Trainers by Design:
A Case Study of Inter-Firm Learning, Institution Building and
Local Governance in Western Mexico

by

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SUBMITTED TO THE DEPARTMENT OF URBAN STUDIES AND PLANNING
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY IN ECONOMIC DEVELOPMENT
AT THE
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

SEPTEMBER 2003

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Nichola J. Lowe

Submitted to the Department of Urban Studies and Planning on July 9, 2003 in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Economic Development

ABSTRACT

Studies of international economic development often feature the competitive gains from inter-firm cooperation. By cooperating, firms within a region can draw on their collective resources and experience to test out new production processes and techniques; share the risks associated with system-wide upgrades and improvements; and identify and transition to more secure niche markets. What many development analysts and practitioners often forget, however, is that local economic actors do not always realize these benefits themselves, nor in unison. In recent times, sophisticated manufacturers have been known instead to employ less cooperative survival strategies, including disassociating themselves from their existing manufacturing base and especially from local colleagues with less training and experience.

What then leads firms to work together and cooperate? This is the central question of this dissertation and case study of apparel manufacturing in Guadalajara, Mexico. Since the mid-1990s, a growing number of sophisticated, medium sized apparel makers in the region have been working with smaller sized, less experienced or barebones subcontractors and in the process, have established dynamic upgrading and learning alliances. Together these firms are having to “unlearn” an entrenched relational pattern based on strict production hierarchies and centralized forms of control; establish a new set of rules and routines that are more suitable for open learning and joint decision making; and finally, develop a shared “identity” around which to build out and legitimize their collective activities and experience. In contrast to existing studies of craft manufacturing, success here does not come from established cultural norms or individual initiative and self-interest. Rather, it is a case in which three actors—from the state government, industry association and university extension center—have come together in an unexpected alliance to create the institutional structure and governance framework needed to support, guide and motivate this particular form of social learning and collective exchange. In describing the coordinated efforts of these three institutional actors, this case study not only provides planning lessons for other regions not “born with the spirit to cooperate,” but more importantly offers a set of policy guidelines for development practitioners wishing to keep skilled and well-connected manufacturers active and invested in their own communities.

Thesis Supervisor: Paul Osterman
Title: Nanyang Professor of Human Resources and Management
ACKNOWLEDGEMENTS

Case study research and write-up is not just about locating an interesting case. Rather it is finding the words to convey to others its broader meaning and significance. The following individuals have helped immensely with this task and much more: my dissertation advisor, Paul Osterman, for his own "social skills" and knowing when I needed to hear words of praise or skepticism. Michael Piore for not only introducing me to this case, but encouraging me to consider its many faces and features. Meenu Tewari, for close and constructive reads, years of warmth and enthusiasm and fabulous instruction. Alice Amsden, for challenging me to think past the time and place-specifics of this case. Karen Polenske, for her continued generosity, support and advocacy. Martin Kenney, who in making me first accept the limits of the State, eventually helped me to see the possibilities for development-enhancing interventions, despite initial constraints. Judith Tendler, for setting the standard. Miriam Wells, for allowing me to see academia’s nurturing and passionate side. Thanks also go to Juan Jose Listerri, Marinella Ariano and Carlos Guaiapatin at the Inter-American Development Bank for providing me with an opportunity to first write-up and publicly present parts of this case. The Inter-American Foundation and World Bank for start-up funding. Guillermo Woo and his support team for always keeping me updated and informed. Rene Zeneteo at ITESM for providing me with an institutional home in Mexico.

Extra special thanks go to my husband James, for years of humor, good conversation, bi-coastal commuting, sanity, meals and love. Kristina, my oldest friend, who knows how hard this really was and what it has come to symbolize. Sumila, my own "personal cheerleader," editor, sounding board, morning theorizer and when necessary, supportive “older sister.” Janice, who started this adventure with me on the first floor of building 9 and will be with me to share in celebration its official end on the lawn of MIT. Natasha, for sharing a love of Mexico, its people and development processes. Airin, for exchanging long phone messages, the keys to her front door and an open invitation to stay. The Umbanhowar clan, for many fabulous home-made meals, political debate and a second home and office.

To my MIT friends and colleagues, especially the ladies of Final Destination (Ann, Janice, Monica, Natasha, Raquel and Sylvia), for close reads, practice-runs and a sympathetic ear. To new and old friends I have collected along the way: Catherine, Cheri, Caroline, Chuy, Citlalic, Derek, Gaby, Graham, Jenny K., Jorge Mario, June and Bob, Marco, Mikey, Murray, Norma, Oded, Shannon and Jamie—for listening to parts and pieces of the case, but more importantly, for providing me with much needed social breaks and lighter conversation.

Finally, to my mom, dad and sister, Philippa, for years of love, support and understanding and of course, for always letting me do things differently.

I dedicate this dissertation to my grandmothers, Betty and Jill, as well as to my niece Annie G., whose arrival during this project inspired me to breathe additional life into this case.
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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>AGREM</td>
<td>Agrupamiento Empresarial, SEPROE-ITESO</td>
</tr>
<tr>
<td>CEJALDI</td>
<td>Design Center of Jalisco</td>
</tr>
<tr>
<td>CCIJ</td>
<td>Jalisco’s Federation of Industry Associations</td>
</tr>
<tr>
<td>EI</td>
<td>Empresas Integradoras de Mexico, SECOFI</td>
</tr>
<tr>
<td>FOJAL</td>
<td>SEPROE’s Small Business Financing Program</td>
</tr>
<tr>
<td>ITESM</td>
<td>Monterrey Institute of Technology</td>
</tr>
<tr>
<td>ITESO</td>
<td>Institute of Technology and Higher Education for Western Mexico</td>
</tr>
<tr>
<td>JALTRADE</td>
<td>Export Assistance Center of Jalisco</td>
</tr>
<tr>
<td>METAPROGRAMA</td>
<td>Small Business Extension Center of ITESO University</td>
</tr>
<tr>
<td>MIDAP</td>
<td>PAE coordinator, private consulting firm</td>
</tr>
<tr>
<td>NAFIN</td>
<td>Nacional Financiero, National Development Bank of Mexico</td>
</tr>
<tr>
<td>PAE</td>
<td>Programa de Agrupamiento Empresarial, MIDAP</td>
</tr>
<tr>
<td>PAN</td>
<td>National Action Party of Mexico</td>
</tr>
<tr>
<td>PRI</td>
<td>Revolutionary Party of Mexico</td>
</tr>
<tr>
<td>SECOFI</td>
<td>Mexico’s Secretary of Commerce and Industrial Development</td>
</tr>
<tr>
<td>SEIJAL</td>
<td>SEPROE’s Department of Economic Data and Statistics</td>
</tr>
<tr>
<td>SEPROE</td>
<td>Jalisco’s Secretary of Economic Development</td>
</tr>
</tbody>
</table>
CHAPTER 1

The Challenges of Supporting Local Cooperation

Scholars of developing regions have long believed that in order to survive difficult economic times local manufacturers—particularly those that are smaller sized and resource constrained—should work closely together. This conclusion draws on the observed practices of ‘clusters’ of small and medium sized manufacturers in Western Europe and North America over the past three decades. By coordinating production and actively sharing local resources, skills and experience, firms in specialized manufacturing regions in these advanced economies have been better prepared to withstand periods of economic hardship than firms embracing a less engaged, “go it alone” approach. Joint consultation and collective learning have allowed groups of firms to continuously upgrade their production processes, marketing strategies and logistics systems with less risk and at lower cost. Improvements in these areas have in turn enabled these firms to better identify and take advantage of new economic opportunities and in ways that also allow them to bring in and adhere to “higher order,” collective goals—those that seek to deepen, rather than destroy, existing skills, knowledge and creative assets and resources.

It is not surprising then—given these observed successes and developmental impacts in North America and Europe—that intra-regional cooperation is now also considered a key mechanism for small firm upgrading in developing economies. Today, ‘clustering’ initiatives are the mainstay of most local economic development programs and dominate policy discussions over how to bolster and strengthen national industries,
particularly in Latin America. By supporting groups of firms, policy makers believe they are in a better position to link up concerns about individual competitiveness and firm performance with collective goals designed to not only benefit existing firms but ideally, those of future generations. Similarly, by supporting upgrading through group processes, policy makers are able to “squeeze out” more from scarce policy resources, while avoiding criticisms that they are unfairly “picking” or targeting individual “winners.”

Still despite this supportive policy environment and a general consensus about the multiple gains from intra-regional cooperation, what development practitioners and planners often forget when extending the classic ‘industrial districts’ model to less industrialized regions, is that local economic actors do not always arrive at this same conclusion themselves, nor necessarily in unison.

While some of the challenges of facilitating and supporting local cooperation have been identified and discussed in earlier studies of advanced economies and ‘mature’ clusters, they remain surprisingly absent from research examining inter-firm cooperation and joint upgrading in the developing world today. Recent studies of inter-firm cooperation in Latin America, for example, often start with the basic assumption that joint consultation and knowledge sharing is simply a logical and rationally reasoned response by individuals to increased market openness and the growing pressures of economic liberalization and global integration. National ‘clustering’ initiatives tend to

---

1 See, Barzeley 1991 (Spain), Semlinger 1995 (Germany) and Sabel 1992 (Eastern United States).
reinforce this view, providing funding and assistance to \textit{pre-formed} cooperatives and formally registered collectives, but not for the \textit{process of group formation} itself.\textsuperscript{2}

Ignored under this analytic frame is the fact that not all firms within studied regions engage in the same manner, nor to the same degree and with the same level of enthusiasm or commitment—this despite the fact that they share very similar macro-economic realities and/or fates. Furthermore, as local economies come into contact with larger, often ‘global’ economic pressures, forces and actors, firm owners—rather than necessarily act to strengthen their collective voice and ties—have been known instead to react defensively, seeking greater distance and separation from their local compatriots, especially those challenged by resource-constraints and inexperience.\textsuperscript{3} In other words, at the precise moment when inter-firm cooperation may indeed be crucial for long-term economic adjustment and survival (both at the firm and regional level), it can also become a greater challenge to facilitate, sustain and support.

What then leads firms to work together and cooperate? What are the main challenges to facilitating and sustaining collective forms of learning and upgrading? How can institutional actors intervene to support and direct more dynamic forms of social interaction and engagement between firms? And with what broader development objectives and outcomes in mind?

\textsuperscript{2} An example is Mexico’s \textit{Empresas Integradoras} program created by the federal government in the mid-1990s, see Rueda Peiro 1997.

\textsuperscript{3} For recent examples, see Nadvi and Schmitz 1994; Schmitz 1999; Nadvi 1999; Tewari 1999.
The Case of Joint Upgrading in Guadalajara’s Apparel Industry

This dissertation begins to answer these questions by looking closely at the recent experiences of small and medium sized apparel makers in the West Central state of Jalisco, Mexico and specifically its capital city Guadalajara (population 6 million). Since the mid-1990s, a growing number of firms from the city’s historic apparel cluster have begun testing out new forms of joint upgrading. In the process, vertical governance structures traditionally used to organize productive resources and technologies locally are giving way to horizontal arrangements through which differences across firms and groupings of firms—in terms their initial level of skill, position within the hierarchy and degree of specialty—are much harder to discern.

Traditionally apparel production in Guadalajara has been organized through vertical production networks in which experienced brandname manufacturers selling to the domestic market direct and manage the activities of large groups of subcontractors under their control. Under these traditional arrangements, brandname producers not only determine what products get produced and to what specification, but have maintained tight control over value-adding, skill-intensive activities, such as: product design; fabric selection and testing; cutting and finishing; marketing and sales; and quality control. Their subcontractors instead are responsible for basic assembly tasks and the day-to-day management of small sized production workshops. Through this division of labor, brandname firms have not only been able to better manage scare resources within their own facilities, but have established “captive” and stable sourcing arrangements with local subcontractors, thereby lowering some of the “risks” of production outsourcing.
Recent experiments with joint upgrading by Guadalajaran apparel makers represent a major shift away from this traditional and bifurcated system. Today brandname manufacturers from the city are working closely with barebones assemblers to create less rigid arrangements designed to facilitate greater knowledge transfer and skill upgrading. They are doing so through a process I call mentoring, whereby teams of design-oriented and technologically-advanced garment producers—both small and medium sized operations—help to “pull up” and effectively train their less experienced local counterparts. Under the structured guidance of skilled mentors, barebones apparel assemblers from the region are learning how to integrate forward and backwards into value adding activities such as design, marketing and “complete” or “full-package” production. They are also learning how to collectively market these new skills and in ways that enable them—as a group—to differentiate themselves from firms in other regions and from other parts of the world that compete solely on the basis of “cheap” labor and material supplies.

Once trained, mentoring firms are forming reciprocal alliances and lasting support networks that build on and reinforce their initial mentoring ties. In some cases, groups of local firms are working together to target and produce goods for higher-end niche markets in Mexico and “ethnic-conscious” export markets in the Southwestern region of the United States—including Mexican-American enclave markets in Southern California and Texas. To do so, they are sharing materials, machinery and skilled employees. In other cases, mentoring firms have developed innovative screening
mechanisms for better identifying and collectively evaluating key market intermediaries, including local and foreign buyers, suppliers and business consultants and service providers. In still others, firms are helping each other finance costly investments in new design technologies, software and computer equipment.

