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Manager’s Leadership Practices in Hidalgo-Mexico SMEs

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RESUMEN

Esta investigación presenta las prácticas de liderazgo de los administradores (managers) de Pequeñas y Medianas Empresas (SMEs, por sus siglas en inglés) en el estado de Hidalgo, México. La hipótesis es que las prácticas de liderazgo de los administradores de las SMEs de Hidalgo se diferencian en relación con las dimensiones del Inventario de Prácticas de Liderazgo (LPI, por sus siglas en inglés) de Kouzes y Posner: (CH) retando el proceso, (IN) inspirando una visión compartida, (EN) posibilitando que otros actúen, (MO) modelando el camino, (ENC) alentando al corazón. Esta investigación expone los resultados obtenidos a partir de la aplicación del LPI de Kouzes y Posner, su validación y adaptación al español. El LPI se prueba con base en la validación alfa de Cornbach; se muestran resultados del análisis de la varianza y la media de las cinco prácticas. Se explican previamente los escenarios económicos y posteriormente el concepto de liderazgo transformacional y transaccional.

Palabras clave: Prácticas de liderazgo, Administradores, empresas Pequeñas y Medianas, Hidalgo, México.

ABSTRACT

This investigation shows managers' leadership practices in Hidalgo State Mexico Small and Medium Enterprises (SMEs). The hypothesis is that Managers' Leadership practices in Hidalgo Mexico SMEs are differentiated with relation to Kouzes and Posner's Leadership Practices Inventory (LPI) dimensions: (CH) challenging the process, (IN) inspiring a shared vision, (EN) enabling others to act, (MO) modeling the way and (ENC) encouraging the heart. This research exposes the obtained results from the application of Kouzes and Posner's LPI, its validation and adaptation to Spanish. The adapted LPI is tested by reliability Cronbach's alpha; an analysis of variance and the mean scores of the five practices are presented. Explaining, previously its economic landscapes, next then, the concept of transformational and transactional leadership.

Keywords: Leadership practices, Managers, Small - Medium sized enterprises, Hidalgo Mexico.

1. HIDALGO-MEXICO SMEs

Placing an economic landscape of Hidalgo, a state of Mexico country, its average contribution to Gross Domestic Product (GDP) was 1.36% in 12 years (1993-2004). The average contribution to GDP of Hidalgo is mainly from three sectors: i) Manufacturing Industry with a 25.33%, ii) Trade (Restaurants and hotels) with 12.43% and iii) 37.6% of financial services (Insurance, Real Estate activities) and the Communal Services (Social and Personal). The average wage per person employed at national level annually is 79,500 Mexican pesos and in Hidalgo state is 65,000, which is 18.24% less than the national average. [1]
The economy, as the GDP of a country is importantly sustained by the operations of micro, small, medium, and large enterprises. Globally, SMEs have grown in recent decades in rich as much as in poor countries and respectively their economies. Where, if the business is smaller, then it is younger too. The SMEs represent a significant and recent number in Mexico; 6% of all businesses are SMEs, there are just 256 SMEs in Hidalgo state, which accounted for 1.55% of total businesses, and in Pachuca de Soto, the State’s capital, are almost half of them (48%), 98.27% of the total corresponds to the Micro. [1] Micro enterprise constitutes up to 10 employees, so hence the cooperation and the human resources management are very limited by the number of these, the vast majority (90%) operates as individuals. Therefore, it is necessary to do researches on both, as much theoretic as empirical investigations to understand the phenomenon of the self-employed, self-leadership and self-development. [2] In addition, SMEs practice a great informality on their human resources management. [3]

The Hidalgo Mexico SMEs are proportionately in commercial sector, services and industry, this with superior emphasis in small businesses. Also, SMEs are an important part of Mexican economy, which generate 70% of employment and represent between 50 and 60% of GDP. [4] although this sector contributes only 8.6% of the total exports. [5]

