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Ownership and employee participation in ten leading companies on the Mexican Stock Exchange

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“Ownership and employee participation in ten leading companies on the Mexican Stock Exchange”

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Abstract

The purpose of this research is to study, through the analysis and interviewing of their top managers, the ownership and employee participation in ten leading Mexican companies. In the company there are two ways to participate: a) in ownership, through incentive systems such as stock-options and ordinary stock plans, and b) in decision making and problem solving, by means of the three different approaches of empowerment, learning and knowledge.

Contrary to what happens in other countries, ownership participation schemes, especially stock-options, have failed in Mexico. In this research seven factors that inhibit its practice in Mexico were identified; we describe four findings that soundly explain the Mexican actuality in terms of participation. In general, neither companies nor employees are interested in ownership participation by means of stock-options. Instead, given global competitive pressure, the leading Mexican companies have found that through employee participation they can achieve the company's economic targets and goals.

Participation is a must in the companies nowadays. It demands a new directive approach, in which high-level managers create an adequate business context (processes, systems, incentives) to have the employees participating in the decision-making process and ownership. It also requires a higher level of commitment and training from the employees. We suggest a framework where participation favors the development of a virtuous circle. From the business perspective, empowerment, learning and knowledge generation is fostered, as is loyalty, increased productivity and more satisfied employees. From the anthropological and moral perspective, participation is based on the social nature of the human being and the social and moral obligation of the company: the common good.

“Ownership and employee participation in ten leading companies¹ on the Mexican Stock Exchange”

Full paper

I. Introduction

The incentive systems were developed as a mechanism to induce conjunctive behavior thereby having the stockholder’s interests aligned to that of manager’s; the aim being to diminish the criteria differences in the business-management process. Academics and businessmen have designed various mechanisms, such as the stock-options incentive which has been used within American companies since 1972², to achieve this goal.

Stock-options, apart from inducing conjunctive behavior, have also been used as a means to attract, to motivate, and to retain the best management talent in an increasing competitive environment. The supposed purpose of offering stock-options is to compensate the individual or group performance for having accomplished certain results. However, the shareholder’s real interest is, essentially, to have their executives increase the company’s profits.

II. Ownership participation

One of the management’s objectives is to have a positive influence on the markets and financial agents. As long as the managers continue to promote the company to the markets, the share price will increase and so will their subsequent (variable) remuneration. The managers’ salaries will then depend on themselves; the higher the value of the stock, the higher the salary they can obtain through stock-options.

Perhaps the excessive interest in increasing the stock value explains the expansion and popularity of this incentive system. These systems, particularly stock-options, denote a new dynamic in the business sphere.

¹ Companies that were studied: a) **PEÑOLES** (Mining exploitation, annual sales: US\$ 1.93 billion), b) **BIMBO** (Bread production and distribution, annual sales: US\$ 5.10 billion), c) **FEMSA** (Production and distribution of Coca Cola and beers, annual sales: US\$ 4.53 billion), d) **MASECA** (Corn-flour production, annual sales: US\$ 593 million), e) **MODELO** (*Corona*TM beer production and export, annual sales: US\$ 4.51 billion), f) **HOMEX** (Low income house builder, annual sales: US\$ 504 million), g) **COMERCIAL MEXICANA** (Operation of supermarkets, annual sales US\$ 3.67 billion), h) **TMM** (Multimodal transportation and logistics), i) **INTERACCIONES** (Financial Services), and j) **CIE** (Entertainment business).

² Cf. Hall, B. (2000), p. 122.

Everything is justified as long as the stock value is maximized. The considerable sums that some executives obtain as result of stock-options plans are remarkable, a situation that has resulted in a distortion in the American business culture.

A good example of the extreme use of stock-options is the 2002 Enron³ case; but the cases of Tyco and WorldCom⁴ could be mentioned as well. Such examples expose the secondary negative effects of the excessive pressure to obtain, at any cost, financial results.

Aiming to identify the current situation of the incentive systems, we believe that the theoretical argument can be discussed from three different perspectives: normative, financial, and philosophic-anthropological.

Some authors such as Donella Rapier⁵ approach the problem from the normative perspective. Daily, Certo and Dalton⁶, Mark Chen⁷, Avinash Arya and Huey-Lian Sun⁸ and Brownstein and Panner⁹, amongst others, consider the problem from the financial point of view. Furthermore, there are some other authors such as Bill Gross¹⁰, Jeffrey Pfeffer¹¹, Hannafey and Francis¹², and Lawler¹³, amongst others, who think that the diagnosis should be performed from the philosophic-anthropological position.