While it is too early to assess the long-term impacts of mentoring of Guadalajaran apparel makers, the current North American economic slowdown does provide a developmental moment for observing some of the tangible benefits of this exchange. Since 2001, many small and medium sized apparel manufacturers in Mexico have been forced to lay-off large numbers of workers or close their facilities in response to declining in national and international demand or because they have been “dropped” from international supply chains and subcontracting networks. In contrast, mentoring firms in Guadalajaran have continued to grow and expand their operations during this period. What is important to note also, is that their resilience reflects additional rounds of investments in new skills, technologies and process innovations and not “spurious” forms of competition based solely on low labor and input costs.5

4 Mexico’s National Association for the Maquiladora Industry estimates that between January 2001 and March 2002 more than 200,000 export-oriented apparel assembly jobs were lost in Mexico.

5 Many Latin American economists have raised concerns that national growth indicators capture “spurious” forms of competition whereby local firms gain an advantage in export markets simply because of cheaper relative labor costs or shifts in the national exchange rate. They also argue that proponents of “free trade,” in a push to illustrate the immediate gains from liberalization, often fail to address the limits of this kind of development strategy or relative advantage. For a more detailed discussion of spurious competition in Latin America, see Reinhardt and Peres 2000, as well as other articles on Latin America and the New Economic Model in the same issue of World Development. Also see, Amsden 2002.
A Story of Class, Culture or Cost Calculation?

The decision to cooperate with others and through more interactive forms of learning and knowledge sharing is increasingly framed in terms of economic decision-making. Under this lens, firm owners seek out and “purposefully” create cooperative alliances with others from the “community” because they believe there are high economic costs to not doing so. The focus on individual decision-making and initiative, in turn, represents a significant departure from earlier studies of inter-firm cooperation which placed greater emphasis on deeply held collective values and culturally-reinforced traditions and norms of “reciprocity” and mutual support. Many early studies of regions displaying high rates of inter-firm cooperation emphasized pre-existing and taken-for-granted customs and routines, whose origins were often “pre-modern” and “culturally-derived.” Others instead looked at deep class and social divisions which reinforced existing local loyalties and kept groups of smaller producers and entrepreneurs—as well as their employees—together and “unified” in a region-wide struggle against a “common” political and social enemy (see, for example, Capecchi 1989).

Recent studies of cooperation in Latin America, while referencing the historic significance and possible triggers of cultural traditions and class struggle, typically dismiss these as relevant factors in shaping and sustaining cooperative efforts among clusters of small and medium craft manufacturers today. In Hubert Schmitz’ historic study of leather shoe production in Brazil’s Sinos Valley, for example, a shared ethnic identity based on common German ancestry, peasant lore and a strong tradition of and
local pride in owning “one’s own business” initially explained high rates of cooperation among small manufacturers (1995:20). With the rapid integration of this small firm cluster into Europe’s export markets in the early 1970s, however, existing socio-cultural norms and related ethic support systems were “stretched” and in the process, significantly weakened and/or transformed. Successful exporters—with working capital to spare and invest—were able to expand their production lines, bringing in-house activities normally outsourced to or shared with others in the Sinos Valley. As they reduced their dependency on local suppliers, subcontractors and service providers, export firms often dedicated more time and resources to improving their relations with overseas clients and export agents—undoubtedly scheduling repeat trips to targeted markets in Europe and North America. The Valley’s continued integration into highly-profitable export markets throughout the 1980s also propelled “foreign” intermediaries and service providers to take up residence in the Valley, again altering the existing “cultural” landscape and social milieu of the region. While intra-regional cooperation has reappeared in the past decade, newly formed cooperative alliances and resources sharing arrangements—whose emergence coincides with Europe’s economic slowdown and growing competition from other shoe producing regions in the World—reflect a growing awareness by local firm owners that the “economic cost of not cooperating” is now extremely high (Schmitz 1995:21).

The “wake-call” from and transformative effects of international economic integration and competition are not isolated to Schmitz’ study of shoe manufacturing in Brazil, but are central features in three recent studies of shoe making ‘clusters’ in
Western, Mexico. Included here are Roberta Rabelotti (1995 & 1999) and Christopher Woodruff’s (1998) detailed accounts of small and medium sized shoe makers in Guadalajara, Mexico. Given the striking similarities in firm behavior and industry structure in both Guadalajara’s shoe and apparel industries today and the fact that local analysts often look to these studies of shoe making for explaining the growing use of mentoring by local apparel makers, a more thorough review of these studies is presented here. As in garments, shoe manufacturers in Jalisco today employ around 25,000 workers, in approximately 1,400 registered establishments (See Table 1 on next page for an industry comparison). Both industries—whose modern origins date back to the 1930s—continue to rank high nationally in terms of annual production and employment (See Tables 2 and 3 on next two pages). Over 90 percent of the state’s shoe manufacturers—as in the case of apparel—are small and micro sized and employ less than 100 workers (See Tables 4 and 5 on next two pages). In both industries, it is estimated that 85-90 percent of all establishments are located in Guadalajara’s four-county Metropolitan Zone.
### TABLE 1 Jalisco's Manufacturing Sector, Total Employment and Manufacturing Establishments by Industry, October 1998

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment</th>
<th>Registered Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery &amp; Equipment</td>
<td>70,732</td>
<td>2,887</td>
</tr>
<tr>
<td>Food Processing</td>
<td>68,227</td>
<td>2,854</td>
</tr>
<tr>
<td>Plastics &amp; Rubber</td>
<td>26,216</td>
<td>662</td>
</tr>
<tr>
<td><strong>Shoes &amp; Leather</strong></td>
<td><strong>21,123</strong></td>
<td><strong>1,156</strong></td>
</tr>
<tr>
<td>Apparel</td>
<td>20,398</td>
<td>1,283</td>
</tr>
<tr>
<td>Chemical</td>
<td>18,197</td>
<td>432</td>
</tr>
<tr>
<td>Furniture &amp; Wood</td>
<td>16,465</td>
<td>1,389</td>
</tr>
<tr>
<td>Minerals &amp; Metals</td>
<td>14,900</td>
<td>779</td>
</tr>
<tr>
<td>Textiles</td>
<td>9,840</td>
<td>265</td>
</tr>
<tr>
<td>Publishing &amp; Graphic Arts</td>
<td>7,815</td>
<td>796</td>
</tr>
<tr>
<td>Construction</td>
<td>6,689</td>
<td>168</td>
</tr>
<tr>
<td>Paper Products</td>
<td>4,714</td>
<td>91</td>
</tr>
<tr>
<td>Petrochemical</td>
<td>1,011</td>
<td>17</td>
</tr>
<tr>
<td>Other Industries</td>
<td>12,519</td>
<td>607</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>298,846</strong></td>
<td><strong>13,386</strong></td>
</tr>
</tbody>
</table>

Source, SEIJAL, IMSS.

### TABLE 2 National Shoe Production, By State

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Guanajuato</td>
<td>36.8</td>
<td>49.4</td>
<td>51.3</td>
<td>Men, Children</td>
</tr>
<tr>
<td>Jalisco</td>
<td><strong>24.1</strong></td>
<td><strong>19.4</strong></td>
<td><strong>16.2</strong></td>
<td><strong>Women</strong></td>
</tr>
<tr>
<td>Mexico City</td>
<td>19.5</td>
<td>8.1</td>
<td>4.8</td>
<td>Men</td>
</tr>
<tr>
<td>Mexico State</td>
<td>7.7</td>
<td>5.4</td>
<td>5.6</td>
<td>Men</td>
</tr>
<tr>
<td>Nuevo Leon</td>
<td>3.1</td>
<td>2.4</td>
<td>3.6</td>
<td>Men, Children</td>
</tr>
<tr>
<td>Subtotal</td>
<td>91.2</td>
<td>84.7</td>
<td>81.5</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>8.9</td>
<td>15.3</td>
<td>18.5</td>
<td></td>
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</table>

TABLE 3 National Apparel Production, By State

<table>
<thead>
<tr>
<th>State</th>
<th>Share of Total Value (1995)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico City</td>
<td>48</td>
</tr>
<tr>
<td>Mexico State</td>
<td>12</td>
</tr>
<tr>
<td>Puebla</td>
<td>5</td>
</tr>
<tr>
<td>Jalisco</td>
<td>4</td>
</tr>
<tr>
<td>Guanajuato</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>28</td>
</tr>
</tbody>
</table>


TABLE 4 Structure of Shoe Manufacturing Industry

<table>
<thead>
<tr>
<th>Firm size (employees)</th>
<th>Jalisco 1988</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro (1-15)</td>
<td>66</td>
<td>40</td>
</tr>
<tr>
<td>Small (16-100)</td>
<td>30</td>
<td>45</td>
</tr>
<tr>
<td>Medium (101-300)</td>
<td>3\textsuperscript{a}</td>
<td>12</td>
</tr>
<tr>
<td>Large (301+)</td>
<td>--</td>
<td>3</td>
</tr>
</tbody>
</table>

\textsuperscript{a}Figure includes both medium and large firms.

Source. Camara de la Industria del Calzado del Estado de Jalisco.

TABLE 5 Structure of Apparel Manufacturing Industry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro (1-15)</td>
<td>79.0</td>
<td>77.9</td>
</tr>
<tr>
<td>Small (16-100)</td>
<td>17.3</td>
<td>17.5</td>
</tr>
<tr>
<td>Medium (101-300)</td>
<td>2.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Large (301+)</td>
<td>1.1</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source. IMSS, SEJAL.
In addition to these structural similarities, sophisticated shoe manufacturers from Guadalajara's historic footwear cluster also rely on mentoring-like exchanges with other manufacturers from the region to acquire new skills in and share existing knowledge about production, design, sales and logistics. As in apparel, these inter-firm relationships extend far beyond the reach of traditional family and ethnic lines and are structured in ways that enable smaller sized and less sophisticated assembly operations to learn from their more experienced and often larger sized brandname producers. Similarly, as in apparel, these localized practices also differ substantially from earlier periods in which inter-firm relationships in the shoe industry were governed vertically and through more hierarchical arrangements of subcontracting and bifurcated systems of specialization.⁶

Both Rabellotti and Woodruff attribute intensified local cooperation and interactive learning in Guadalajara to changes in national trade regulations and tariff structures starting with Mexico's acceptance of the General Agreement on Tariffs and Trade (GATT) in 1985. Reductions in tariff rates under GATT led to an increase in Asian-made goods. Between 1987 and 1991, Asian-made shoe imports grew from 0.2 million pairs to more than 100 million pairs per year.⁷ Local firms that survived the first years of this intense competition, Rabellotti argues, looked to cooperative learning exchanges as a means of securing a foothold in high-end niche markets and as a way to ease themselves into export markets. "After trade liberalization 80 percent of subcontracting firms in the sample cooperate in quality control, 60 percent in information exchange and 52 percent in negotiation of payment and delivery conditions" (Rabellotti

⁶Evidence to support this is found in the works of Rabellotti (1995 & 1999) and Woodruff's (1998) and is also based on my own discussions with Guadalajaranshoe makers and industry representatives since 1999.
1999:1576). Similar types of exchanges were established between local manufacturers that were not previously linked through traditional subcontracting arrangements.

Woodruff, pushes the discussion further to trace out the effects of liberalization on the dominant strategies used by shoe makers to guarantee profits and market share. He also examines how and why, under different trade regimes, the “pay-offs” to particular organizing strategies changed overtime. He argues that “raising the quality standard of all producers in the industry . . . did not lead to an increased market share in the closed economy” and therefore was of little use to Guadalajaran shoe manufacturers (Woodruff 1998:988). Before GATT, firms instead worked together to keep local retailers in check. During this earlier period, it was rare for firms to exchange information about production practices or work together to improve the quality of a product or given design. Instead, shoe manufacturers relied on less direct forms of interaction in order to guarantee market share and profit levels. Specifically, manufacturers would stabilize their orders and profits by threatening to blacklist any buyer failing to pay for a finished order or who outright rejected one on unsubstantiated claims of low quality.

This enforcement mechanism was initially used by shoe firms in Guadalajara to take the place of market intermediaries. In other shoe producing regions in Latin America, intermediaries or third-party brokers “provide assurances to buyers that products of acceptable quality will be delivered on time and assurances to producers that buyers will pay for merchandise as promised” (1998:984). Although Woodruff does not explain the lack of intermediaries in the region, he does argue that in their absence, shoe

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7 This lag reflects an incremental reduction in national tariff rates after 1985.
manufacturers in Mexico’s shoe producing clusters were forced to take on greater risk as, under traditional payment systems, retailers would pay their suppliers only once a completed order was received. Given the uncertainty of this set-up, shoe firms banded together and developed new institutional filters to monitor and check the “opportunistic” tendencies of local shoe wholesalers and retailers.

Once collected, information on the payment history of shoe retailers and buyers was published and circulated to all members of the local shoe manufacturing association. Rather than use the courts to settle disputes, repeat offenders were punished by the ‘collective actions’ of local manufacturers. To show support for their wronged colleagues and more generally, for the practice of industry blacklisting, firms in the region would either refuse to supply renegade retailers or would force them to take on greater financial risk. In many cases, manufacturing firms required repeat defaulters to pay for an entire production order up front. Shoe manufacturers from the neighboring state of Guanajuato used similar practices to keep local retailers in check. Lead firms from Leon, Guanajuato and Guadalajara would regularly compare lists in order to strengthen this form of local accountability and stop retailers from reneging on their contractual obligations or following through on threats to “take their business” elsewhere.

According to Woodruff, the leverage that shoe manufacturers in both Leon and Guadalajara—Mexico’s two largest shoe producing cities—had over national retailers in the pre-liberalization era was severely limited after the late 1980s with the availability of cheap substitutes from Asia and the United States. Whereas pre-GATT import restrictions
forced retailers to only source from national manufacturers, post-GATT import channels enabled retailers in Mexico to reduce their dependency on locally-made shoes. Once the national regulatory environment changed under GATT, industry-wide enforcement mechanisms and techniques—like blacklisting and inter-regional list sharing—became less effective for controlling the responses of Mexican shoe sellers.

