Chapter 2
Ideologies and Practices of Management in Latin America

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ABSTRACT

This chapter seeks to explain the common features of the ideologies and practices of management in Latin America. Using an institutional approach, the authors show that specific historical, social, and economic conditions have shaped a certain way of management unique to this region. Latin America’s colonial heritage and its contemporary institutions have led to a hybrid managerial ideology that defines how firms interact with their local and global environments.

INTRODUCTION

Research in business environment in Latin America highlights the commonalities in the ideologies and practices of management in the region (Nicholls-Nixon, Davila, Sanchez, & Rivera, 2011; Vassolo, De Castro, & Gomez-Mejia, 2011). However, most of what is known about Latin American management is based on approaches comparing local practices and ideologies against “international” frameworks (e.g., Hofstede, 1982; Inglehart & Carballo, 1997) or comparing it against the management paradigm of the USA (Mills & Hatfield, 1998). For example, organizations tend to be highly hierarchical (De la Cerda & Núñez, 1993) and the leadership style is commonly defined as paternalistic (Rodríguez & Ríos, 2009), pointing to a high degree of in-group collectivism (House et al., 2004) in the prevalent model of the family-owned firm. There are only a few studies (e.g., Joly, 2004) that use the socioeconomic context for developing a thorough explanation of the forces which have shaped these practices. However, during the last few years, an economic and political transformation has been developing in the region which requires a comprehensive reexamination of Latin American management practices.

The objective of this chapter is to offer a comprehensive analysis of Latin American management from the perspective of the transformation of today’s economic and political conditions. Latin American business managers deal with a series of historical and current constraints for which they have developed pragmatic solutions within their

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social realities. Specifically, they have understood the need to connect with governmental institutions in order to shield themselves and benefit from regulatory and political interventions in the business sphere. Within this context, hybrid management techniques have evolved where certain practices are implemented only selectively, conditioned to being functional within the local context.

This chapter is structured as follows: We first present some economic data and cultural interpretations to describe the uniqueness and diversity of conditions that have shaped the business environment and, in consequence, management practices in the region. The second section presents the historical foundations of management practices in Latin America going back to colonial times. In the third section, we use an institutional perspective, looking at the different sources of institutional development in Latin America and how they have affected organizational practices. The final section presents an assessment of the strengths and weaknesses of Latin American management practices and discusses some opportunities for further research.

**LATIN AMERICA: ECONOMIC AND CULTURAL BACKGROUND**

The first issue to be discussed is the pertinence and the limitations of analyzing Latin America as a common context for management research. Latin America, understood as Ibero-America, consists of one former Portuguese colony (Brazil) and eighteen countries which have emerged from former Spanish colonies in the Americas: Argentina, Bolivia, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. These countries differ in size, demographics, racial composition, and level of development, among others. It is thus legitimate to ask whether Latin America is a useful unit of analysis for describing management ideologies and practices. We will approach this question from two points of view: economics and cross-cultural comparisons.

Figure 1 shows GDP per capita of Latin American countries compared to Canada and the USA. As can be seen, income levels for 2012...
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