Today the incentive systems are led by an individualist anthropology¹⁴ that influences the interpersonal relationships in the company as well as the management style and approach. The company's aim is to obtain the maximization of profits and the way to achieve this is through the incentive systems. This approach makes the executive a mere instrument, reducing the management skill to the simple purpose of speeding up the maximization of the stock price. In general terms, this model pleases shareholders, high-level managers and financial agents.

³ Cf. Sison, A. (2003), p. 31-39.

⁴ Cf. USA Today and The Financial Times (20/9/2005) stated that both Dennis Kozlowski and Marl Swartz were sentenced to 8 to 25 years in prison and obliged to return \$134 million because of the fraud of over US\$600 million.

⁵ Cf. Rapier, D.(1996).

⁶ Cf. Daily, Certo y Dalton, (2002), p. 9.

⁷ Cf. Chen, M. (2004).

⁸ Cf. Arya, A. y Sun, H. (2004).

⁹ Cf. Brownstein y Panner, (1992).

¹⁰ Cf. Gross, B. (1998).

¹¹ Cf. Pfeffer, J. (2004), p. 9.

¹² Cf. Hannafey, S.J. y Francis T. (2003).

¹³ Cf. Lawler, E. (2003).

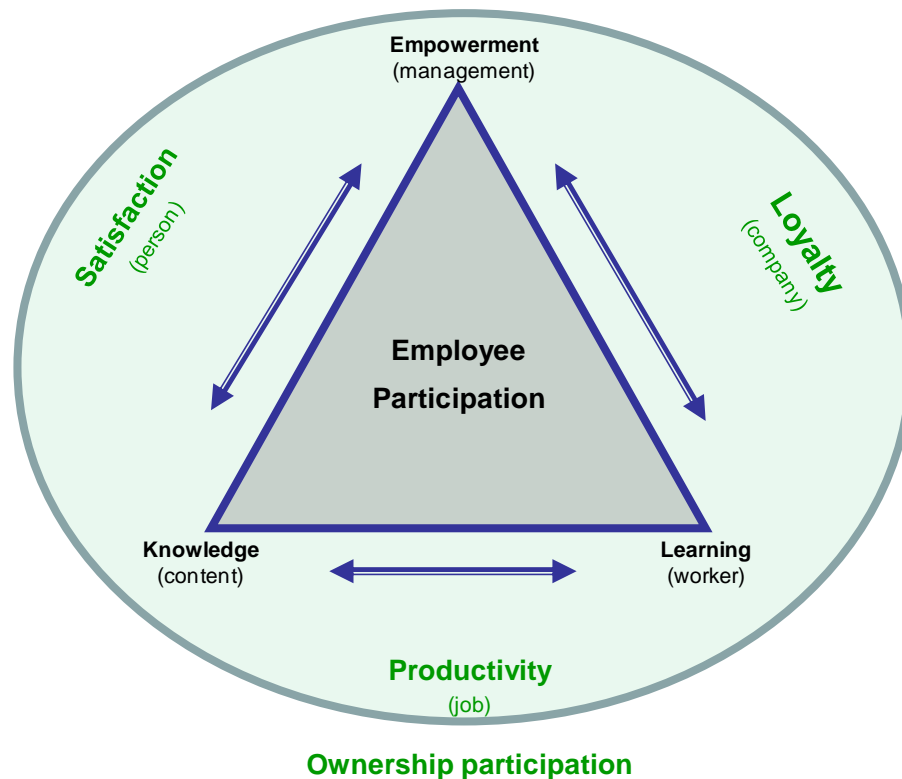
¹⁴ Cf. Hobbes, T. (1965), p. 113.

Ownership and decision-making/problem-solving participation are required conditions to allow the company to reach its business goals and to adequately fulfill its purpose.

From our particular point of view, the company's goal is the common good¹⁵. This is achieved by producing high-value goods and services efficiently for its clients and building at the same time an organizational environment where the employees can develop and improve their own capabilities as result of their work; the human being is essentially not only individual but also social.

From the **business perspective**, participation in decision-making and problem-solving creates empowerment schemes (developed by the high-level managers), learning (among the employees at the different organizational levels) and knowledge generation (relevant content of the organizational experience); ownership participation, on the other hand, promote employee retention, loyalty and satisfaction in their working lives (refer to diagram 1).

Diagram 1: Ownership and employee participation Framework



¹⁵ Cf. Alford, H y Naughton, M (2001).