At the corporate level, the Mexican federal government has carried out the Enterprise Development Program (EDP). In this context, carries an implementation through national, state and municipal instances, such as supports and tax incentives for the development of suppliers, distributors, the integration and grouping of SMEs, even in the tourist sector, with the purpose to increase competitiveness and productivity. This same program established the Fund of Support to SMEs (FSSMEs) for training, consultation, studies, among others. There is, moreover, another Fund to Foment the Integration of Productive Chains (FFIPC), which supports projects to benefit companies to achieve effective linkages. [6]

The global businesses are an opportunity missed by Mexico SMEs. The benefits of the 17 existing international trade agreements, that this country has, have not been reached by SMEs. [7] There are bilateral agreements, multilateral, with several countries and organisms: Switzerland, Norway, Iceland, States of the European Free Trade Agreement, El Salvador, Guatemala and Honduras, States of the European Community and its Members, Israel, Chile, Nicaragua, NAFTA, Bolivia, Colombia, Venezuela, WTO, Costa Rica, Convention Water Transport of the Latin American Free Trade Association (ALADI), the General Agreement on Tariffs and Trade. [8]

SMEs have become increasingly active in international markets. They have a wide range of options and many are opportunistic, they have some internationalization strategy. [9] An example is: Economic Partnership Agreement between Mexico and Japan, [10] which provides benefits for SMEs of both nations from 2005, particularly, in agri-food products for Mexico, and for Japan, high-tech products. There are also options for Mexican SMEs to gain access to the Asian market through an agreement with India promoting strategic alliances, [11] as well as a financing through suppliers as a substitute for the high cost of banking. [12]

Despite the international business opportunities for SMEs, there are reasons why they do not gain a competitive advantage, which must consider the role of three factors: the entrepreneur, the firm’s resources and capabilities and the supporting institutions. [13] The above factors have been studied in some countries, as well as the rural and urban context, among other aspects of SMEs. [14]

Additionally, from 2000 to 2005 in Mexico disappeared 11,500 companies of transformation industry and lost 850,000 employments, [15] also 50% of each created
SME is closed by year, [16] all these troubles by ineffective industrial politics for small and medium enterprises. [17] Other factors on SMEs too, such as social security contributions, [18] the dynamics and difficulty in technological access, like the impact of the Internet on the SMEs growth, are significant, [19] which cannot be controlled by SMEs executives, but they can act on their own managerial factors. In this regard, efficiency is essential in the SMEs human resources management for their benefit, also productive and social development of Mexico, as well as of the Hidalgo state. Ensuring profits and achieving a high organizational performance by the workers are responsibilities of their leaders or executives, who must possess important traits of leadership, mainly in SMEs, where management is very rudimentary and limited; they also create a greater interpersonal contact.

The topics of research on human resources and leadership have been applied mainly to large companies, by which is necessary to do studies about this topic in SMEs, even through comparative and complementary studies among different countries or regions of a country. This mainly could help to understand dynamics of SMEs leadership, as well as about developing skills and distinctive traits of effective leadership for its growth and strengthening in a global competitive context. As an example, for Mexico, Pett and Wolff [20] show the need to identify opportunities for SMEs in the context of the North American Free Trade Agreement (NAFTA), Wells and Galbraith [21] identify that SMEs are a major source of industrial pollution in Mexico and Latin America and the ISO 14001 model can help them and can be conveyed effectively through alternating group training and implementation sessions.

Therefore, this research has the following objective: determining managers' leadership practices in Hidalgo-Mexico SMEs. Broadly, the development of research is based on the LPI theoretical framework. So, its concepts, the methodology used, results and conclusions of this study are discussed.

2. THE LEADERSHIP PRACTICE INVENTORY

Researchers have a big interest about leadership Behaviors [22] and the enterprise global context require a greater interest on this subject. Similarly, the need to carry out effective programs on leadership now is very huge. Companies require realization of their purpose and cooperation of employees at all levels. Leadership is developed through a personal growth and could be done in each of them. [2]

Burns introduced the distinction between transactional and transformational leadership in 1978, [22] and Bass in 1985 [23] identified dimensions of leadership behavior covering these two broad aspects: i) Idealized Influence (Charisma), Attributed and Behaviors, ii) Inspirational Motivation, iii) Intellectual Stimulation, iv) Individual Consideration. Transactional leadership tries to control employees through rational or economics means: v) Contingent reward, vi) Management by Active or Passive Exception, and vii) Laissez-Faire. [23] Transactional leaders recognize what the followers want and help them to achieve goals through an exchange. Basically, this leader is approaching to the followers with the promise of compensation, a reward by a support. The transformational leaders try to create conscience into followers about the importance of the results and how to get high performances through the own employees' interest. [23]