Extending the analysis, Woodruff claims that shoe retailers in Western Mexico, given their own perceived “pay-offs” from selling-imported goods, terminated many long-standing relationships with local manufacturers. As a result, shoe makers from both cities were forced to look elsewhere in order to secure orders from new clientele, lower their production costs to compete with imported goods and off-set intra-cluster competition for local orders. At this point, given the post-GATT transaction regime, shoe manufacturers in Guadalajara and Leon faced greater incentives to work together to upgrade more complex aspects of production, procurement and quality control. “As imports captured a bigger share of the domestic market after liberalization, incentives to cooperate in improving collective quality were strengthened as improvements in collective quality did lead to increases in market share” (Woodruff 1998:988).

Extending the Liberalization Argument to Apparel

At first glance, apparel makers in Guadalajara appear to have suffered a similar fate to that of their colleagues making leather shoes in both Mexico and Brazil. With Mexico’s entry into GATT in 1985, manufacturers from the city’s historic garment cluster also experienced intensified international competition as federal-level trade
agencies took steps to reduce imports on foreign-made clothing. By the late 1980s, lower-priced, Asian-made garments flooded the Mexican market, as did “barely-used” Asian-made clothing brought in from the United States and Central America (Mendoza et al. 2002). Like their sister firms in the shoe industry, Guadalajaran garment manufacturers also felt increasingly powerless in their post-GATT contract negotiations with Mexican retail chains and local owners of kiosks selling clothing in informal and weekly street markets.

With Mexico’s entry into NAFTA, a new set of competitive pressures and challenges emerged for established apparel making workshops in Guadalajara. In the early 1990s, in response to NAFTA’s favorable side agreement on textiles and apparel and in anticipation of increased export opportunities in the U.S. and Canada for Mexican-based assemblers, there was a dramatic increase in registered apparel manufacturing facilities nationwide—in Jalisco alone total employment in the industry grew from 11,554 in 1993 to 18,500 in 1997; between 1995 and 2000, the number of apparel making establishments in the state increased by almost 50 percent. Most of this job growth was at new and existing manufacturing facilities located within Guadalajara’s metropolitan zone. Similar growth occurred throughout the 1990s in neighboring regions, including the town of Irapuato, Guanajuato and the capital city of Jalisco’s neighboring state, Aguascalientes. In Mexico, total employment in export-processing apparel maquiladoras jumped from 80,000 in 1994 to 280,000 in 2000 (Spener et al. 2002). According to the latest National Apparel Association statistics, total apparel industry employment in

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6 Based on census data compiled by Mexico’s Social Security Office and SEIJAL.
Mexico—which include data from both domestic and export-oriented plants—jumped from 313,000 in 1995 to 749,000 in 2000.

Established apparel manufacturers in Guadalajara were forced to compete with newly opened workshops for domestic orders and local workers—this was especially true in the case of smaller sized establishments, whose new owners often found it easier, especially in the face of the 1994 peso devaluation, to initially tap into existing domestic-market distributional channels before attempting to access riskier “global supply chains.” With the 2001-2003 North American slowdown competition for domestic market share has further increased as displaced assemblers from once-thriving export-assembly hubs in Northern and Central Mexico vie with locals for national orders.

It is not surprising then, given these multiple and building pressures, that local analysts often take their cues from existing studies and models of the region’s shoe industry. In their view, apparel manufacturers from Guadalajara are cooperating because they realize this is the most cost-effective means for off-setting the displacing effects of both market liberalization and global integration. On-going experiments with liberalization in Mexico have enabled international trade partners to flood domestic markets with “cheap” imports. Similarly, international economic integration has brought with it the additional challenge of surviving in export markets and at a time when foreign buyers have extended their search for new ‘global’ sites for labor-intensive production, especially in Asia. By working together apparel manufacturers from the city are not only

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9 In response to the 1994 peso devaluation, many Guadalajaran retailers switched from selling imported to domestic-made clothing (Mendoza et al. 2002).
able to share the costs of new investments in quality-improving technologies and processes, but as a result of this shared investment are better prepared to respond to these pressures by collectively accessing and positioning themselves within more stable, quality-conscious markets at home and abroad.

*What if the Shoe Doesn’t Quite Fit?*

Without a doubt, new competitive pressures and market conditions have had a real and transformative effect on firm behavior in the region. Still, the predictive power and ‘ruthless elegance’ of the liberalization-inspired-cooperation hypothesis begins to breakdown when we factor in the diverse and simultaneous responses to these multiple pressures by non-mentoring apparel makers in Guadalajara. While a growing number of sophisticated brandname firms from the city are choosing to engage with and help train their less skilled counterparts, as we will see in chapter 2, many still are not. Some brandname and skilled manufacturers—rather than deepening their local manufacturing ties—have recently terminated their long standing contracts with Guadalajaran subcontractors and assemblers, choosing instead to replace them with “experienced” export assemblers or *maquiladoras* from neighboring regions of Mexico and parts of Latin America (e.g., Columbia and Chile). Others, fearing design theiving or unauthorized pattern copying by local subcontractors, are vertically integrating, bringing in-house both value-adding and basic production tasks. Still others, in an effort to better protect their intellectual property, are employing “high-tech” security companies to watch over and closely monitor their subcontractors or rely on a variety of logistics strategies to
limit the actual exposure time any one contract manufacturer has to a new design or style. Finally, a handful of experienced export manufacturers in the city—often on the advice of their U.S. buyers who believe China will out compete Mexico in future "global apparel" sales—are choosing to withdraw from Mexico's apparel industry altogether.

This variation in local response, rather than reducing the significance of this case study of mentoring however, reveals its deeper relevance, both for discussions about how to facilitate and sustain collective learning in the face of "global" pressures and "shifts" and those related to less visible processes of motivating and jump-starting institutional change. The presence of multiple local responses—engaging, disengaging and in some cases, withdrawing—suggests that skilled and brandname manufacturers in Guadalajara, rather than reacting homogeneously or in unison, differ in how they interpret the changing national and international economic landscape and the choices available to them for increasing their chances of long-term gain and survival. The growth of garment imports since the late 1980s has undoubtedly put added pressure on traditional sector manufacturers in the state. So too has the explosive growth in regional apparel assembly. And more recently, periods of intensified cross-border smuggling, brought on by the North American slowdown. Still, how manufacturers understand and experience these multiple, and at times contradictory, pulls and how and when they choose to act and organize and with whom, all remain puzzles under the liberalization-inspired-cooperation hypothesis.
Interestingly, a closer read of both Rabellotti and Woodruff’s studies of Guadalajaran shoe makers only helps to reinforce this final point. What stands out from their own studies, when compared to the apparel case, is the relative speed and uniformity in firm responses to new economic circumstances and challenges in the case of shoe making. In 1991, less than two years after shoe import indictors had more than doubled, Rabellotti discovered, among other things, that a large share of shoe makers in Guadalajara were already experimenting with and testing out new and dynamic relational forms in order to improve the quality of their final product. While variation in firm responses did exist at the time—some shoe makers initially concentrated on intensifying their relationship with local leather goods and input suppliers—it was not only less extreme, but less disruptive to the existing social fabric and cohesion or “collective position”¹¹ of the shoe industry compared to what we see in the city’s apparel manufacturing industry today.

Rabellotti and Woodruff both imply that shoe makers were quick to embrace quality-enhancing forms of cooperation because of the severity of the “import crisis” in the early 1990s. Still, while shoe makers from Guadalajara busily worked to generate alternative systems for ensuring their long-term (and collective) survival—including switching from contract enforcement mechanisms which held local retailers in check to more direct, quality-enhancing exchanges with local assemblers and suppliers—their local counterparts in apparel, despite facing a similar set of economic challenges in 1991

¹⁰ Cross border smuggling usually coincides with a U.S. recession or economic slowdown. According to industry experts, there has been a recent and dramatic rise in local sales of apparel contraband, due in part to U.S. retailer/importers’ need to “dump” unwanted items.

¹¹ Nadvi 1999.
and governed by an almost identical set of national trade policies,\textsuperscript{12} initially took a more defensive approach and actively sought to distance themselves from the local manufacturing base. It was only in 1998 that sophisticated apparel makers "softened" their approach and started to help train barebones manufacturers from the city and in the process, began testing out more \textit{inclusionary} forms of joint upgrading and collaboration.

This visible difference in the scope and timing of cooperation across the shoe and apparel making industries in Guadalajara—especially in light of their shared macro-economic environment—warrants the use of an alternative framework for studying the recent emergence of mentoring alliances between sophisticated and less experienced apparel makers.\textsuperscript{13} The liberalization-inspired-cooperation hypothesis outlined above enables us to recognize the transformative effects of "global" production and exchange on an industry's structure and intra-industry relations. It also enables us to see that manufacturers within the region are not only cognizant of these pressures, but often reference them when asked to reflect back on their decisions to intensify certain relationships. Still, given that apparel makers are responding to these pressures in distinct and different ways—and thus far, in a large number of cases by distancing themselves from, rather than automatically deepening their ties with, local producers—we begin to see that this approach to examining local cooperation, in and of itself, is insufficient for telling us "how and whether \textit{particular} persons and relations come to be seen" as

\textsuperscript{12} In Mexico, shoe and garment industries have traditionally been governed by similar trade regulations. They are also combined as a single sector in Mexico's national industrial census.

\textsuperscript{13} Given the structural similarity of Guadalajara's shoe and apparel industry, we are able to rule out explanations that attribute high or low rates of intra-industry cooperation to the apparel industry's existing structural features/characteristics, including its larger numbers of micro and small sized producers. We are also able to move past an earlier debate during which scholars felt compelled to use their case studies to "prove" that small firm dominated regions were inherently more or less developmental from a social and/or economic perspective. For examples of this debate, see Harrison 1994; Belman et al. 1998.
valuable and worth pursuing (Sabel 1992: 218; emphasis added). While it is a promising
sign that a growing number of firm owners in Guadalajara's apparel industry are
embracing mentoring as a viable strategy for harnessing and mitigating the multiple
pressures of international production and exchange,14 existing studies of firm behavior in
the region are not nuanced enough to allow us to fully understand the significance of
these actions and how specific individuals or groups actually arrive at the core
relationships they use to deal with new "global" challenges.15

Joint Upgrading as Socially Learned, State Supported and Shoe Inspired

My central argument in this dissertation is that apparel making firms have
developed mentoring alliances through a complex and, at times, slow-moving process of
social learning and "meaning-making." This argument differs substantially from claims
that quality-enhancing and inclusive forms of cooperation are easily attained through a
single and simple step of cost-recalculation on the part of individual manufacturers.
Rather, what we will see in the chapters of this dissertation is that inclusionary mentoring
alliances are the visible result of a more interactive, transformative and challenging
process through which groups of apparel makers have not only acquired the skills and

14 It should be noted here that mentoring alliances are not simply a reflection or extension of existing
"cultural" and class-based allegiances and traditions. While some mentoring firms in apparel have ethnic
and kinship ties to the original Lebanese families that founded Guadalajara's apparel industry in the 1930s
(more on this history in chapter 2), many do not. Some firm owners involved in the apparel industry's
mentoring alliances today are newcomers to manufacturing, opening their apparel workshops and
production sites after they graduated from college in the mid-1990s and in anticipation of NAFTA's
apparel export and assembling opportunities. Others are second and third generation subcontractors and
barebones assemblers—some with little formal education and training—who have followed in their parents'
footsteps and until recently, produced for the same brandname and client manufacturers as their parents and
grandparents. Similarly, while many firm owners come from modest socio-economic backgrounds, others,
know-how necessary to deepen their local relationships, but have also developed a shared understanding for how to categorize, make sense of and motivate this kind of collective endeavor. What becomes central to this study then, is not just the visible and final results of this collective investment, but the processes of group learning and institution-building through which this particular relational form was both conceived and encouraged to grow.

To study mentoring alliances through a framework of social learning, meaning-making and institution-building ultimately requires breaking down their development into manageable and identifiable steps. In chapter 2, I start this process by examining and exploring the “start-up” challenges or constraints to cooperation that are both “place-based”\textsuperscript{16} and industry-specific. As we will see in chapter 2, the principle challenge that apparel manufacturers in Guadalajara face as they work to deepen their local relationships is not simply knowing how and when to calculate and compare the “costs” of different styles of social engagement. Rather, it is knowing how and when to “let go” of older ways of classifying and categorizing groups of manufacturers and types of relationships. Specifically, mentoring firms have had to change how they think and act locally and in the process “break out” of or “unlearn” entrenched relational pattern in which barebones assemblers and specialized subcontractors from the city are not only considered subordinates of, but are often perceived and portrayed as intellectually and experientially inferior to brandname manufacturers. To do this, barebones manufacturers

\textsuperscript{15} I thank Michael Piore for helping me realize this point.

\textsuperscript{16} See, Healey 1999.
and assemblers have had to develop the confidence and skills to speak up and express their ideas about a range of complex activities and tasks—including ones they are only just beginning to learn and test out. They have had to be more proactive in identifying and flagging new problem areas and in the process, have had to “prove” they are capable and willing to take on new assignments and responsibilities in an effort to collectively resolve these bottlenecks. They have also had to learn to trust their own instincts and insights, especially when deciding how and when to respond to and/or challenge the advice and criticisms of their more experienced counterparts.

