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Case Study on Culture and the Implementation of Manufacturing Strategy in Mexico

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Abstract

Even under the best circumstances, organizational change generates resistance. When the change results from a company in one country purchasing a plant in a different country, the complexity of change management and the resistance to change increase considerably. This case analysis examines one such change effort. Initially, the effort failed because the management of the acquiring (U.S.) firm communicated ineffectively with workers in the acquired (Mexican) plant, failed to establish a reward system that encouraged acceptance of change, and ignored cultural and subcultural differences. However, management quickly learned from its mistakes and made the adjustments necessary to turn failure into success. Implications for cross-cultural change management are discussed.

Keywords: *Global Manufacturing, Improvement Methods, Culture*

Introduction

Mexico is the number-two exporter to the United States, and the codependence of the two nations is obvious. United States investments in Mexico have grown considerably over the past years, especially since the North American Free Trade Agreement (NAFTA) began promoting industrial development. Initially, many U.S. firms moved to Mexico in search of cheap labor, in spite of evidence that cheap labor itself rarely enables companies to compete successfully in the global marketplace (Adler 1997; Earley 1993; Hamrin 1980). Many of these firms subsequently moved from Mexico to South Asia and Southeast Asia, attracted by even lower wage rates. Other firms have moved to Mexico to establish long-term relationships that secure a profitable place in developing Latin American markets.

A large body of research has demonstrated that cultural values directly influence the success of organizational strategies and managerial actions in global organizations, especially when long-term relationships are desired. Consequently, it is important for all parties involved in international business efforts to understand key differences in national cultures, and the ways in which those differences influence the impact of new technologies and new production techniques.

The case study presented in this paper describes how a U.S.-owned company adapted a manufacturing philosophy to successfully implement it in an acquired facility in Mexico. Two unique characteristics of this case study are that the manufacturing philosophy is of Japanese origin and that the Mexican facility is located in a state with a distinctive subculture as compared with neighboring Mexican regions.

The next section describes how cultural differences can affect organizational changes, with the following sections presenting two phases of the case study. Presented next is an analysis of the case study from the cultural perspective, and finally, conclusions and recommendations are offered.

Culture Differences and Organizational Changes

Organizational change inevitably generates resistance (Deetz, Tracy, and Simpson 2000; Poole et al. 2000; Zaltman, Duncan, and Holbok 1973). In even the best of circumstances, change creates uncertainty and ambiguity, and employees respond to those anxieties in myriad ways, many of which undermine the organization's objectives (Ashford 1988; Menzies Lyth 1988; Noer 1993). Some changes also carry tangible threats to the status, self-esteem, incomes, or job security of particular groups of workers (Mulder 1977). As a result, even changes that on the surface seem to promise enhanced rewards or working conditions are resisted. When

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the changes are sudden; significant; imposed from the outside; involve employees from multiple, different cultures and subcultures; and/or are mishandled by management, the likelihood of resistance increases substantially.

Resistance to change is related to national culture in two ways. First, cultural assumptions influence the way in which multinational corporations approach expansion into a new country or market. There are many possible forms of expansion. In terms of potential cultural integration, the two extremes are (1) "greenfield" starts and (2) acquisitions. In the former situation, a multinational company sends a small group of expatriates into an area to hire locals and gradually build a business. The potential for cultural clash is minimized, and the opportunity for the expatriates to learn the nuances of the new culture is maximized.

At the opposite extreme are foreign acquisitions, in which a multinational firm purchases a local company or plant. Acquisitions are quick but are fraught with potential for culture clash. In the worst-case scenario, the acquiring firm blindly imposes its own way of doing things on members of a very different culture with little consideration of those differences or for the values of employees of the acquired firm:

> "Culture clashes are resolved through brute power: Key people are replaced by the corporation's own agents. In other cases, key people do not wait for this to happen and leave on their own account. Acquisitions often lead to a destruction of human capital, which is eventually a destruction of financial capital as well." (Hofstede 2001, p. 45).

As a result, cross-cultural acquisitions tend to fail significantly more often than other forms of expansion, especially when the cultures of the acquiring and acquired firms/plants are substantially different (Barkema, Bell, and Pennings 1996; Kogut and Singh 1988; Li and Guisinger 1992). For a variety of reasons, most of which are related to the political, legal, and economic situation that characterizes the society in which an multinational is based, national culture and mode of intervention are strongly correlated. U.S. firms tend to acquire foreign firms or plants, as occurred in this case study, and tend to place the burden of adaptation on members of the acquired firm/plant rather than accepting that burden themselves (Hofstede 2001; Laurent 1978). In addition, U.S. managers tend to operate on a "one-size-fits-all" approach to day-to-day operations, insisting on using the same strategies and practices that have proven to be successful in other operations (Newman and Nollen 1996). When workers do resist change, supervisors tend to attribute their opposition to inadequate training and/or education, even when change is based on insightful analysis of problems with the new program or the way it is being implemented (Zorn, Christiansen, and Cheney 1999).

Although there are notable examples of U.S. firms successfully overcoming these tendencies, albeit often after an initial period of cross-cultural conflict and communication breakdown (e.g., Mann 1989), and there is also evidence that past experience operating in the culture of the acquired firm (or in similar cultures) increases the potential for a successful acquisition, U.S. firms face a unique set of culture-related challenges when they acquire firms or plants in different national cultures.

The potential for resistance is increased by differences in cultural assumptions within organizations. Hofstede (2001) and others have argued that the most important dimension that differentiates national cultures is Uncertainty Avoidance (UA), the intensity with which each culture's members feel a need to avoid uncertainty and the means through which they do so. Unlike fear and risk, which are focused on specific, known threats, anxiety and uncertainty are diffuse feelings of concern for the future.

In general, "technology" (broadly defined as any human artifact) protects people against uncertainties caused by nature, law defends against uncertainty caused by other people, and religion defends people against uncertainties they cannot understand. Organizations manage uncertainties in their environments by taking a short-term, reactive orientation and by attempting to negotiate protective arrangements with sources of environmental uncertainty (e.g., becoming a monopoly or part of an oligopoly, encouraging the creation of protective tariffs or restrictions on competitors). Organizations manage internal sources of uncertainty through the creation of rules of behavior, bureaucratic structures, and rituals (Cyert and March 1963). Cross-cultural differences in either the intensity of feelings of uncertainty avoidance or in terms of mechanisms for managing uncertainty are especially difficult to