The transformational and transactional leadership describes behaviors related to high performance of the subordinates. The Kouzes and Posner's [24] model describes five key dimensions, integrating transformational and transactional leadership. The concepts of these two authors have been used extensively by business to examine managers as leaders. The LPI has proven to be reliable and valid by Cronbach alpha reliability coefficient of every dimension. [25] The LPI is often used to examine five behaviors:
Challenge the process

The leader challenges process when searches opportunities, extends risks, experiments, questions, innovates and improves. To get extraordinary things done. Leaders make use of, Seize the Initiative, Make Challenge Meaningful, Innovate and Create and Look Outward for Fresh Ideas. Challenging the process promotes leadership and high performance. [24]

“The challenge might have been an innovative new product, a cutting-edge service, a groundbreaking piece of legislation [...] or the startup of a new plant or business. Whatever the challenge, all the cases involved a change from the status quo. Not one person claimed to have achieved a personal best by keeping things the same. All leaders challenge the process.” [24:16-17]

Inspire a Shared Vision

Inspiring a shared vision is the degree to which the leader describes an exciting vision of the future. When we feel passionately about the legacy we want to leave, about the kind of future world we want for ourselves and for others, then we are much more likely to voluntarily step forward. [24]

“Leaders breathe life into the hopes and dreams of others and enable them to see the exciting possibilities that the future holds. [...] Leaders ignite the flame of passion in others by expressing enthusiasm for the compelling vision of their group. Leaders communicate their passion through vivid language and an expressive style.” [24:16]

Enable others to act

Leadership is not a solo act, it’s a team effort. Enabling others to act is the quantity of cooperative and participatory decisions taken by the leader. Turbulence in the marketplace requires the most collaboration, this is an imperative, without it leaders cannot get extraordinary things done in organizations, they are essentially who have the skills to Create a climate of trust, Facilitate positive interdependence and Support face-to-face interactions. [24]

“A leader’s ability to enable others to act is essential. [...] But when a leader makes people feel strong and capable [...] they’ll give it their all and exceed their own expectations. When leadership is a relationship founded on trust and confidence, people take risks, make changes, keep organizations and movements alive.” [24:18-19]

Modeling the way

Modeling the way means extending consistently leader’s practice with their adopted values. Finding your voice is absolutely critical to becoming an authentic leader. To find your voice you must engage in two essentials: clarify your values and express your self. When you engage with the world, and you try on other voices and other styles, you learn what fits you and what does not, and your voice becomes recognizably you. [24]

“To model effectively the behavior they expect of others, leaders must first be clear about their guiding principles. [...] Leaders must find their own voice, and then they must clearly and distinctively give voice to their values. [...] leaders are supposed to stand up for their beliefs, so they’d better have some beliefs to stand up.” [24:14]

Encourage to heart

Encouraging to heart is the degree by which the leader provides a positive feedback, recognizes publicly individual contributions and celebrates the achievements of the team. Exemplary leaders understand the need to recognize contributions and are constantly
engaged in *Focus on clear standards, Expect the best, Pay attention, and Personalize recognition*. Leaders must celebrate values and victories. [24]

“It's part of the leader's job to show appreciation for people's contributions and to create a culture of celebration. [...] Recognition and celebrations are not fun and games [...]. When people see a charlatan making noisy affectations, they turn away in disgust. Encouragement is curiously serious business.” [24:19]

The LPI has been applied to executives’ leadership practices from governments and businesses, [26] also used with students, [27,28] both male and female subjects, who can exercise effective leadership. [29]