At the same time, brandname and experienced manufacturers from the city have had to accept their own limitations and skill-gaps when attempting to translate and articulate concerns about product quality, durability, style and fit into concrete suggestions and constructive guidance for their manufacturing partners. They have had to learn how and when to relinquish control of a situation and be on the receiving end of related advice and critique. Furthermore, they have had to look beyond initial differences in skill-level and experience and see mentoring as a collective and valuable investment for bolstering the reputation and national standing of Guadalajara’s apparel ‘cluster.’

Given these required changes, it is not surprising that apparel makers in Guadalajara—though conscious of the need for relational deepening, as well as the potential “costs” of not cooperating in a rapidly changing and internationally integrated economy—often fall back on their old routines and interpretative frames. Because of this, individual initiative—and specifically, a personal commitment to cooperation by
individual firm owners—is often not enough to jump-start and sustain inclusive forms of dynamic learning and exchange. Rather, to understand the emergence and growing use of mentoring alliances by Guadalajaran apparel makers (and recently by firms in other craft industries) we need to take a step back from the private sector and from industry itself to look at a larger set of institutional actors—from both the public and civil spheres—that are not only aware of the challenges to local cooperation but are actively working to provide the institutional structure and framework needed to support, guide and motivate this particular form of collective learning and exchange.

In chapter 3, I begin to look at the formal support mechanisms that institutional actors in the city are using to help apparel makers identify and overcome the central challenges of cooperation. As we will see in this chapter, firms active in mentoring alliances today, have, for the most part, completed a high-profile, government-sponsored training program called Agrupamiento Empresarial (AGREM). Each six-month AGREM training session—financed with state and federal funds and partially, through the collection of user-fees—consists of 15-20 firm owners from the city, representing a mix of barebones and brandname manufacturing establishments. Through this training, participating manufacturers not only learn to recognize the limitations of and modify existing patterns of engagement and ways of seeing and interpreting the “world” but, are provided with a “safe” and supportive environment in which to test out and develop new styles of collective problem-solving and group consultation.

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I thank Natasha Iskander for helping me to see this point.
As we will see in chapter 3, front-line trainers use a combination of techniques to help AGREM participants identify and work through group-specific challenges and problems. These techniques fall into five general categories: (a) *language and topic development*, whereby firms, through their initial participation in formal seminars and workshops, develop a core set of terms and concepts around which to dialog and debate; (b) *open critique and on-site peer review*, which give all manufacturers an opportunity to discuss and share their insights and opinions about a range of topics, activities and applied processes; (c) *institutionalized story telling*, which helps firm owners with different skill sets develop a shared identity and create a set of symbolic narratives for categorizing their experiences and interactions; (d) *small project planning*, which creates a real group experience or project on which to build and reflect; and finally, (e) *task defining, rule setting and group reflection*, whereby the group discusses and defines its “collective” goals and expectations for a given project or phase of training.

During the training process, group and sub-group discussions and interactions between firm owners are noted and closely monitored. At times, training coordinators intervene to help guide these discussions and help firm owners as they work to deepen and formalize their relationships with other manufacturers from the group. In the process, trainee firms are encouraged to use AGREM training sessions and related “ceremonial” and social events to plan and discuss the possibility of forming cooperative alliances and joint ventures. Training coordinators keep track of these exchanges and often help to “build out” formal alliances during the small project phase of the AGREM and by helping sub-groups identify and draw connections to other manufacturers with
related needs and complementary skill sets. Finally, they help to ensure that mentoring firms and their partners have the resources and task-specific support needed to follow through on a proposed group project or cooperative. They do so by helping them identify and establish contact with additional support centers (many created and funded by the state and federal government), financial assistance programs, private consulting firms and business specialists in the region.

As we will also see in this dissertation, the challenges of developing inclusive alliances and cooperatives relate not just to existing intra-industry/intra-group dynamics and relational patterns. Rather, intervention by “outside” agencies and institutional actors, though crucial in getting diverse groups of apparel makers to recognize and overcome the core constraints to inter-firm cooperation, often comes with its own set of unique challenges and “sticking points.” In the first AGREM sessions, for example, program promoters and trainers had to first deal with a “severe start-up” challenge that ultimately made the job of recruiting and securing a commitment from potential trainees more difficult and time consuming. Specifically, smaller size and barebones manufacturers, because of a lack of confidence in earlier administrations, were initially hesitant about working face-to-face with two principle supporters of the AGREM—government planners from Jalisco’s Secretariat of Economic Development (SEPROE)\textsuperscript{18} and elected officials from the region’s Apparel Manufacturers Association. A second, related challenge that AGREM trainers faced was knowing how and when to interpret the relative “silence” of barebones trainees as a sign of satisfaction with the AGREM process

\textsuperscript{18} Throughout this dissertation, I use the terms Secretariat, Secretariat of Economic Development and SEPROE, interchangeably.
or as a sign of deeper fears or concerns about confronting or criticizing the actions/decisions of those in positions of “power” or “authority.”

In many ways, the challenges faced by AGREM trainers and administrators are the mirror image of those affecting local manufacturers. As with many apparel makers, key individuals from Jalisco’s Secretariat and Association are cognizant of the “high costs” to not intervening to help support and upgrade their traditional manufacturing base and small firm constituency. At the same time, this intervention itself is often constrained by an existing set of relational patterns and interpretative frames. Whereas brandname firm owners—in committing to mentoring alliances—have had to overcome their initial bias against less experienced and smaller sized local manufacturers, barebones manufacturers themselves have also had to “let go” of their strong belief that the state government and Association are unwilling or unprepared to respond to their particular needs and provide them with quality assistance and support.

In chapters 4 and 5, I therefore focus on the processes through which the Secretariat and Association are working to salvage and rebuild their reputation within the “community” and at the same time, strengthen their capacity and skills to govern and deepen their role in local economic development. In response to initial skepticism on the part of smaller sized firms and as a way to ensure that the AGREM program

19 Many development scholars look at cases of government intervention where the relationship with local or national firms is already established and more secure (Tendler 1997, chapter 5; Schneider and Maxfield 1997; Amsden 2001). As a result, they are able to move on to examining the “control mechanisms” through which governments direct and “discipline” the firms they support and subsidize. Few, however, have stepped back to first look at and identify the complex and innovative steps through which policy-makers and civil servants initially lure or “court” these firms into their “supportive” reach. In turn, they miss the
continues to facilitate cooperation among and be accessible to a diverse range of manufacturers, state planners and Association officials initially removed themselves from the program’s front-line. Instead, they have relied primarily on community-service workers from Metaprograma, a university extension center in Guadalajara, for training provision and front-line assistance.

The Secretariat and Association have combined their collective resources and energy to help build institutional support and credibility for the AGREM both locally and nationally. For the Association, this has meant helping front-line workers interpret and identify a less visible set of “clues” for assessing trainee (dis)satisfaction. In the case of the Secretariat, it has meant strengthening their relations with key Federal funding and development agencies; helping to organize ceremonial and symbolic events—including specialized trade shows—designed to further demonstrate to existing and potential trainees the developmental significance and contribution of AGREM training to the region and industry; and also working to institutionalize connections between the AGREM program and other support services as a way to encourage trainees to continue to draw on the state’s diverse resources and specialized skills as they work to strengthen and “build out” their mentoring alliances. The Secretariat—with the help of the Association—has also developed a unique monitoring system for carefully tracking and reviewing the day-to-day progress of training. This system not only enables state planners to more effectively intervene to help and assist front-line workers improve the functioning and quality of the program, but provides them with a powerful tool for

opportunity to use their cases to say something about the complex process of capacity-building and legitimacy-making on the part of the state.
ensuring policy accountability and consistency on the part of those individuals
"entrusted" with the task of program implementation.

As the Secretariat works to master its own skills in development planning and
governance and "scale-up" the AGREM program, it has turned to the Guadalajaran shoe
industry for guidance. This is not only because shoe makers from the city have been more
successful in extending and sustaining quality-enhancing alliances in the past decade, but
because of the deeper institutional foundations that have helped make these earlier joint
ventures both possible and locally valued. As we will see in a later chapter, the
AGREM—rather than being a new or novel training program—actually builds on and
extends an earlier training program in joint consultation developed in the mid-1970s by
National Financiero, Mexico’s National Development Bank. Throughout the 1980s, over
200 small and medium size shoe makers in Guadalajara completed this half-year training
program. An additional 70 firms have completed a updated version of this program since
1995. Although earlier studies of Guadalajara’s shoe industry lead us to believe that firm
responses to new economic conditions before and after Mexico’s entry into GATT were
institutionally incompatible and distinct, new evidence suggests that this earlier training
in joint consultation actually created the institutional foundations for dynamic group
learning and quality-enhancing forms of collaboration.\textsuperscript{20} It also provided shoe makers—

\textsuperscript{20} As in the AGREM case, smaller sized shoe assemblers learned through this training program to work
with and interact with more sophisticated and local elites, in some cases testing out and creating formal
production and marketing alliances with brandname manufacturers in the pre-GATT era. Smaller sized
shoe trainees also learned to organize themselves and in the process demand higher-quality business
support services and assistance from Jalisco’s Association of Shoe Manufacturers. Finally, they learned the
contributed to the local industry by actively supporting and helping to shape existing initiatives and
"collective actions," including the pre-GATT contract enforcement system described by Woodruff (1998).
Once trained, a significant number of smaller sized firms also became active members of the Association’s
governing board.
and those active in the state’s Association of Shoe Manufacturers—with a shared set of experiences and skills on which to draw when motivating, designing and supporting new “strategies for (collective) action”\textsuperscript{21} after Mexico’s liberalization in 1985.

While it is still too early to assess the long-term development impacts of the AGREM program on the city’s apparel industry, the strong link between earlier joint consultation training and post-GATT relational deepening in the shoe case—as well as the continued resilience and upgrading of small shoe makers in the city—does offer some assurance that today’s investment by the Secretariat, Apparel Association and university extension center will yield meaningful and significant results. It also suggests that the shoe case itself—rather than being interpreted as proof that open markets and liberalization create the “right” environmental conditions and “incentives for cooperation”—is better understood as an outcome and motivator of a more creative, transformative and on-going process of collective learning and institutional-deepening in the region.

\textit{Support Institutions for Continuous Learning}

Given the current economic climate in Mexico (and other parts of Latin America), it would be a mistake to simply draw from this case a set of policy lessons or prescriptions for other apparel making regions, or other cities dominated by smaller size, craft producers. Rather, in their design of the AGREM program and complementary business development services, development practitioners and planners in Guadalajara

\textsuperscript{21} Swidler 1986.
have actually stumbled across a more far-reaching set of policy tools for sensitizing local firms, of all sizes and types, to the benefits of collective or shared learning and sustained community support. While it is true that this training program was initially designed with smaller sized, barebones apparel makers in mind, it is also true that in working with this sub-set of local manufacturers, program administrators have managed to convince a group of resource and experience-rich manufacturers and industrial families to remain locally-rooted and engaged and at a time when they face their own economic and social challenges. As they extend this program to other industries in the city and state, a similar pattern is emerging—manufacturing and artisanal leaders in metal working, ceramics, jewelry, food processing and shoe and apparel making, through their affiliation with the AGREM, are learning to value and put to better use the region’s existing production networks, supplier firms, skilled employees and qualified professionals.

Why might this aspect of the AGREM’s design be worth additional consideration? Increasingly, development scholars are turning away from mainstream economic theories that present market liberalization or outward-orientation as the principle driver of economic growth for developing countries. While it is true that open markets subject developing country firms to new competitive pressures, it is also true that they often fail to create the conditions needed for these firms to remain competitive over the long haul. Historical comparisons of developing regions indicate that initial trade advantages from price adjustments and low, starting wages are only sustained overtime through a conscious and on-going commitment to learning—that is the “nurturing” and coddling of new skills, technological capabilities and “knowledge-based assets” (Amsden
2001). Mainstream economists often assume these skills and technologies are readily available on the open market or through government support for basic and higher education. For their critics, however, this assumption not only ignores the "tacit component of ... knowledge" and its contribution to the "successful performance of a (new) skill" or applied technology (Gertler 2001:3; parentheses added), but more importantly the less visible support institutions and structures that allow firms to learn about, test out and successfully apply a new production process or value-adding technique (Amsden 2001; Gertler 2001; Sabel 2001; Dussel Peters et al. 2002).

In Guadalajara, the developmental advantage of competing on the basis of hands-on learning and specifically, through an on-going commitment to skill development and technical upgrading—as opposed to just the exploitation of cheap land and labor—is not entirely lost on local economic actors, especially more skilled and experienced manufacturers. Less certain, however, is whether the city's existing support networks (i.e., those based on established social and ethnic traditions and ties) can fully support this "higher-order" development trajectory. In the past decade or so, these networks—which historically have been used by lead firms and industrialists to support incremental and quality upgrades to both products and production processes—have been stretched, pulled and weakened thanks to Mexico's continued economic instability, the subsequent loss of established industry financiers (e.g., larger manufacturers and locally-oriented banks and credit unions) and the recent flood of industry newcomers and regional "rivals." While some existing manufacturing elites from the city have found initial relief from reinstated trade regulations and protections, most recognize that this advantage,
without additional guarantees for continuous learning, can only be short-lived. It is not surprising then that many industry leaders, in seeing their traditional support networks now under threat, are preparing to withdraw or disengage from the region.

Under a mainstream economic model, the departure of industry leaders and elites would be welcomed as it implies the presence of an effective market mechanism for weeding out older establishments with low competitive potential or productive value. Under a learning framework—from which this study draws theoretical inspiration and guidance—their withdrawal represents a more devastating blow to the region and nation, as it not only implies the loss of local manufacturing traditions, skills and experience (not to mention jobs), but more importantly a lost opportunity to capitalize on and draw out the existing learning sensibilities already embedded within the “community.”