From the **anthropological perspective**, participation has its foundation in human nature itself; as we have mentioned, the human being has an individual dimension as well as a social dimension. Even selfishness, a human characteristic, does not define an individual. To affirm that the human being is selfish is reductionist; indeed, the human being is a social being.

The human being interacts naturally with other human beings, as he/she depends on others. The social feature of the human being is a characteristic that emerges from the human essence itself. The human being, by having superior faculties seeks to communicate and liaise with others¹⁶. Therefore, the associations amongst humans are extremely important.

Given that we, as humans, are similar with respect to dignity; we have the right to access other satisfying factors and the obligation to contribute to the satisfaction of other human beings' needs.

Human behavior reaches its plenitude by engaging in the common good. The common good makes a clear reference to the social dimension of the human being and aims to help him/her reach his/her final purpose. The plenitude of the human being does not lie in reaching a particular good, but on contributing to the common good; this may be taken as the human beings' final purpose.

From the **moral perspective**, we believe that participation is a demand of the common good. It is valuable not only because of its contribution to the economic value of the company, but also because of the company's obligation to the people who work within it.

By means of the common good it is possible that a human being reaches his/her perfection, both through associations with others and as individual members¹⁷. Recall that Alford y Naughton affirm the company's activities and responsibilities lie in the common good¹⁸.

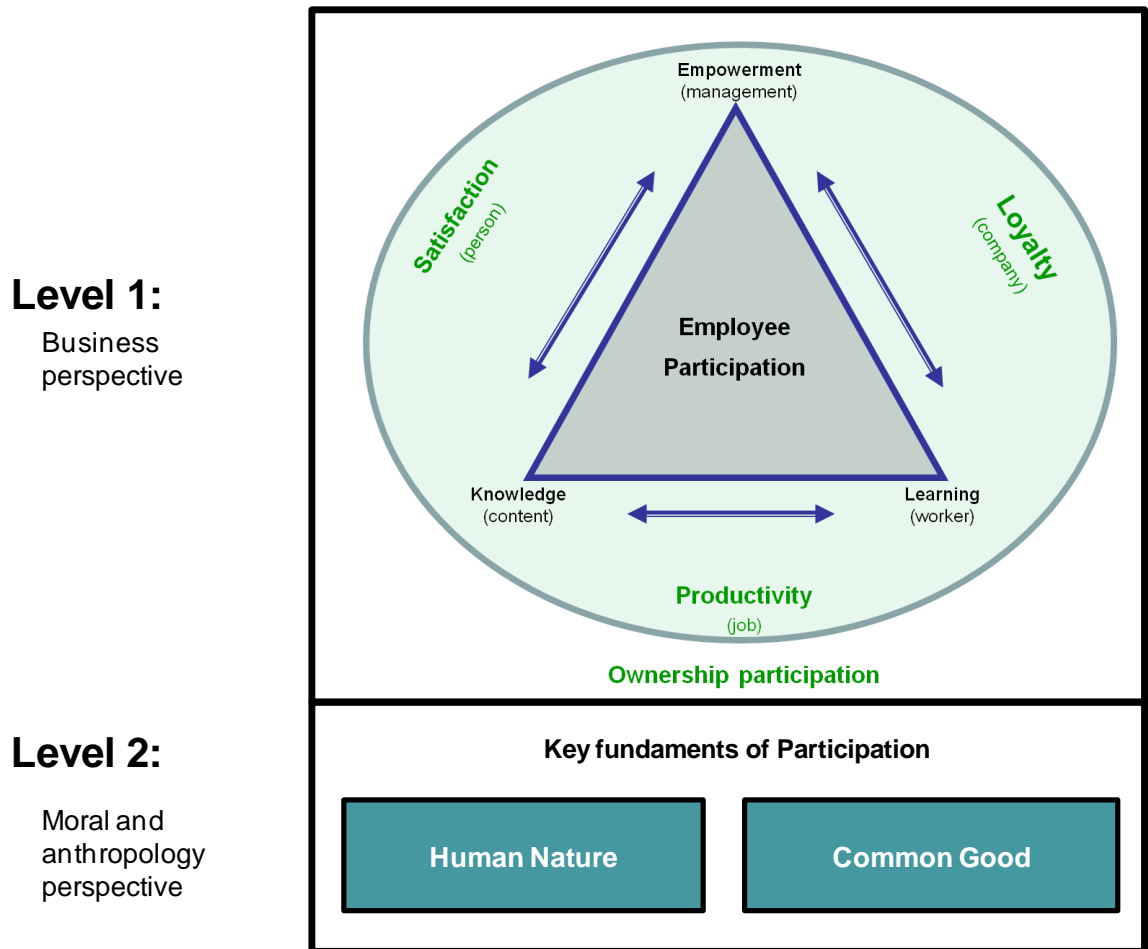
The common good, based on the social nature of the human being, is the moral dimension of participation. To achieve the company's goals, there is a vital condition: invite the employees to become involved in the decision-making/problem-solving process and ownership (refer to diagram 2).