Kouzes and Posner [30] define vision as a unique and ideal image of the future with the following four attributes: i) Idealist, desired future, ii) Uniqueness, pride in being unique, singular and unequaled, iii) Futurist, oriented to a long time, iv) Imaginary, draw the future, visual reference. In more than six years, Kouzes and Posner [31] have asked over 7,500 subjects, what they admire of their leaders and their answers are concentrated in four qualities of credibility factor: Honest, Competent, Forward Looking and Inspiring. These authors suggest the success of leadership is more in the followers’ perception on the skills than his leader's perception. Also, leaders are successful because they are capable of creating conditions in which employees can put themselves in the organizational learning. [32]

*The Mexican leadership*

According to the Hofstede’s cultural study, [33] Mexican managers have a high degree on the Length of Power and the Escape of Uncertainty; tend to Masculinity and collectivism. [33] Thus, in Mexico they have a greater emphasis on material success, assertiveness and the traditional roles of women; there is the belief of gender inequity and greater paternalism, [34] a transactional leadership rather than transformational [35] and autocratic. [36] This representation and characterization establish a reality and cognition shared by members of a group. [34]

It should be noted also that the leadership is connected to the concept of change, [32] and globalization requires adapting these new environmental changes, whether social, cultural, political, economic or technological. In this regard, researchers characterize the leader as the voice of new ideas and they call to change new ways of doing management, and in this particular case, its profile is more consistent in the Mexican culture, [37] in this country, the subordinates prefer the authoritarian government, they require assigned and guided activities in their enterprises.

With relation to Kouzes and Posner’s model and Mexican leadership, this research expects Managers’ Leadership practices in Hidalgo Mexico SMEs to be differentiated, less frequent in the Challenging and Inspiring behaviors, and more frequent in the other LPI behaviors.

3. METHOD

**Hypothesis**

H: Managers’ Leadership practices in Hidalgo Mexico SMEs are differentiated in relation to LPI dimensions: *(CH)* challenging the process, *(IN)* inspiring a shared vision, *(EN)* enabling others to act, *(MO)* modeling the way and *(ENC)* encouraging the heart.

**Null Hypothesis**

$H_0$ Managers’ Leadership practices in Hidalgo Mexico SMEs are not differentiated, are homogeneous, in relation to the LPI dimensions: *(CH)* challenging the process, *(IN)*
inspiring a shared vision, (EN) enabling others to act, (MO) modeling the way and (ENC) encouraging the heart.

Participants
The managers’ sample \( (N = 121) \), of 71 small, with an error of 8.5%, and 50 medium, with an error of 5.6%, enterprises from Hidalgo, consisted of 64% male, 64% married with a mean age of 37 years old. Also, this sample consisted of 55% university graduates; only 11% have a master’s degree, with 61% of public education, with 27% more than 10 years of antiquity in the manager position, and 70% with more than 10 employees under their direction. This sample was obtained in the capital, Pachuca de Soto, in addition to Tula, Tulancingo, Tepeji del Rio, and 23 additional municipalities, distributed among sectors: industrial (36%), commercial (31%), and services (33%). This activity was carried out between May and June 2007 and stored all data this last month.

Measure
The Kouzes and Posner’s [38,39] LPI-Self is considered as the basic precedent of the questionnaire applied. This test contains 30 statements; six statements for measuring each one of the five leadership practices; the answers on a 10-point Likert scale, corresponding to how frequently the practice is engaged in from 1 (almost never) to 10 (almost always).

Our LPI-Self was translated according to Hofstede’s (1984) recommendations. [33] A pilot test was additionally conducted in two groups of 30 subjects each one, the statements were selected for getting reliability. Thus, the used LPI-Self in this study had the following characteristics: i) 30 statements about leadership practices, ii) a 5-point Likert scale from 1 (rarely or never) to 5 (very often or always), iii) 7 demographic questions and iv) 5 issues on the business environment.

The reliabilities (Chronbach alpha coefficients) of the scores on the five LPI self scales in the sample were: Challenging 0.73, Inspiring 0.79, Enabling 0.78, Modeling 0.80, and Encouraging 0.76, which were similar to the reliabilities reported previously by Posner, Slater, Boone, Price, Martinez, Alvarez, Topete and Olea. [28,37]. These results of Cronbach alpha coefficients suggested our Spanish version of LPI self was reliable.

