brown, 2002). It is not at all clear how Mexico can channel FDI towards its more modestly-sized enterprises, but the fact that this capital goes towards firms that are already well-positioned from a domestic standpoint seems to be comparable to how the Mexican government has historically invested far more in a few elite firms than in smaller, entrepreneurial franchises, businesses or enterprises. At some point, this will have to change and the aforesaid money will need to be re-routed to small and mid-sized firms that drive economic growth and employment growth. Not to be dismissed, Mexican SMEs, already hampered by the factors delineated above, face an obvious power asymmetry when attempting to negotiate with powerful US firms (Husted, 1996).

This exhaustive review of the extant literature pointedly delineates the manner in which a number of factors appear to constrain the growth and competitiveness of Mexican SMEs. But the possibility of rapid evolution and greater success does exist. Whatever disadvantages they may have, these smaller firms do have access to subtle resources that can aid them. One such possible resource is the corpus of former maquiladora executives who dot the Mexican business landscape and whose experiences in the maquiladoras furnished them with valuable business and managerial skills that are often lacking amongst their SME colleagues (Vera Cruz & Dutrénit, 2005). Mentoring and partnering initiatives might help in passing along vital expertise that can help

Mexico's fledgling entrepreneurial class. Of course, the nature of family-run enterprises might hamper such relationships, and those who are blessed enough to possess esoteric skills and insights might not wish to imperil their privileged position by aiding those who do not. But it is at least an area worthy of some cultivation. It is also worthy of note that there appears some connection between migration networks and the relative relief of capital constraints for self-employed individuals and micro-enterprises (Woodruff & Zenteno, 2007). In light of this, maybe more should be done to create formal channels through which out-of-country remittances for the purposes of bolstering Mexican-based small enterprises can be incentivized and made a legitimate and viable investment tool. In the interests of fairness, though, there is also scholarly evidence that, while substantial heterogeneity exists in the sources of start-up capital, as well as in the socioeconomic backgrounds of borrowers, there have persistently been liquidity constraints in the market vis-à-vis start-up capital that hinder the formulation and growth of small enterprises (Heino, 2006). In short, maybe the only way borrowed start-up capital from remittances and micro investors can become sufficiently liquid and substantial to really invigorate small and medium business enterprises is when the givers of those investment remittances begin to make sufficient capital to comfortably subsidize new business outlays and ventures. But, at the least, incentivizing investment support for SMEs is a way for the state to give aspiring entrepreneurs the initial tools they need to carve out a sustainable niche.

As a final comment, the suggestion above should likely come with a caveat: while remittances from extended family and migrant investors have benefits, they are not without complication: data extracted from Mexico's National Survey of Microenterprises finds that microenterprises utilizing loans, carryover business capital, money lenders and credit from clients and suppliers are actually more technically efficient than businesses relying upon family members, friends or the financial resources of the proprietor (Hernández-Trillo, Pagán, & Paxton, 2005). Since operational efficiency has been identified as a critical factor in the success or failure of Mexican SMEs when confronted with the heavy yoke of intense global competition (Atristain & Rajagopal, 2010), it is hard to avoid the finding that SMEs which draw their funds from outsiders and third parties are far more likely to be extremely motivated to make the enterprise work because they are not dealing with intimates who might be tempted to treat them indulgently if failure arises. In that sense, while investment remittances are great in and of themselves, and have been empirically proved to help microenterprises and struggling families through challenging periods (Finkelstein Shapiro & Mandelman, 2014), maybe what Mexico should also be doing is streamlining its credit system so that entrepreneurs can access the money they need to sustain a fledgling enterprise.

To end, the accrued data indicates that Mexican SMEs possess enlivening entrepreneurial energy, but are also taxed by family ties, by a lack of managerial expertise, by poor capital, by daunting economies of scale, by slow technology uptake, and by various infelicitous inefficiencies. As far as advantages go, it does appear as though many such firms, at least those that receive funding and support from third parties, are highly motivated to succeed and repay their debts. And it is manifest that an existing cadre of skilled managers and professionals, holdovers from the maquiladoras, can act as a productive and generous mentoring class for fledgling business people. Nonetheless, capital restraints do remain in place, and there is a notable lack of forward-thinking programmatic support for Mexican SMEs.