¹⁶ Cf. De Torre, J. (1983), p. 310.

¹⁷ Cf. Pontificio consejo "justicia y paz" (eds.) (2005), p. 90.

¹⁸ Cf. Alford, H y Naughton , M (2001)

Diagram 2: Participation Integrated Framework



We believe that, in general, stock-options and incentive systems can be extraordinary instruments to foster ownership participation. Sharing the property will favor a better distribution of the benefits and will diminish an excessive economic inequality; in addition a more competitive and fair remuneration will result. In order to achieve these positive outcomes, an anthropological approach, based on the social nature and the moral obligation to contribute to the common good, within American companies, must be incorporated.

III. Mexican companies¹⁹

The Mexican Stock Exchange consists of 135 companies which are classified into seven different sectors: 1) extraction, 2) transformation, 3) building, 4) commercial, 5) communications and transport, 6) services, and 7) other.

The companies, on which this research was conducted, were selected according to the following criteria: 1) their representation in the seven sectors of the Mexican Stock Exchange, 2) the importance of the sector in the current economic development of Mexico, and 3) actual and expected future leadership of the company.

We were interested in companies whose impacts were relevant to the country, in other words companies that are market leaders. All the selected companies have a successful business model and significant future expectations. Particular importance was given to the transformation sector as it is one of the most important in the Mexican business environment.

Selection of leading companies on which this research was conducted:

Sector	Company	Brief company description ²⁰
Extraction	Peñoles	Mining exploitation, liquefying, refining and manufacturing of non-ferrous metals; production of chemical and refined products. Annual Sales: \$21,247,755 (in thousands of Mexican pesos).
Transformation	Bimbo	Production and distribution of food. Annual Sales \$56,102 (in millions of Mexican pesos).
	Femsa	Production and distribution of soft drinks (Coca-cola) and beer. Owner of the largest convenience store chain in the country. Annual Sales \$49,840 (in millions of Mexican pesos).

¹⁹ To obtain the public information of the companies studied and the summary of the interviews with the management, please write to rgomez@ipade.mx

²⁰ Approximately 1 US dollar = 11 Mexican pesos

	Maseca	Largest corn-flour producer in Mexico. Annual Sales \$6,526,204 (in thousands of Mexican pesos).
	Modelo	Production, distribution, retail, export (Corona) and import of beer. Annual Sales \$49,551 (in millions of Mexican pesos).
Building	Homex	Development of commercial areas as well as design, commercialization and construction of low -and medium- income housing. Annual Sales \$5,541,794 (in thousands of Mexican pesos).
Commercial	Comercial Mexicana	Operation of supermarkets that commercialize a wide variety of goods. It also operates restaurants. Annual Sales \$40,308,855 (in thousands of Mexican pesos).
Communications and Transport	TMM	Multimodal transportation and logistics services. Annual Sales \$251 (in millions of Mexican pesos).
Services	Interacciones	Financial services. Annual Sales \$668,144 (in thousands of Mexican pesos).
Various	CIE	Controls companies involved in show-business, real-estate management; show-promotion; operation and management of fairs; expositions; and show-business tickets (<i>Ticketmaster</i> TM). Annual Sales \$8,658.9 (in millions of Mexican pesos).

After gathering the public information of each selected company, interviews with the highest-level managers were arranged. The aim of the interviews was to identify and validate the incentive methods, particularly those related to ownership participation. We sought to understand how frequently the

incentive systems, stock-options and stock plans were used, or, indeed, how they could be used within the Mexican companies.

IV. Relevant findings of the study

Finding I. At present, none of the selected companies promote incentive systems, such as stock-options, for their employees. We identified seven factors that inhibit ownership participation, such as stock-options. These factors are categorized as external factors, internal factors and mixed factors.

The external factors are related to the variables that interfere but have no direct connection to the company or its performance. Among these factors are 1) the immaturity of the Mexican finance market, and 2) the lack of control over the stock price.