Results

Statistical analysis
Data collected through the SPSS 11.0 software, the statistical analyses were the following ones: i) reliability using Cronbach alpha ii) descriptive statistics and iii) analysis of variance.

The ANOVA test was applied (table 1). The \( F \) value (6.39) is greater than \( F \) critical value (2.39), then the null hypothesis is rejected. So, the ANOVA test, supported and demonstrated the hypothesis of this investigation, that is to say: managers’ Leadership practices in Hidalgo Mexico SMEs are differentiated in relation to the LPI dimensions: (CH) challenging the process, (IN) inspiring a shared vision, (EN) enabling others to act, (MO) modeling the way and (ENC) encouraging the heart.

<table>
<thead>
<tr>
<th>Origin of the variations</th>
<th>Sum of squares</th>
<th>Degrees of freedom</th>
<th>Mean of the squares</th>
<th>( F )</th>
<th>Probability ( F )</th>
<th>Critical value for ( F )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Among groups</td>
<td>11.02</td>
<td>4.00</td>
<td>2.75</td>
<td>6.39</td>
<td>4.87E-05</td>
<td>2.39</td>
</tr>
<tr>
<td>Intra-groups</td>
<td>258.69</td>
<td>600.00</td>
<td>0.43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>269.71</td>
<td>604.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The means obtained out of the five leadership practices are: Challenging the process (3.90); inspiring a shared vision (3.87) occasionally; enabling others to act (4.08) always; modeling the way (4.23) always; encouraging the heart practices (3.94) often (figure 1, table 2).

Figure 1. The managers’ average of the leadership practices in Hidalgo Mexico SMEs.

Table 1. Means and variances of the LPI behaviors.

<table>
<thead>
<tr>
<th>Groups</th>
<th>N</th>
<th>Sum</th>
<th>Mean</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CH</td>
<td>121</td>
<td>471.83</td>
<td>3.90</td>
<td>0.48</td>
</tr>
<tr>
<td>IN</td>
<td>121</td>
<td>467.93</td>
<td>3.87</td>
<td>0.54</td>
</tr>
<tr>
<td>EN</td>
<td>121</td>
<td>493.67</td>
<td>4.08</td>
<td>0.40</td>
</tr>
<tr>
<td>MO</td>
<td>121</td>
<td>511.93</td>
<td>4.23</td>
<td>0.36</td>
</tr>
<tr>
<td>ENC</td>
<td>121</td>
<td>476.63</td>
<td>3.94</td>
<td>0.37</td>
</tr>
</tbody>
</table>

4. FINAL DISCUSSION

The results of this research suggest that the dimension modeling the way is used very often, the means show Hidalgo SMEs managers as leaders with clear values, their actions and values are aligned and they are good examples. On the other hand, the dimensions with less impact are: Inspiring a shared vision and challenging process, this shows that the managers have difficult to trust entirely their visions or fascinating dreams and the way to innovate in procedures. Generally, managers hope that new expectations and methods to be developed by other leaders or companies and thus they are able to follow them, meaning they are not willing to risk. However, leaders of this sample need to share more their visions and their partial successes with their subordinates, and try to be innovative, creative, with new ideas that help improve the organizational performance to achieve competitive advantage and organizational productivity.

These results are similar to other studies in Mexico and in the United States of America; they do not have a different distribution of leadership practices. [40] The applied LPI-Self is reliable in the five dimensions identified by Kouzes and Posner, those have been developed from a north American executive context. [37] In this way, leadership practices are restricted to a cultural specific context, forcing to observe carefully the experiences of leaders within each culture, considering their values, situations and successful factors, although differences are not observed.

Other authors consider a manager as a decision maker [41] rather than as a leader. Also, conventional leadership excludes issues connected with conflict and power, these can advance in the understanding of the executive phenomenon. [42,43].
Similarly, it is important to indicate that the Zagorski’s, Jaklic’s, Stough’s [44] and McCarthy’s [45] establish that LPI captures only a fraction of the total leadership behaviors that may occur in a particular area or country; although this particular area has a great social, cultural and economic influence in the life of the United States of America, so it cannot generalize the results to other geographic regions.

5. REFERENCES


6. BIBLIOGRAFIA