It is here then, through their support of the AGREM and complementary business development services, that the state government and its partner agencies are making an important developmental contribution to both the region and nation. By designing the AGREM to include lead manufacturers and industry elites—as training participants, mentors and “model” firms—development practitioners are essentially helping to rebuild and strengthen the local “institutions that nurture productivity” (Amsden 2001). At the same time, by making their support for these institutions conditional on the creation of upgrading opportunities for less skilled, resource-constrained and smaller sized manufacturers and assemblers in the region, they are also ensuring that their intervention in the local economy is more equitable and developmentally significant.

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The next challenge, it would seem, is for state planners to also consider the potential value of this initiative for an additional set of local manufacturers and investors. For now, AGREM training is only available to domestic-oriented firms and industries—those thought to be "left behind" in Mexico's final push towards global economic integration. Absent from policy discussion and debate, however, are the city's numerous export processing plants or maquiladoras, many domestically-owned or with earlier links to the local economy (including former "import-substitution" electronics plants like Hewlett Packard, IBM and Motorola). While these firms have traditionally been viewed as the beneficiaries and backers of "free trade" and in turn, are seen as capable of taking care of themselves, the current North American economic slowdown is illustrating their own vulnerabilities, especially as Mexico looses its cost advantage to other export-processing regions in Central America and Asia.

As with their domestic-oriented counterparts, this sub-set of local manufacturers are cognizant of the need to secure their competitive advantage through quality improvements to their products and production process. Still, they too are seeing their existing support networks "stretch" as U.S. buyers and coordinating firms—the central "organizers" or guarantors of local learning and upgrading for most domestic-owned maquiladoras—withdraw from the region. To cope with this loss, a growing number of maquiladora owners are considering closing down their operations altogether or relocating their facilities to regions with low priced land and labor. Where it would seem

\[^{23}\text{For a detailed discussion of buyer-driven learning in export processing industries in Mexico, see Piore and Ruiz-Durán 1998; Gereffi 1999.}\]
state planners can now make a crucial difference is in extending their support institutions and upgrading services to this set of local economic actors. The final chapter of this dissertation is written with this possibility in mind.

A Case Based Research Strategy

In this study, I employ what Lisa Peattie (2000) calls a Case Based Research (CBR) strategy. A CBR approach is one that is primarily concerned with identifying the mediating events, actors and processes and generating a “practical understanding” of conduct by looking at the particularities of a case. Rather than focusing on and “singling out” testable variables for analysis or “measuring” effects quantitatively (and with narrow standards of statistical significance), the CBR researcher is most concerned with understanding and documenting the complex social and political realities and perceptions of a given place and its people. Central here is the unfolding drama of the case, including its diverse actors and complex social settings and histories (Peattie 2000:1).

Causality, in the case of CBR, is not evaluated by whether or not a chain of probable events is logically compelling or sound. Instead, it emerges from the “closeness of detail”—detail attained by tracing real events and complex social and political processes; accounting for interactions, sequencing and spillovers, especially those that are counterintuitive or seemingly contradictory; and by acknowledging the subjectivity that can lead to variations in local meaning and response. Rather than drawing on mathematically informed techniques to remove unwanted noise and outlying
disturbances, through the CBR lens unpredicted events and surprising outcomes are seen as new opportunities for learning and reflection.

It is here that the “multiplicity of factors, interacting in complex and variable ways to produce shifting outcomes” become visible (Peattie 2000:3). Rationally understood reactions may coexist with “transrational” responses (that is overlapping and sometimes competing views of what is “rational” and at what times); cultural pulls work in conjunction with simple economic stimuli and “incentives”; inclusive political acts are shadowed by acts of exclusivity along ethnic, religious and class lines. Generally speaking, the goal of the CBR researcher is to observe and document the dense web of mediating institutional arrangements and complex (often historical) processes that both shape and are shaped by individual and group action; pattern how different groups perceive their reality and available opportunities; and mark local and periodic struggles over power and control, resources and opportunities and meaning and purpose. A CBR study is therefore one that seeks to better document and account for the presence of these intertwined realities, not test for them in isolation.

The fact that CBR researchers look for uniqueness in their cases, does not however limit their contribution to larger policy or planning debates. Using this approach, broad policy and planning lessons—and for that matter theory—are generated by drawing on case specifics to fine tune existing, widely (and often locally) held analytic concepts and conventional understandings of the world. As a result, policy lessons and new theoretical concepts developed using this approach are often mid-range in form and
reflect a lengthy and iterative process of repeat field visits, data collection and analysis and literature review. “In such research we not only enunciate general principles, but we are required to apply them to complex particular circumstances, recognizing that circumstances alter cases, and that more than one principle is likely to apply” (Peattie 2000:5). This approach is especially relevant for scholars of planning and public policy, as the guiding principle is to “learn from experience to act in varying circumstances” (Peattie 2000:5).

Methodologically speaking, CBR studies involve two overlapping stages of data collection and analysis.24 The first stage involves case-setting or case-exploration—that is establishing what the case study is really about and why it is of interest or importance to development scholars, planners, evaluators and policy-makers. A case and its contribution is usually first assessed from the field and as a result differs from other styles of social inquiry. For many contemporary social scientists, case selection is expected to be a much more exhaustive and strenuous process. Full histories must be looked up, read and analyzed; background materials accessed; existing studies of a region dissected; broad theoretical traditions mapped; hypotheses and null hypotheses developed and described in full. For the CBR researcher, however, this phase of reflection often comes later, only after preliminary data from the ground has been gathered, coded and analyzed. While “experimental” or “variable-focused” studies are deliberately structured to be front-loaded and give researchers considerable time to compare across alternative cases, as well as identify hypotheses and develop “objective,” variable-testing

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24 This section draws on my own exposure to CBR in classroom settings and by observing colleagues and their own interaction with case material.
instruments from afar, the CBR researcher is encouraged to go immediately to the field, at times armed with little more than an instinctual or gut "feeling."\textsuperscript{25}

This hands-on, "quick-and-dirty"\textsuperscript{26} approach to initial case development—while perhaps appearing risky—has two principle benefits, especially for research aimed at documenting and developing concrete policy and planning lessons from case specifics. First it enables to researcher to quickly confirm her/his intuitions about a place, its people and social processes—not by relying solely on prior case observations or scholarly interpretations, but by talking to those active on the ground. This research strategy also enables the researcher to establish immediate contact with and identify key informants from the community of study. As Michael Piore (1979) discovered early on in his own dissertation research of workplace norms, a well-developed, objective survey tool designed in the comfort of a university setting can often be rendered useless if those targeted for study fail to fully engage with or relate to the researcher. The CBR researcher recognizes and accounts for this methodological limitation. She/he is therefore less concerned with developing the perfect, objective research instrument or selecting, at random, a sample or list of "unbiased" informants and individuals. Rather, initial field visits are used to better identify and connect to those most willing to share, especially those closest to, more vocal about and active in local community and social life. At this point in the study, the researcher is not only interested in tracing story lines and

\textsuperscript{25} A CBR researcher may go to the field with little more than a surprising or counterintuitive statement about or case detail taken from a popular magazine, newspaper, existing academic study or presentation in hand (see for example Judith Tendler’s account of her case of government-led development in the Northeast of Brazil, 1997:9).  
\textsuperscript{26} Hirsch et al. 1990.
identifying broad themes, but must search for ways to establish local credibility with those she/he is most interested in studying.

Once a case has been initially explored, the now “vetted” CBR researcher—initially from her/his home institution—can begin to deepen the case. In my case study of Jalisco, case-deepening involved an iterative process of literature review and analysis and categorization of interview transcripts, field notes and related, secondary materials. It also required two lengthier stays in the field (6 months in 2000 and 3 months in 2002) during which time additional, supportive materials were gathered, broad social patterns and events confirmed and clarifying questions asked and reasked during lengthy and follow-up interviews. It was during this second phase, that detailed historical accounts of the region were also reviewed in more depth. As with other CBR researchers, my pre-field visit literature reviews were more thematic in form and involved grouping together and categorizing existing scholarly works on related subjects and case studies. During the case deepening phase, I began to also look at articles from daily, regional periodicals, those recently produced and those in media archives. I collected and read masters and doctoral theses written by students from the region, as well as collected locally produced organizational and regional histories (for example, the 50 year, commemorative history of the Jalisco’s Shoe Manufacturers Association and a government commissioned study on post revolutionary industrial and commercial development in the state). Finally, I looked at published and scholarly accounts of Mexico’s economic and industrial development. These materials allowed me to better situate or historically contextualize recent, observed events in the region. They also allowed me to contrast my own field
observations with earlier accounts and descriptions of local economic development and industrial organization in Mexico.

This close review of secondary materials ultimately helped provide support for my two primary data sources: (a) in-depth interviews with local business owners, business association staff and personnel, government officials and economic advisors and consultants and (b) observations of local meetings and events attended by local manufacturers. During my first field visit in 1999, initial interviews were loosely structured. They were designed to be informational and provided me an opportunity to learn more about the region and its economic and political history, as well as map its core institutional players and actors. Each interview lasted approximately one and half hours and was organized around a set of connected themes that reflected the specific institutional or organizational affiliation of each informant.

In contrast, interviews during the second, case deepening phase of my research were more structured. Each interview was guided by a list of specific, open-ended questions. These interviews were used to confirm and deepen themes raised during and culled from initial, informational discussions. Follow up interviews with initial informants also allowed me to track changes overtime, not only in terms of the types of relationships that existed between firms locally, but in the strategies used by those active in the mentoring process to respond and adapt to new economic and social circumstances and environments.
In total, I completed 80 interviews with firm owners from Guadalajara’s Metropolitan Zone. Firm selection was done in part through a snow-ball process, in which interviewees were asked to list or recommend other firm owners willing to be interviewed. This allowed me to map existing production relationships and social ties, as well as compare and contrast individual perspectives about their interactions with others. Additional interviewees were selected from AGREM participation lists and through the apparel association’s formal registry. Approximately 100 interviews were completed with institutional representatives from the Secretariat of Economic Development and from university-based business extension programs and regional business associations—included in this figure are recorded observations make at key public events, industry trade shows, training sessions and state planning meetings.
PART I

(Un)Learning to Cooperate
CHAPTER 2

Social Networks, Subcontracting and Top-Down Decision Making

In this chapter, I provide a historical overview of Guadalajara’s apparel industry, particularly as it relates to the social organization of local production today. As we will see in this chapter, high urban land prices in the first half of the 20th century led apparel-making families—in an effort to expand their own production capacity and market share—to organize informal networks of assembly workshops throughout the city. In the second half of the 20th century, this coordinated system of decentralized production was reinforced by prominent industrialists and investors arriving from Mexico City. These newcomers to Guadalajara brought with them extensive coordination and “intermediation” skills which they used to manage, build out and stabilize existing apparel subcontracting arrangements. They also had access to key industry “contacts,” financial resources and support networks that were not only available to manufacturers within their ethnic and social core, but were useful to a sub-set of Guadalajaran apparel makers seeking to hone their skills in value-adding tasks, like design, marketing, logistics, quality control and finishing. The relationship between these newcomers, newly skilled brandname manufacturers and local subcontracting operations functioned well under stable markets and “normal” economic conditions and in turn, opened up new opportunities for individuals outside well-networked ethnic and social groups to enter the industry, primarily as barebones manufacturers and assemblers.
As we will also see however, the disconnect between the sites of innovation and production and the concentration of skills and control by a sub-set of brandname manufacturers eventually created a new set of challenges for local economic actors as Mexico moved to deepen its trade relations with other nations, especially the United States, after 1985. Specifically, it meant that most traditional subcontractors did not have the breadth of knowledge and experience needed to help their main clients support and carry out a series of parallel upgrades and process improvements. Existing studies of ‘industrial clusters,’ especially in northern Europe, often associate pockets of economic dynamism and resilience with regions dominated by small sized, craft based firms and specifically those built around and reliant on localized and interdependent arrangements of production sharing and subcontracting. As we will see in this chapter, however, networked subcontracting arrangements in Guadalajara’s apparel making industry coexist with an entrenched relational pattern that, in recent times and with the emergence of new sourcing alternatives, has actually worked against idealized goals that local economic actors will automatically move to deepen and intensify their existing relationships.  

27 The structural rigidity of craft-based forms of production and subcontracting have also been identified by Sabel (2001).

Firm Size and the Struggle For Land

In the 1910s and 20s, textile merchants and vendors—most of Lebanese descent—began settling in and around Guadalajara. At the time, Guadalajara had already established itself as the commercial center of northwest and west-central Mexico and by
the late 19th century had the second largest urban population after Mexico City. The ethnic background of these merchants is relevant as it gave them an added market advantage compared to dominant ethnic groups and commercial families at the time of the Mexican Revolution (1910-1920) and the Cristero Rebellion or religious uprising in western Mexico (mid to late 1920s). Because of their "foreignness" and thus, presumed "neutrality," Lebanese vendors were not only able to tap into Guadalajara's thriving urban markets, but during periods of national social and political unrest had relatively safe and open access to rural trading centers and remote army outposts throughout Mexico. In turn, they were able to strengthen their position in Mexico's textile trade throughout the 1910s and 20s (Hanson 1992).