1) The immaturity of the Mexican finance market is seen in the lack of correlation between the company's results and the stock price. For instance in the last decade, Comercial Mexicana has achieved very important growth, up to 25%, in the Mexican commercial sector. However, in the same period, the stock price remained virtually stable (from \$8 to \$7.9 Mexican pesos).

2) The lack of control over the stock price results from the fact that the stock price is not only determined by operational and internal causes, but also by external causes. Such causes arise from international events (for example, the fall of the international-exchange markets), domestic events (for example, national-, economic-, political-, and social-affairs). There are also strictly subjective causes such as the analysts' perception of the company's future performance.

For other companies, such as Maseca, there are political and social factors that can have an influence on their commercial decisions. As the main corn producer in Mexico, Maseca can decide prices which can noticeably affect the country's social situation. For instance recently, as a result of an agreement with the Mexican government, the company has frozen any increase of their prices for a certain period; the aim is to promote social stability among the low-income classes.

Even if the losses from government intervention can be compensated in other ways, the direct business-management process itself can be altered by an external cause. This situation, as well as social and political factors, has caused Maseca's management and employees to face an uncontrollable variability of its stock price.

The internal factors refer to the main causes that decide the value of any company's stock; for example, the upgrading of the operational process, the improvement of the quality of service and client satisfaction, and the innovations to the product blend. Amongst the internal factors we identified were: 3) remuneration based on performance, 4) capital concentration and 5) stock dilution.

3) Remuneration based on performance is the result of the trend to establish or to improve payment schemes, a system that is seen in all of the companies studied. One of the most common executive requests is that their payment is according to their contribution and impact on the company's economic results.

Examples of pay for performance schemes were found in Homex and CIE. Both companies realize the increasing importance of establishing a recognition scheme adapted to their executives' and personnel's performance.

4) The concentration of capital by one single individual results in his or her decisions establishing the stock price. This is indeed the case for Peñoles, whose capital is totally owned by its founder and main shareholder Alberto Bailleres. This concentration of capital does not favor the growth of the share price; consequently the stock-options plan is not attractive.

5) Stock dilution refers to the change in the control of the shareholder's capital, after the distribution of the shares amongst the company's employees. Femsa's directors, for instance, maintain that the concession of stock-options to the employees produces a loss of shareholder's power, which can lead, of course, to dissatisfaction.

The mixed factors are 6) former negative experiences and 7) high and low socio-economics

6) Former negative experiences refer to the poor use of this kind of incentive systems based on stocks. Therefore, is hard to re engage people motivation to ownership plans. Such is the case of Interacciones and TMM. Both companies had a very well established stock plan for management, but as result of the financial crisis of the peso in Mexico, the plan lost prestige; this crisis had caused such a remarkable fall of the stock price that many of the directors who had participated in the stock plan had to absorb the losses. That is one reason why the stock plan remains less popular.

7) High and low socio-economics. At one side, are the high-level managers who are not always interested in participating in ownership, what they want is income growth: cash, not property growth: shares. Some executives have as a goal to maximize their income in the short term, and if they succeed they stay in the company; if not, they look for another company to move to where they can obtain such a goal.

An example of this situation is CIE which offers compensation plans to its directors based on their performance. This financial gain is in addition to a high salary relative to the market. Maximizing their managers' benefits is what matters most.

At the other side, are the operations personnel, who are also not interested in ownership. Such an employee is not interested in long-term investment, instead he or she looks forward to solving the immediate cash flow problems such as buying a home, and/or a car, covering any medical emergency, and paying his or her children's education. Comercial Mexicana does not offer stock participation to its operations personnel; a common employee in a hypermarket does not want future money, he or she wants it now. For that reason, the company is analyzing the option of giving its employees, in advance and on a monthly basis, the payment of the Christmas bonus, known in Spanish as *aguinaldo*; such payment is required by Mexican labor law.

The factor that we describe as high and low socio-economics refers to the reality of a country on its way to economic and social development and with serious problems of wealth distribution, illiteracy and poverty. Stock-options are incentives rarely used in Mexico since they are not feasible and arouse almost no interest amongst a company's employees, particularly given the seven factors previously explained.

Finding II. Some companies use the ordinary stock plans to share the ownership amongst both the employees and the high-level managers. Most of these companies offer ordinary stock plans based on internal factors. Fewer cases were found in which both internal and external factors were linked and in no case where the reference was due to external factors. Moreover, four of the companies studied do not offer any sort of participation in ownership.