4. Results

Results from the literature point to there being both advantages and disadvantages that shape the existence of Mexican SMEs. Overall, the disadvantages do appear to be more numerous. They range from programmatic deficits on the part of the state to managerial failures to a culture of paternalism that can thwart the advance of progressive ideas and approaches. But, on the other hand, Mexican SMEs are a vibrant source of entrepreneurialism and are dynamic generators of jobs and GDP growth. Moreover, the familial aspects of organizational or business life in these operations are such that everyone has, or can have, a proprietary interest in the long-term wellbeing of the company. On balance, it seems that small and medium enterprises in Mexico need to nurture better business management practices that include training for technology innovation and for efficient disposition of resources. The relative dearth of tight regulatory frameworks in the country can allow firms more freedom to advance their own interests, but this is matched or even exceeded by the unhappy fact that human resources are not nearly sufficiently cultivated, venture capital is lacking, and the state does not appear to have a comprehensive plan in place to subsidize and groom small enterprises for international success. Resilience training, so that these modest enterprises can endure the challenges that await such companies, should also become a prominent part of the national programmatic catalogue. Right now, Mexico is a nation of small shops and small businesses, but a strong and confident national policy, perhaps involving close collaboration with other Latin American nations, can allow these small firms to become something very big indeed.

To end, Mexican SMEs need to move beyond paternalistic management practices towards professional, modernized approaches. Technological uptake should be emphasized, and the Mexican government should do whatever it can to defray the costs of investing capital and to create mentoring and advisory programs that help burgeoning businesses become the established entities they can become with good stewardship. All of this inevitably links intimately with efficacious crisis management tools and also the establishment of business hubs, alliances and cooperatives that can combine forces so as to zealously protect the interests of all constituent members. The latter is more a matter that needs to be resolved by small and medium enterprises themselves, but the Mexican government can do its part so that these firms feel secure and safe when they take on American or outside corporations that may want to use the asymmetric power relationships inherent in American-Mexican dealings to intimidate or daunt Mexican firms from demanding their fair share of any business or contractual pie. All in all, there is nothing in Mexican culture, perhaps even within the economy, that necessarily precludes Mexican SMEs from long-term success. But they need to marshal resources, embrace modern business practices, acknowledge the imperative of immediate technological uptake, and they need to band together and work in a close partnership with one another and with the Mexican state. The literature suggests many challenges, and relatively few advantages, but there are opportunities which can be exploited.

4.1. Limitations

As far as limitations, this paper is limited in the sense that it is a review and interpretation of the extant literature. Future research needs to look at regression analyses which can isolate specific factors that appear most compelling in determining the long-term success of SMEs in the Mexican context. Not to be overlooked, the research must go even further to look at a comparison of what Mexico is not doing now, but which other nations are doing, that could be transplanted to Mexican soil to protect the wellbeing of the country's ambitious entrepreneurs. Awareness of challenges is the first part, and the second part is to resolve those challenges so that they do not close doors as they have in the present and past.

5. Conclusions

To conclude, Mexico plainly has a multitude of small and medium-sized businesses that possess excellent potential for viability and growth. There are components of Mexican culture which can come in for criticism, but many of the deficits that afflict Mexican firms in the current age revolve around architectural, technological and human resources deficits that are resolvable. The Mexican government needs to retreat from favoring a few massive or elite firms over SMEs, and SMEs need to need to recognize that creative and supple management is the key to the future; a paternalistic model that works when a firm is a small family enterprise becomes increasingly outdated as the business grows and becomes more sophisticated, as its clientele become more sophisticated, and as its challenges and competitors mount in number. It seems that Mexican political and policy-making elite have to leverage whatever resources the state has so as to ensure that the small business culture – and mid-sized business culture – of Mexican society can find strength in numbers, find mentoring opportunities, and can find expedited channels for information exchange and for the creation of new competencies in software, financing, and human resources development. The future will not be an easy one, but it is also not irretrievably grim.

Additionally, another major conclusion to be reached is that Mexico should explore working closely together with other developing lands. This is not a matter that appears in the literature review, but it is intuited from the discussion about the problems confronting Mexican firms that need to negotiate with American concerns. By creating new business partnerships and associations with other developing countries that have also experienced difficulties dealing with the US, Mexico can find the support it needs to better protect the interests of its business enterprises. All of the innovations described above will be most achievable when Mexican businesses that dare to dream, and dare to break into new markets hitherto remote or inaccessible to them, have the comfort of knowing that audacity and creativity will be backed up with the weight of the Mexican state and of other friendly governments. All in all, Mexican SMEs may feel vulnerable now, but do not have to feel vulnerable forever.

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Revista ESPACIOS. ISSN 0798 1015
Vol. 38 (Nº 57) Year 2017

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