With their additional savings, Lebanese textile merchants began to purchase basic machinery and construct small apparel-making workshops behind their homes. In most cases, they used these small operations to produce knitted goods and socks for the regional market (Hanson 1992). As they worked to integrate backwards into production-related activities, they were also able to draw on their existing commercial and social ties to other regional textile importers and manufacturers in the region—many also of

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28 During the colonial period, Guadalajara was the capital of New Galicia (1542-mid 1800s)—a large colonial district that covers what today are the states of Jalisco, Colima, Aguascalientes and Zacatecas and parts of Sinaloa, Durango and Nuevo Leon. During this earlier period, the city was a key military and religious center. It also housed one of the largest regional markets for trading agricultural products and precious metals from Western Mexico. These goods were traded for consumer and capital goods manufactured in Mexico City or imported from Spain (Walton 1978).

29 This is not to say that those of Lebanese decent were always accepted by dominant ethnic groups in Mexico. In the 1930s, for example, during nationalist campaigns, Lebanese and Jewish business owners in Guadalajara were often victims of racial attacks. During this period, local newspaper reporters also used insulting language like "chupa sangres" (blood suckers) and "laxera social" (social degenerates) when referring to these ethnic groups in print (Romero et al 1988:33).
Lebanese descent—when in need of financial assistance or marketing advice (Lailson 1985).

Throughout the late 1920s and 1930s, the number of apparel merchants-cum-manufacturers increased in the city, with many new arrivals moving from neighboring states, including Guanajuato and Michoacan. Many from this second wave were also of Lebanese descent (Lailson 1985) and were undoubtedly drawn to the city’s growing ethnic community and support base. Guadalajara’s rapidly expanding urban workforce and diversified consumer markets provided an additional “pull.” Rural to urban migration in the state of Jalisco increased substantially during and immediately following the Mexican Revolution and ultimately helped to keep labor costs low for owners of craft workshops. The largest group of migrants were poor, tenement farmers and sharecroppers displaced by or “fleeing” rural violence. Seasonal laborers and farmworkers from Jalisco who were employed in factories and on farms in the United States also returned home during the Great Depression years. Craftsman and traders organized these new arrivals “in small manufacturing workshops which produced basic consumer goods to feed the needs of the local-regional market” (Spener and Pozos Ponce 1996). In doing so, they also helped to create additional rounds of local demand for low price consumer goods.

A second group of immigrants moving to Guadalajara in the Revolutionary period were wealthy landowners and church elites displaced during the failed Cristero Rebellion3⁰ of the late 1920s and by Mexico’s post-Revolution land reform—Jalisco’s

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³⁰ This uprising, also known as Mexico’s Holy War, was the outgrowth of a powerful alliance between Catholic clergymen and rural campesinos in Western-Central Mexico. Farmers and priests from
considered the most “extensive” and redistributive of any state in the country (Walton 1978). Their relocation to Guadalajara and their investments in new commercial activities and services not only helped to bolster the city’s small, but emerging middle class, but also created new niche markets for higher-end consumer goods, including tailored clothing, knit stockings and crafted leather products.

For apparel makers targeting the city’s “popular” and working classes, however, this sub-set of migrants also created a new set of economic and political challenges. Landed gentry and church elites relocating to Guadalajara in the 1920s and 30s—in addition to financing commercial interests—invested heavily in property. Once in the capital city, they quickly gained control of most of the city’s existing commercial sites and residential districts or colonias. They also purchased a large share of the vacant lands on the outskirts of the city. Land speculation and intense bidding wars among the city’s new rentier class kept land prices high (Walton 1978). This ultimately made it more difficult for those outside this elite group to acquire or purchase large parcels or contiguous plots of land. It also created tensions between commercial and industrial interests which continue to shape the political economy of Guadalajara, even today (Romero et al. 1988).

historically Catholic states, including Jalisco, Colima, Michoacan, Zacatecas and Nayarit, were especially active in this rebellion. Both groups were excluded from post-revolutionary politics—the former through a series of constitutional laws which sought to permanently separate the church and state and limit the political involvement of church officials. Actions by the government to limit church participation in the post-revolutionary period included the systematic and deliberate dismantling of Church labor unions by the government-backed labor confederation, the CROM. In contrast, rural campesinos were angered by the government’s inability to put an end to widespread rural violence and illegal land seizures. At the end of the rebellion in 1929, the Catholic clergy managed to regain some of their political and economic status and power in exchange for guaranteed peace. Rural campesinos, however, were less fortunate. Land seizures continued after the rebellion, often led by military bosses. In many states, including Jalisco, displaced farmers and agricultural workers were forced to seek employment in urban centers (Ruiz 1992).
In other industrializing cities in Mexico, growth in urban commercial and labor markets and rising consumer demand in the early 20th century enabled apparel producers to quickly expand and consolidate their existing manufacturing facilities (Hanson 1992). In Guadalajara, however, individual manufacturing operations continued to remain very small in size. Production workshops were often on the same small parcel of land as the owner's family home. Scale and scope in the industry was instead achieved through close coordination of geographically dispersed workshops owned by several members of an extended family or by patriarchs from the same ethnic sub-group (Lailson 1985; Hanson 1992). This strategy was not isolated to apparel making in Guadalajara, but was used by other craft manufacturers to organize production in the city throughout the 20th century. Because of the widespread use of this organizing strategy and continued small size of most manufacturing operations, Guadalajara is still referred to as the “big city of small industry” (Arias 1985).

Industrial Expansion, Lead Firms and the Institutionalization of Top-Down Control

Guadalajara’s garment industry grew steadily during the 1940s, fueled in part by the wartime economy. Declining foreign imports during World War II, especially of consumer goods, ensured high domestic and regional demand for locally made clothing. Apparel makers from Guadalajara also helped fill U.S. orders for undergarments, casual clothing and military and work uniforms (Lailson 1985). In some cases, federal
government agencies in Mexico helped to broker deals which enabled the region’s apparel-making workshops to directly produce for U.S. buyers and military procurement offices during the War.

Despite the Wars end and a related drop in U.S. demand for Mexican made uniforms and clothes, the city’s garment industry continued to expand after 1950. According to available industrial census data, in 1950 there were 263 registered apparel-making workshops and 49 registered knitwear-making workshops in the state. While the number of registered firms in both categories stayed constant between 1950 and 1955, total employment in the industry almost doubled.\(^{31}\)

The state government, in their attempt to encourage industrial expansion and attract “big industry” and investors from Mexico City, helped to fuel this post-war expansion in apparel making establishments. Starting in the 1930s, state developers and elected officials in Jalisco’s offered a variety of fiscal and financial incentives to individuals investing in new manufacturing plants and existing plant expansions, especially in the city of Guadalajara (Arias 1983). These efforts built on and extended federal efforts to assist urban centers outside Mexico City industrialize as part of Mexico’s Import Substitution Industrialization (ISI) development strategy (Moreno and Ros 1994). The largest share of direct state support went to large-scale, capital-intensive operations in chemicals, metal working, textiles and food processing between 1945 and 1970.

\(^{31}\) Average employment per plant increased from 3 to 6 workers during this period, suggesting that while total employment grew in the industry, individual establishments still remained relatively small in size.
The growth in these new operations in turn created local demand for industrial uniforms. At the time, it was common for owners of new and expanding manufacturing operations to use offers of subsidized clothing, uniforms, housing and transportation as a means of securing a "captive" and stable workforce and attracting new laborers from rural communities (Lailson 1985). Some direct state assistance was also available to new investments in more labor-intensive assembly plants, including those producing work clothing and uniforms. Between 1941 and 1950, a dozen or so apparel making operations, in exchange for creating new jobs and investing in new machinery and equipment, received direct subsidies from the state—mostly in the form of tax breaks and infrastructure support (Arias 1983).

Throughout the 1960s and 70s, the total number of registered firms in the city’s apparel-making industry also increased, doubling to 441 plants in 1980. During these years additional growth occurred in the informal sector (Lailson 1985:197). According to one estimate, for every registered garment manufacturer in Jalisco, an additional six or so non-registered firms were created in the state, most micro-sized and employing fewer than 10 workers (Lailson 1985). Factors already mentioned, including rising local demand for work uniforms by new industrial and service employers in the state, helped to fuel this growth in the total number of apparel making operations, both in the informal

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32 Between 1941 and 1950, the state financed 205 projects involving either plant expansion or creation. Between 1951 and 1970, they financed 309 projects. In the 1970s, the federal government, as part of a larger effort to centralize planning in the area of industrial development and promotion, put a stop to state subsidies of this type (Arias 1983).

33 This would mean that in 1960 there were approximately 1500 informal apparel making workshops in Jalisco. In 1980 estimates would jump to more than 2500.
and formal sectors. Rising household incomes in the region, a related shift away from homemade to ready-to-wear clothing and growing numbers of clothing retailers and department stores interrupted in selling locally produced goods were also contributing factors (Lailson 1985; Mendoza et al. 2002).34

An additional influence and one which also had a direct impact on the way local production was organized in the city was the emergence of prominent or lead apparel making families that had existing skills in coordinating production-related activities through extensive subcontracting networks (Hanson 1992; Hanson 1996). Many from this group had developed these skills while active in Mexico City’s historic apparel district. In the middle of the 20th century, Mexico City apparel makers moved their production facilities to other urban centers in response to rising labor costs and saturated consumer markets. Guadalajara was an obvious choice given its relatively low urban wages and available workforce (Hanson 1992). The fact that the city had an existing base in apparel making, as well as a growing number of skilled machinists, textile supply houses and retail establishments must have also affected the decision of Mexico City manufacturers.

In some cases, firm owners from Mexico City maintained their commercial ties to the capital’s historic apparel district and opened small satellite operations in Guadalajara to coordinate orders contracted out to local workshops (Hanson 1992). This decentralized strategy enabled a handful of prominent apparel making families from Mexico City to

34 During this period, new ‘clusters’ of apparel manufacturing workshops also emerged outside Guadalajara. In Los Altos or Jalisco’s highland region, a handful of specialized knitwear producing ‘clusters’ were established in the towns of Zapotlanejo, Villa Hidalgo and San Miguel del Alto (Vangstrup 1997; 2002). Today, apparel manufacturers from these smaller, rural towns employ approximately 15 percent of the state’s total apparel making workforce.
eventually establishment themselves as the nation’s main distributors of cotton and nylon stockings and socks.

These industry newcomers ultimately helped to build up Guadalajara’s existing base and skills in apparel production. They did so initially by providing supervisors and skilled workers at their main manufacturing facilities with sufficient investment capital and machinery to open up new production assembling operations throughout the city’s diverse residential neighborhoods. In turn, these new operations became part of a core network of “captive” and dedicated local subcontractors (Hanson 1992). Lead firms also helped a sub-set of existing Guadalajaran manufacturers acquire the resources and skills need to successfully upgrade and expand their own production systems and networks. Initially this support was made available to firms owners within their own ethnic groups—in this case Jewish and Lebanese families. Eventually, however, upgrading assistance was also made available to close friends and neighbors active in the industry (Hanson 1992).

As in other parts of Mexico, existing and new apparel-makers active in these “ethnic” or social circles were able to “establish a reputation of credit-worthiness” with textile manufacturers from the region (Hanson 1992:29). At the time, loans from private and development bank in Mexico, as well as direct state subsidies, were not available to owners of smaller sized manufacturing operations and workshops. Instead, textile manufacturers provided local firm owners with financing to start-up new workshops or expand their existing operations. These same social and ethnic networks were used to circulate information about the character and reliability of individuals and their family.
and helped many families secure orders and contracts with retailers and wholesalers in Mexico. This enabled a sub-set of new subcontractors to quickly develop direct ties with consumer markets and in the process, upgrade their workshops to full-scale manufacturing operations. These social connections also provided socially networked firms with valuable information about local and national supplier firms, retailers, industry trends and basic marketing analysis.

In the 1960s, these same networks were used to help new generations of style-conscious youth—many, the children, grandchildren and nieces and nephews of the region’s original apparel investors—develop their skills in design and fashion marketing (Lailson 1985). These young entrepreneurs looked to the United States for much of their design inspiration—at times, receiving financial assistance from established manufacturers so they could travel to high-fashion cities in the United States and Europe to view popular styles and seasonally changing fashion trends. They would then adapt these styles to Jalisco’s growing middle and upper middle class consumer markets and in the process, helped Guadalajara establish itself as an important center of women’s outerwear in Mexico (Hanson 1992; CANIVEJ 1994). It was also during this period that a group of lead manufacturers also convinced officials from the National Apparel Manufacturers Association to open a delegation office in Guadalajara, to provide among other things, support for local fashion and trade shows. Approximately half of the original founding members of the delegation were of Lebanese descent, many second or third generation apparel producers (CANIVEJ 1994).
For firm owners and individuals outside these well-coordinated and highly-resourced ethnic and social networks however, direct exchanges with prominent retailers took a long time to develop. Similarly, long-term and investment financing was much harder to come by, as was unofficial and up to date information on new markets, suppliers and industry and fashion trends—all crucial for supporting and sustaining competitive multi-division (e.g., design, marketing, quality control) manufacturing operations. As an economist studying apparel production in Guadalajara and other Mexican cities put it:

while garment manufacturing requires only modest amounts of fixed capital, it requires relatively large infusions of working capital. . . A potential manufacturer who lacks working capital or contacts with established manufacturers who can vouch for him is poorly situated to enter manufacturing. An alternative is to begin as a subcontractor (Hanson 1992:30).

The option to subcontract therefore enabled those with limited financial and social capital access to the industry.