The companies that have ordinary stock plans were categorized in three different groups: a) the high-level management based on internal factors, b) the high-level management based on both internal and external factors, and c) the employees with respect to internal factors.

a) High-level management based on internal factors. Companies such as CIE, Interacciones and TMM offer ordinary stock plans based on internal factors only (sales results and gross profits) for the high-level managers exclusively. For the rest of the personnel they offer compensation through bonuses based on results.

Bimbo, in contrast, offers to all its personnel the option of acquiring the company's shares based on internal factors. By means of the normal compensation, Bimbo aims to offer an adequate amount of remuneration, with the variable compensation strengthening long-term wealth or savings.

b) High-level management based on both internal and external factors. Femsa and Comercial Mexicana are examples as they offer a mixed plan of giving ordinary shares to their high-level managers but not to the rest of the employees, as employees wish to have cash flow to fulfill their economic and family projects.

c) Employees with reference to internal factors. Amongst the companies studied, Bimbo is the only company that offers an open stock plan for all the company's employees. The plan has not had a great response as less than 10% of the personnel have taken up the plan. However, the plan is there so any employee has access to it despite his or her level within the company.

Homex, Maseca, Modelo and Peñoles have not used stock plans as compensation plans for their employees. Instead, they use other variable remuneration schemes. Homex uses, for its executives, the bonus system called *Phantom Share*. Maseca uses a variable compensation scheme which combines a competitive salary and a bonus based on the company's operating results. Modelo is currently analyzing a system to retain its executives. Peñoles uses the balance scorecard to define clear objectives and offers compensation according to the results that fulfill the strategy's aim.

In summary we have found that the use of ordinary stock incentives mainly targets the top managers and is based on internal factors. There is medium-level interest in considering external factors and an isolated case that gives access to any employee. Moreover, we did not come across any interest in giving the employees stocks based merely on external factors.

Finding III. Most companies use alternate incentive planes to retain their personnel as well as to build loyalty and commitment. The identified alternate incentives are categorized in three ways: a) payment based on performance, b) mortgage support, and c) the best place to work.

a) Payment based on performance. Among the ten companies studied, the constant characteristic was the aim to find incentive systems associating the remuneration with performance. Femsa has established an aggressive system with a high economic impact; achieving the set goals means compensation that varies between 50% and 150% of the employee's salary.

Interacciones, in addition to the payment according to the achievement of goals, pays salaries associated with the professional development of the personnel. Through a career plan, employees potentially increase their income by developing abilities and competences required by the position's profile.

b) Mortgage support. This system helps the employees to acquire real-estate. The incentive involves the company covering the initial down-payment for the purchase of the property; another option is to build houses for the employees in a nearby large area, thereby creating company towns. Recently, Femsa has designed financial schemes to help its employees to build their houses.

Some companies in the Mexican commercial sector, such as Soriana which is one of the leading hyper-supermarket chains in the north of Mexico, are determined not only to increase their employees' loyalty and welfare but also to have a similar effect on their employees' families. An example of this is Comercial Mexicana.

c) The best place to work. Most of the companies studied, in particular Homex, Interacciones, Femsa, Maseca, Modelo, Peñoles and TMM, wished to be seen by their employees as the best place to work.

Some of the conditions to be considered in this category are the firm's prestige; established and growing in the sector; a good working environment; job stability and promotion prospects, treating the employees in a humane way and helping them with their economic needs; a career path based on results; training and updating plans; competitive compensation; and showing evidence of respect for the institutional values.

Finding IV. From ownership participation to employee participation in decision making and problem solving. All the companies studied have shown, at least in theory, some interest in sharing ownership with their employees. However, because of the seven identified factors that do not favor ownership participation, Mexican companies have searched for practical and efficient systems based on the social and economic realities of the country.

For some Mexican companies with a global presence, such as Femsa and Modelo, the challenge of attracting talent becomes key, especially when trying to distinguish themselves in the international environment.

Contrary to what has happened in the last decade in the United States, Mexican companies are not offering ownership participation, such as stock options plans. Nevertheless, they are emphasizing other mechanisms to motivate and retain their personnel.

Amongst the companies studied we noticed their decisively interest in having the employees involved in the company's decision making and problem solving processes, a situation that is also seen as a means of improving competitiveness. Peñoles and Interacciones have designed and implemented such participation models to compete in the global market.

V. Participation in decision-making and problem-solving processes: new challenges for high-level managers and for employees.