Lead manufacturers from the region actively encouraged the reproduction of this bifurcated system of production. By maintaining it, they were ultimately able to expand their own operations and support riskier, value-adding activities despite Guadalajara’s relatively tight urban land markets. It also allowed them build “flexibility” into the network by extending or limiting orders to a reserve group of “seasonal” or less permanent subcontractors during periods of economic and market expansion. In times of “crisis,” the network, rather than the lead firm, also absorbed the “shock” of economic change. It is highly likely lead firms also saw this as a useful strategy for controlling or

35 The Association was founded in 1969. In 1975 it hosted its first fashion show and trade event.
limiting the number of new entrants and direct competitors to the industry’s highest ranks. As friends, family and loyal employees were given assistance to move up the production ladder, expectations of reciprocal support and “rules” about local production and intra-regional competition were undoubtedly easier to develop and reinforce.

To maintain this system, lead firms—at least until the 1990s—rewarded reliable subcontractors with “captive” of “quasi life-time” sourcing contracts, some spanning several generations. They also offered dedicated subcontractors favorable payment schedules, in many cases, paying for part of an order up front and completing the transactions within five days of receiving the complete order. The fact that most Guadalajaran retailers in formal markets and those targeting the city’s middle and upper classes asked for a minimum of 45 days to reimburse their lead manufacturers meant that most cash-strapped subcontractors and industry newcomers were also unlikely to take on added financial risk and burden of direct manufacturing.

Still, subcontractors—while clearly dependent on lead manufacturers—were given some room to grow and develop their own skills in direct sales and “intermediation,” especially in low-end consumer markets. During periods of regional economic growth in the 1970s and early 1980s, experienced subcontracting firms often experimented with and began producing their own basic designs and “copied” styles—some initially producing “pirated” knock-offs of popular U.S. styles and brands. Guadalajara’s popular tianguis or informal street markets—some of the largest, like Santa Teresita, attracting tens of thousands of shoppers each week—provided these firms with

EXPOMODA (CANIVEJ 1994).
access to the state’s working or “popular” classes despite the difficulty of accessing formal, middle class retail chains and department stores (Mendoza et al. 2002). Friends and family with small sized commercial stalls in these markets would offer to sell their wares for a small fee or commission. In some cases, successful subcontractors, bred new generations of subcontractors by offering their older, more experienced employees start-up financing and used equipment loans to start their own workshops. These new operations would in turn become captive suppliers for their former employers, thus enabling the latter to expand production of their own line of clothing (Lailson 1985).

The central difference in the upgrading strategies employed by well-connected lead manufacturers on the one hand, and experienced subcontractors, on the other, was ultimately one of timing and “breathing room.” The financial and social safety net provided by key individuals from socially-connected groups meant that lead firms and their close friends and family could more easily allocate time and resources to process innovations and plant upgrades and improvements. When necessary, they could afford to temporarily stop daily production and concentrate on developing and perfecting new skills and tasks. This in turn enabled them to experiment with and quickly apply new techniques and processes in fabric preparation, pattern making, design, product finishing, marketing and supply chain management. As they worked to develop their skills and know-how in these different areas, they were also able to draw on the rich and diverse experiences of other lead firms from within their core social and ethnic networks, thus providing them with an informal system of mentoring and supervised training.
In contrast, for most Guadalajaran subcontractors the process of learning and innovation was more choppy and stretched over several seasons. In most cases, it was also self-financed and self-directed. Given that these firms relied primarily on repeat orders from lead manufacturers to finance their operations, most subcontractors could only afford to dedicate a small share of their total resources and time to developing and marketing their own products and brands. For similar reasons, process improvements and upgrades needed to sustain full-scale manufacturing activities were difficult to initiate and carry out. In contrast to socially-networked firm owner that were given a comfortable and supportive environment in which to experiment and quickly apply learned techniques and processes, for most subcontractors changes and upgrades were not only incremental and on the margins, but often took years of hard work, dedication and reflective learning to create.

Despite their dependent and disadvantaged position and the industry's widening skill gap, most traditional subcontractors did not challenge or contest Guadalajara's dominant system for organizing local apparel production. In fact, for many subcontractors this system not only enabled them access to the manufacturing sector itself, but provided them with a unique opportunity to achieve the ultimate Tapatio\textsuperscript{36} dream—becoming the owner of one's own company or enterprise.\textsuperscript{37} Furthermore, until very recently, the day-to-day stability of their captive sourcing arrangements enabled them to accumulate sufficient capital and know-how to slowly inch up the production

\textsuperscript{36} A popular term used to describe individuals born and/or raised in Guadalajara.

\textsuperscript{37} Based on interviews with present and former subcontractors and a discussion by Carlos Alba Vega (1998) about difficult regional styles of organizing production in Mexico.
ladder and eventually support their own extended networks of local workshops and assembling operations.

**Apparel Making Today**

Before moving on to a more detailed discussion of apparel subcontracting today, it is worth providing a brief overview of the main types of manufacturing operations that exist today in Guadalajara. Large sized apparel making facilities (300 + workers) today continue to make up the smallest share of operations in the city. These firms have considerable knowledge of and experience in design, pattern making, marketing, quality control and logistics. Some from this category are officially registered as medium sized operations. However, as they directly control a large share of the local workforce through their extensive networks of local subcontractors, I have chosen to include them in the large-sized firm category. As with most firms from the region, large sized manufacturers tend to focus primarily on domestic sales. Many from this category have their own retail establishments in middle-class and high-end commercial districts in Guadalajara. In most cases they produce their own brandname product lines or are the principal manufacturing operation for a line of popular brands and styles sold in the region. Most of these larger-sized operations rely on a networked group of small and medium sized subcontractors from the region to fill their monthly production orders—design, finishing and quality control activities usually remain in house. During peak seasons these firms add additional local factories and workshops to their subcontracting or out-sourcing lists.
A second group is made up of more skilled small (up to 100 employees) and medium sized (101-300 employees) manufacturers that, depending on business cycles and economic conditions, alternate between producing and marketing their own brandname items and those for larger manufacturers. In most cases however, subcontracted orders account for less than 20 percent of total plant resources and production time. During peak seasons, many manufacturers in this group also source out their own production orders to a network of small and micro sized workshops throughout the city. A sub-set of firms from this category outsource all basic production-related and assembling tasks to a core group of local subcontractors. keeping design, marketing and finishing tasks in house. As we will see in the next chapter, skilled small and medium sized operations play an important role in the city’s emerging mentoring alliances.

The largest group, in terms of the total number of local establishments, are firms that employ less than 50 workers. Approximately 80 percent of the 1,400 or so establishments in the state today fall into this category. These micro and very small sized enterprises typically focus on barebones manufacturing and assembly. Typically, they assemble pre-cut, unfinished items for other manufacturers in the region. Included in this category are informal sector workshops, many micro sized. Estimates for informal sector operations today are difficult to find, especially as many of these operations are only active during peak seasons.

\[38\] Most of the statistics used in the remaining sections of this chapter were compiled by Jalisco’s Secretariat of Economic Development and are based on data gathered and analyzed by IMSS (Mexico’s Social
In the past decade, a handful of “maquiladoras” or export-assembly plants with modern, well-equipped and large-scale facilities have entered the scene. These export-assembly plants however—many located on the outskirts of Guadalajara or within an hours drive of the city—have shown little interest in contracting out production to local subcontractors. This, in part, reflects restrictive contract stipulations set by U.S. buyer firms and retailers (this will be discussed more in chapters 3 and 6). In some cases, this small sub-set of manufacturing facilities have been known to displace local manufacturers and subcontractors during U.S. economic downturns as they take on domestic orders in order to maintain full capacity. So far, however, this category of manufacturers remains relatively small in Guadalajara, especially compared to apparel production in other urban centers in Western, Mexico.

In fact, generally speaking Guadalajaran apparel makers—in contrast to firms from other major apparel making centers in Mexico—focus disproportionately on the domestic market and regional sales. A recent survey of firms from Jalisco found that 45 percent of all orders from local garment makers go to in-state buyers; 25 percent go to buyers from the five surrounding states; 27 percent to buyers from other states in Mexico. Only three percent of sales by local manufacturers go directly to foreign buyers. In 2000, 49 percent of all apparel exports from the state were destined for the United States.

Security Office) and INEGI (Mexico’s Census and Statistics Bureau).
39 It should be noted, however, that these figures may not accurately capture the full extent to which goods made in Jalisco reach final customers in the United States and overseas. The purchase of goods from subcontractors and by locally-based buyers often gets recorded as a local order or sale even though these goods are destined for retail markets in the U.S., Europe or South America. Today, apparel exports from Jalisco rank third (in value of goods) after electronics and photographic goods. According to industry experts, this is a better indication that garment firms in Jalisco, while still relying heavily on the domestic and regional market, have managed to extend their reach to international markets. Still, generally speaking
18 percent to Europe, 12 percent to both Canada and Latin America respectively, and the rest went to Asia and Africa.

Subcontracting Today

Today, a large share of the city's manufacturers continue to rely heavily on subcontracting networks and related sourcing arrangements. According to national industrial census data, in 1980, 57 percent of Mexico's apparel workforce worked for firms dedicated to subcontracting and assembling for other nationally-based manufacturers (Hanson 1996:267). A recent survey of apparel making operations in the state of Jalisco shows that subcontracting and local out-sourcing arrangements are widespread today. According to the results of an UNAM administered survey published in 1997, close to 60 percent of Jalisco's apparel makers depend on orders contracted out by other local manufacturing operations (UNAM 1997). As only formally registered firms were surveyed, it is likely that this figure is even higher when we factor in the sourcing arrangements of informal sector establishments in the state.

The results of this survey also reveal some of the possible limits of subcontracting, especially as it relates to improvements in local production and possibilities for skill upgrading. Despite the continued practice of subcontracting and the substantial amount of time local firms spend interacting with each other under this form of contractual exchange, few local assemblers or subcontractors—when surveyed in the

most manufacturers and subcontractors are tapped into locally-based sourcing arrangements and
mid-1990s—considered these relationships to be a direct contributor to their own upgrading or learning process (UNAM 1997:19). Rather, assistance from firms that outsource their production orders has traditionally been limited to the area of short-term credit and financing. Some lead manufacturers provide small, short-term loans to their long-time assemblers and subcontractors. Lead firms also procure and purchase all raw materials thereby lowering the financial outlays of smaller sized subcontractors. Only a small group of subcontractors—most medium sized establishments—have received technical training or advice from out-sourcing firms.\textsuperscript{40} An even smaller percentage of surveyed firms from the state have acquired new equipment and machinery through these local sourcing ties.

These recent survey findings match qualitative descriptions and narrative accounts of existing sourcing arrangements collected since 1999 by the author. The detailed descriptions of inter-firm relations offered by firm owners indicate that the bifurcated system used to organize and coordinate local production in 1960s remains in use today. As we will see in the next section, however, this system is beginning to show signs of weakness, especially for providing lead firms with the necessary support to remain competitive in today’s domestic and international markets.

\textsuperscript{40} From the survey data, it is not immediately clear what kind of technical assistance or training was provided through these traditional exchanges. According to my own discussions with local firms, it seems most assistance has been product specific and not necessarily “functional” or “process” oriented. Product upgrading allows firms to “upgrade by moving into more sophisticated product lines.” Functional upgrading allows firms to “acquire new functions in the chain such as design and marketing”; and process upgrading entails “transforming inputs into outputs more efficiently by reorganizing the production system or introducing superior technology” (Humphrey and Schmidt 2000:3-4)
The recent experiences of one firm, Textil y Confeccion,⁴¹ are described in detail here as they are representative of Guadalajara’s contemporary sourcing arrangements. Until 1998, Textil y Confeccion—a small sized, Guadalajaran-based subcontractor—produced school uniforms and men’s workpants and casual wear for the regional and national market under contract with larger-sized manufacturers from the city. Under verbal contract, the firm’s day-to-day and order-to-order routine stayed much the same since its founding in the early 1970s. The firm’s owner—Carlos—would receive a copy of the item to be produced from a client firm. Within a week he was expected to replicate the sample item in its entirety; send this copy, along with the original, back to the client for approval; work out the particulars regarding delivery and payment for that order; and, depending on the size of the job and the season, complete the order within two to four weeks. In most cases, his client would cut and prepare the fabric and finish assembled items.

As in the case of other subcontractors in the city, the stability of this relationship provided Textil y Confeccion with several important benefits. For one, it provided the firm’s owner with a stable source of short-term working capital—something direct sales to local retailers and buying agents could not always guarantee.⁴² As with many subcontracting arrangements, Textil y Confeccion received partial payment from its clients when an order was first placed. The firm would then receive the remaining

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⁴¹ The names of individual manufacturing operations and firm owners, including private consulting firms and their staff have been changed in order to honor requests for anonymity. In this study, the actual names of government officials, government agencies and university centers are used.

⁴² For a discussion of the importance of buyer-created financing arrangements among small firms in Northeast Brazil, see, Tendler and Amorim 1996.
balance within 2 to 3 days of the orders completion and delivery—in contrast, local retailers and buyers are typically given up to 45 days to reimburse their local suppliers.

Second, it provided the firm with a guaranteed number of orders per year and thus, stable source of annual income. This was in part because sales of school and work uniform, even during recessionary periods, remained relatively stable. Still, generally speaking, “captive” subcontractors like Textil y Confeccion—even those assembling goods for more fashion-oriented manufacturers—have, until recently, worked under a similar arrangement. In exchange for dedicating a constant share of their production lines to a small group of lead manufacturers, captive workshops were protected from during “normal” business cycles through the use of seasonal or temporary assemblers—small workshops that were assigned “extra” jobs during peak seasons and spikes in local demand.