Participation in decision-making and problem-solving is a mandatory nowadays. During most of the 20th century, Taylorism had an influence on the work methods of the company. Taylor, in his book, *The Principles of Scientific Management*, suggested a conceptual model for the work performed by the employees. Under such a model, it was necessary to explain to the employee, in detail and in a mechanical way, each one of his/her activities. Each activity would be referred to the standard performance and it would be expected that the employee completely aligned himself/herself to the specifications.

Taylorism understood work as a series of mechanical actions, in which participation and innovation – by the employees – were absent²¹. This approach could quickly turn the employee into a robot and meant that an individual had no input into the performance of his/her work²².

However, the increasing demand to improve quality standards and competitive position meant various other theories were developed to foster both quality at work and company productivity. Amongst such theories are those by Radford, Shewart, Juran and Feigenbaum.

²¹ Cf. Taylor, F.W. (1911).

²² Cf. Ahanotu, D. (1998), p.179.

In 1921, G.S. Radford²³, a pioneer in the development of concepts and techniques to encourage quality, suggested that a company, in order to ensure quality products, should check and inspect each one of the products that it produced. By the 1930's, Walter Shewart, from Bell Laboratories, stated that it was not possible to completely sample as it was necessary to include an economical criteria²⁴. Consequently, Shewart established the basis of the statistical control of processes.

After World War II, the Japanese considered new ideas with respect to quality. Juran noted the total determination of the Japanese employees to increase, to an international level of competitiveness²⁵, the quality of their products. Based on his studies, Juran stated that for a company to achieve excellent quality, its executives required a labor force that did things continually well the first time. He established the basis of the employees' participation in the improvement of the processes.

Kaoru Ishikawa²⁶ established a method based on small work groups, which were multidisciplinary and collaborative. These groups were called *quality circles (QC)*. In these QC, the employees involved had decided voluntarily to participate. The purpose of the QC was to seek constant improvement, to find the solution to quality issues, and to establish procedures that would diminish or eliminate errors in the future. The QC demanded participative and directive models of work within the company.

In the same period, Edwards Deming involved himself in the Japanese approach to quality. Deming²⁷ stated that quality is built through the work of every single employee. He defined four factors required any quality process: 1) inter-departmental communication and coordination, 2) establishment of clear goals and quality standards, 3) employees' empowerment and 4) creation of a physically safe working environment, free from the fear of punishment for making errors.

Participation turns out to be vital to the company. To achieve excellent and competitive processes, the employee can and should participate. Participation fosters learning and continual improvement. Taylorism, as a means to mechanize work, failed as a model because it viewed the human being merely as a tool. More recent theories, regarding quality, have given the employee an active and participative role, not only a mechanical one.

²³ Cf. Radford, G.S. (1921).

²⁴ Cf. Shewart, W. (1930).

²⁵ Cf. Juran (1954).

²⁶ Cf. Juran (1973).

²⁷ Cf. Deming, E (1982).

The above mentioned demands that the leader of a company fully utilizes his/her leadership gifts. Management has been traditionally described as:

- a) The definition of the vision and strategic objectives
- b) The Identification and diagnosis of market and competitor trends
- c) The establishment of the processes and the incentive systems to achieve the objectives
- d) The evaluation and development of organizational competences

However, decision-making and problem-solving participation requires, as defined by Deming, that the director creates an adequate environment and context so that people can participate. An executive defines the conditions, delegates, and creates a friendly but focused environment.

Taylorism, in the company, is a superseded vision that diminishes the competences of the human being, limits or even reduces the competitiveness of the company, and decreases the satisfaction of employees. Recall that true leadership is based on the executive's moral capital and not only on his/her technical/economic abilities. The manager should be aware that the company is formed by people, whose capabilities are improved by the work itself. The leader should create this context of participation.

Participation makes demands on the employees as well. To have the employee empowered and as a participant in decision-making/problem-solving and ownership, we believe that some conditions have to be fulfilled:

- a) Responsibility of actions
- b) Commitment to the improvement and to the results of the company
- c) Capability for team work
- d) Collaboration and ability to listen
- e) Diagnostic and problem-solving skills
- f) Openness to change and innovation
- g) Urgency and proactiveness

Participation makes demands on both high-level managers and employees. The executive leads, boosts, and lays the groundwork to establish contexts; he/she develops the personnel to achieve the company's goals and social aims. The employee must be responsible for the improvement and understanding of his/her own work; the employee who follows a routine under the Taylorist philosophy does not have a place in this scheme.

In our theoretical study, we noticed that the main trends in participation can be categorized into three groups, empowerment, learning and knowledge, and that there was a constant level of interest in what was meant by employee participation. The relevant elements are summarized below.

Empowerment: for authors such as Conger and Kanungo²⁸, this is synonymous of power redistribution. The power is redistributed by transferring control so that the employees have the authority to make their own decisions. Ahanotu²⁹ defines the concept of empowerment within the company as the process whereby the employee has as much freedom to communicate, to share information, and to have access to knowledge as is necessary.

Learning: with a systematic and integral perspective, Stephen Billet³⁰ affirms that the learning process and the participation of the employees in the company's management process are independent processes. Stonehouse and Pemberton³¹ defined the company with sustainable competences as a capable entity that acquires and manages knowledge intelligently. A company with sustainable competences requires an environment whose priority is development through knowledge.

The learning approach is based on the implementation of *quality circles*³². Quality circles are understood as voluntary groups with a common interest in problem solving, thereby establishing the opportunity for the employees to participate in the diagnosis, the search, and the implementation of solutions³³. Through quality circles, and the different initiatives to form solution and learning groups centered on participation, a learning attitude has expanded within the company.

Knowledge: this approach came into being when Peter Drucker³⁴ defined the term *knowledge worker*. Drucker described the employee whose activities are related to the use, the manipulation and the handling of information. Contrary to the industrial era employees, these new kinds of employees would give future

²⁸ Cf. Conger, J.A. y Kanungo, R.N. (1988).

²⁹ Cf. Ahanotu, D. (1998), p.181.

³⁰ Cf. Billet, S. (2004).

³¹ Cf. Stonehouse, G.H. y Pemberton, J.D. (1999).

³² Cf. Zetie, S. (2002).

³³ Cf. Zetie, S. (2002).

³⁴ Cf. Drucker, P. (2003), p. 20.

companies the competitive advantage, as the employees would be both better trained and have enhanced added-value competences³⁵.

The participation theories associated with knowledge suggest a new leader profile within the organization; that is a company director who fosters and motivates the employees' participation with ideas that facilitate discussions amongst all the members and encourages an effective decision-making process³⁶. Furthermore, a correlation between the theory of participation in the management process and those that look to develop innovation processes was identified³⁷.

In summary, the study of the company reveals the means of the employees' participation in the management process, and the development of competences that assist the company in becoming more competitive.

VI. Conclusions

This research has allowed us to identify that Mexican management does not intend to design incentive systems based on ownership; furthermore, in some cases, employees show little interest either. Instead, given the competitive pressure that Mexican companies face, there is more interest in finding systems that foster the participation in the decision making and problem solving processes, which aid continuous development, and that ensure quality and innovative work is done. More than just a mere interest in designing and implementing stock-options is shown by companies, indeed significant interest in encouraging loyalty, commitment and retention is evident.

In general, the Mexican company shows little interest in ownership as an incentive system. In all cases, the managers expressed an interest to improve the individual or collective remuneration and not to focus on rewarding through ownership of stock. Instead, in the interviews we noticed significant interest to use other mechanisms to have the employees participating in the improvement of efficiency and results of the company; in particular, ensuring that the company retains its competitive position and sustainable leadership.

³⁵ Cf. DiGiovanni, M. (2004), p. 2.

³⁶ Cf. Yeatts, D.E., Hyten, C. y Barnes, D. (1996).

³⁷ Cf. Tonnessen, T. (2005).

This research's starting point was incentive systems based on stock-options and the conclusion reached was the importance of participation in decision making, which apart from being a positive subject was also of popular interest amongst the managers. Our hypothesis is that the participation, in the management and operational processes, is an essential condition for the company to efficiently achieve its goal: to contribute to common good.

Some managers believe that leadership is explained through: 1) establishing goals, 2) defining incentives, and 3) rewarding or punishing performance. This vision of management and leadership is incomplete for the competitive challenges of the modern company. The director or the leader of the company should create and foster ways to establish contexts that enable people to achieve a business and social purpose.

Participation demands both from the manager and the employee, the commitment to achieve excellent work and the betterment of the individual himself/herself. Participation is a required condition in the company; it fosters a virtuous circle, where competitiveness and a moral obligation towards the common good are strengthened.

It must be emphasized that having employees participating in decisions is favorable and stimulates its learning and knowledge. Ownership generates more loyalty from the employees and increases their feeling of belonging to the company; it also increases work productivity and boosts the employees' satisfaction in the performance of their tasks. Besides that, it is a social obligation to humanity and its development. This is how the director's main challenge emerges, by having to guide the individuals who form the organization towards a corporate common good. The company becomes then, a human phenomenon.

VII. Bibliography

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