Apart from a few attempts in the 1980s to sell his own brands and designs to low-end consumer markets, Carlos left decisions about textile and input procurement, fabric preparation, quality control, finishing and final sales to his client firms. Joint problem-solving exchanges—whereby Carlos helped to identify or resolve a common mistake or original design flaws—were extremely rare. Instead, his clients took it upon themselves to identify all production-related mistakes, correct for them at their own facilities and when necessary “embed” or translate their insights about a specific problem or design flaw into a new sets of new, production-ready patterns and samples. Only rarely did a client’s decision to change or improve an item or line of products reflect lengthy or on-
going discussions with Carlos or his production supervisors. To quote Textil y Confección’s owner, “era un relación de ‘exclusivamente me maquilas, y nada más.’ No compartían diseño ni cosas de calidad, ni nada.” Translation: “it was a relationship in which my client told me that I would only assemble goods for him. There was no exchange related to product design or quality improvements.”

Contemporary Challenges to Traditional Subcontracting

The first major challenges to this traditional, top-down system for organizing local apparel production began to emerge in the 1980s. As we saw in the introductory chapter, the city’s apparel industry went through a period of economic crisis in the late 1980s, after Mexico’s entry into the General Agreement on Tariffs and Trade (GATT) led to a rapid growth in low-priced imports, most from Asian countries. This competition from imported apparel items came at a time when Guadalajara manufacturers were also facing with rising input and labor costs. By 1993, national trade barriers were back in place to protect Mexican apparel manufacturers from “dumped” Asian-made consumer goods, including garments, shoes and plastic toys—items Mexico had proven to international trade authorities were sold below the cost of production (Latin American Institute 1998; Amsden 2001). The benefit of this new round of protectionism however was somewhat limited, especially for existing manufacturers and those targeting the domestic market.
Firms that managed to weather the crisis periods during the 1980s were forced to deal with a significant drop in domestic demand in the early 1990s, made worse by Mexico’s 1994-1995 “Peso” and “Banking” crises.\footnote{Between 1992 and 1994, domestic consumption of apparel in Mexico dropped by 6 percent. In 1995, it dropped an additional 21 percent (Mendoza et al. 2002:268).} Furthermore, despite new barriers to trade, restricted imports continued to enter local markets in large numbers after 1993—often arriving via well-developed “smuggling” rings and “triangulated” trade routes through the United States and Central America.\footnote{In Table 6, we see that after trade barriers were in place, the share of U.S. imports to Mexico jumped to 96.3 percent in 1997. In 1991, this figure was only 51.2 percent. At that time, Hong Kong was the second largest apparel exporter to Mexico, sending products that were locally assembled, as well as those rerouted through mainland China. China’s official share of exports to Mexico dropped to zero in 1991, in part because of Mexico’s contracting domestic market. Official imports from China and Hong Kong have remained relatively low since then, because of new tariff barriers and trade restrictions (Mendoza et al. 2002).} The total value of apparel items entering Mexico jumped from US$266 million in 1989 to over US$4.5 billion in 1997 (Mendoza et al. 2002; see Table 6 below). Competition from apparel imports was not necessarily price-based, especially for firms targeting middle class consumers and Guadalajara’s youth. Rather, it also reflected shifting consumer preference in Mexico for goods that were “foreign-made” and “foreign-designed.”\footnote{In the late 1990s, many Guadalajaran retailers started to “insist” that local manufacturers incorporate English language logos as a way to make them more competitive with imported items. Today many Guadalajaran-made apparel items actually include the phrase, “Made in the U.S.M” (United States of Mexico) rather than the more standard Hecho en México, to indicate location of production (Mendoza et al 2002; author’s interviews).}

\begin{table}
\begin{center}
\caption{Mexican Imports of Garments and Related Accessories, 1989-97}
\begin{tabular}{lcccccccc}
\hline
Total (in U.S. $1,000s) & 266,755 & 354,625 & 441,255 & 1,016,802 & 1,200,875 & 1,688,981 & 1,774,972 & 2,314,633 & 4,752,753 \\
Share from the United States (%) & 63.3 & 52.3 & 51.2 & 64.9 & 69.2 & 74.4 & 88.5 & 93.4 & 96.3 \\
\hline
\end{tabular}
\end{center}
\end{table}

Source: Adapted from Mendoza et al. 2002.
By the mid-1990s, existing manufacturers and subcontractors faced an additional set of competitive pressures brought on by the arrival of new apparel making families and investors. In some cases, this growth simply reflected a return to the formal sector by informal sector workshops still active in the industry. In other cases, it reflected a return to the industry by apparel making families that had shut down their operations during the 1980s because of severe financial problems and high levels of debt. In many cases, however, this growth reflected new investments by individuals and families hoping to gain access to “captive” sourcing channels established with the United States and Canada under the North American Free Trade Agreement (NAFTA).  

For existing manufacturers in the city the problem was not just the arrival of new entrants or return of existing apparel makers hoping to use Guadalajara as an export base for the United States. Rather, it is the reality that many of the city’s newcomers were not able to achieve their intended export goals and instead, turned to the domestic market and local distribution channels throughout the 1990s to secure their production orders. Although a large number of new and existing operations initially took advantage of Mexico’s peso devaluation in the mid-1990s to “test out” export markets in the United States, the majority not only found exporting to be highly unpredictable, but offered relatively low profit margins compared to domestic sales.

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46 Mexico’s share of exports to the U.S. apparel market in the second half of the 1990s increased significantly and in the process, bypassed China to become one of the largest producers of apparel items destined for the U.S. market. Most of this export growth was by manufacturing operations located in dedicated export-assembly “zones” along the U.S.-Mexican border and apparel-oriented industrial parks and “cities” in northern and central states, like Coahuila and Puebla (Dussel et al. 1996; Bair and Gerrefi 1999).
Low export rates, in part, reflected the kinds of intermediaries active in and sourcing contracts used to organize export production in the city in the mid to late 1990s. Guadalajara was essentially “passed over” by many reputable buying firms and brokers who favored of lesser developed regions of Mexico and northern cities, such as Ciudad Juarez and Tijuana, already designed for export-processing. These locations not only had lower average wages than most heavily industrialized cities in Mexico, but often had more available land and a constant supply of “cheap” labor to organize and directly control. Instead, Guadalajara attracted fly-by-night operators or buyers with limited experience in the apparel making business. In many cases, these individuals took advantage of smaller sized producers in the city—at times “bullying” them to accept unfair payment plans (e.g., giving buyers 90 or so days to pay for merchandise) or using threats of canceling entire orders to force them to offer mid-production discounts. In a few cases, foreign buyers left town altogether with merchandise they never paid for. Given these experiences and widespread local knowledge of them—as well as the fact that many Guadalajaran manufacturers could not easily assess the credibly of foreign buyers and intermediaries—it is not surprising then that many from the industry, newcomers and old-timers alike, believed it was less risky to focus on domestic sales. Their decision was also shaped by the fact that the city had an existing and well established network of reputable wholesalers, distributors and retail establishments on which to build.
As we saw in chapter 1, by 1998 there were over 1,300 apparel making plants registered in Jalisco—an increase of more than 25 percent from three years earlier. Total employment in the industry grew from 11,554 in 1995 to 20,989 in 1998 (See Table 7 below). Most of this job growth was at new and existing apparel making facilities located within Guadalajara’s Metropolitan Zone. New establishments include basic assembly workshops, as well as complex manufacturing facilities started up by new graduates of the state’s elite business colleges and technical schools.

| TABLE 7  Jalisco’s Apparel Manufacturing Industry  | Permanent Employees and Registered Plants |
|---------|---------|---------|---------|---------|---------|---------|---------|
| Permanent Employees | 12,074 | 12,215 | 11,554 | 14,531 | 18,500 | 20,989  | 22,799  | 25,130  |
| Registered Establishments | 1,177 | 1,164 | 1,048 | 1,107 | 1,186 | 1,317  | 1,370  | 1,448  |

Source: SEIJAL, with data from IMSS

Obviously, documenting the individual responses to increased domestic competition by each and every existing manufacturing operation in Guadalajara is beyond the scope of this study. Discussions with industry experts, lead manufacturers and subcontractors active in the industry since the 1970s, do provide us with a general picture however, especially for the case of established manufacturers. First, it is clear from these discussions that most lead firms in Guadalajara were quick to recognize the serious threat posed by these new entrants—especially those capable of supporting a range of manufacturing and marketing related tasks. Second, in most cases, lead manufacturers
have chosen to “stick it out” and try and remain competitive in and identify new domestic niche markets. In only a handful of cases have industry elites actually withdrawn from the industry altogether or established relationships with more stable and reputable export intermediaries. Third, most lead manufacturers are not only taking steps to protect themselves against these pressures, but in the process are also starting to recognize some of the inherent limitations to existing systems for organizing and coordinating production related tasks.

To remain competitive today, lead manufacturers are realizing that they must invest in upgrading and improving their own facilities, including taking on new tasks and responsibilities. As with their traditional subcontractors, in the past lead manufacturers would secure stable contracts with local retailers—many also smaller sized operations (Mendoza et al. 2002)—by offering short-term financing and favorable repayment plans. Today, however, their core clients not only expect them to respond quickly to concerns and complaints about delivery times, product cost and quality, but as they face their own set of competitive pressures from new commercial establishments and multi-nationals (e.g., Wal-Mart, Carrefour and Zara) are starting to require direct assistance in designing and providing a range of customer services and marketing “extras” (e.g., logo designs and

47 In a few cases, industry elites used their existing social and political connections to establish contact with and negotiate favorable contracts with prominent buyers from the United States in the mid-1990s. In these cases, their formal affiliation with Jalisco’s Apparel Manufacturers Association enabled them to enter relatively secure “global commodity chains” coordinated by reputable buyers for Wal-Mart, Miller’s Outpost and Guess. In exchange for agreeing to sever their local ties to subcontractors, input suppliers and retailers and initially depend on their buying agents to make decisions about product design, quality and input sourcing, these firms were given extensive training in export markets and some assistance in upgrading their own production facilities with quality standards in mind. In recent years, however, most of these contracts have been terminated because of the U.S. economic slowdown. A few industry elites chose instead to exit the industry altogether. Included here are a few of the industry’s founding Lebanese families who chose to use their existing social support networks and financial resources to establish themselves in
product identity work, specialized packing materials, promotional items and store giveaways). To better deal with this new set of local demands and as a way to ensure that new investments in marketing and product design are supported by complementary improvements to existing production systems, lead firms are finding they also need greater interaction with and involvement from their core assemblers.

In turn, lead firms are working to replace top-down systems of organizing and coordinating production with “partner-based” arrangements that facilitate and favor more dynamic and multi-directional exchanges of information, knowledge and resources throughout the supply chains (e.g., from retailer to lead firm to subcontractors to input supplier). As we saw earlier, during stable economic times, lead manufacturers sought out and rewarded loyal and dedicated subcontractors. Performance here was assessed by a subcontractor’s ability to maintain stable production quotas, a willingness to follow orders and an acceptance of and respect for established task divisions and market “territories.” In today’s environment, however, deference, dependency and stable routines are quickly giving way to new requirements for self-assuredness, reciprocal exchange and quick response times.

The central challenge for lead manufacturers and their existing subcontractors therefore is knowing how, when and where to begin to shift and restructure their existing relational patterns and routines so that hierarchical and top-heavy forms of coordination give way to more equitable and horizontal production partnerships. Some lead firms are

more stable and lucrative sectors of the economy in the early to mid-1990s, including construction and commercial real estate.
starting the process by telling their existing assemblers that they are unhappy with a final product or style of work. They are soon discovering however that strong statements of this kind do not always guarantee or translate into quality improvements and process upgrades at existing production sites. Rather, what is often needed is additional investments in training, not only to give subcontractors a basic foundation of knowledge on which to build, but also to provide them with the “social skills” needed to confidently and openly discuss their ideas and opinions about a range of subjects and problem areas.

As lead firms begin to recognize the need for additional training outlays however, they are also becoming aware of alternative sourcing options in the state and region. In a few cases, lead manufactures have opted to avoid the issue of external restructuring altogether and have vertically integrated or brought in-house the majority of their production needs. For most Guadalajaran firm owners, however, this option—given the city’s tight real estate market and new financial challenges—remains too costly. Instead, lead manufacturers are starting to extend their networks to include younger entrepreneurs from Guadalajara—many unfamiliar with and unconstrained by earlier production arrangements and organizing systems (i.e., firms requiring little extra training). Recently “out-of-work” maquiladoras or export-assembly plants from the state and neighboring states of Aguascalientes and Guanajuato are also now vying for key positions in domestic-oriented apparel supply chains—as are export assembly plants from apparel ‘districts’ in Central and South America. Many of these export-oriented firm have been forced to cut back their production in response to the current U.S. recession and shift by regional export buyers to Asian production sites. Impressed by the quality and speed of
production at these plants and with the hope of benefiting from their extensive training in and exposure to quality and cost-conscious U.S. retail markets, a growing number of lead manufacturers from Guadalajara—particularly those designing seasonal fashions for young professionals—are also starting to incorporate these former exporters into their primary sourcing networks.

Under a simple economic framework, the threat of substitution or displacement by newcomer and “outside” firms would be considered a source of “healthy competition” as it would provide an added incentive for existing subcontractors in Guadalajara to “wake up” and address their clients’ needs for quality improvements and upgrades. Such optimism in market fundamentals and signaling, however, ignores a set of conflicting scenarios and challenges that existing subcontractors in Guadalajara must first deal with. To move to more equitable, partner-based arrangements essentially requires striking the perfect balance of individual initiative and collective interdependency. Existing subcontractors need to know when and how to invest in and take responsibility for their own process and product flaws and improvements. At the same time, they need to be prepared to engage with and ask for constructive advice and guidance from their partner firms. Still, when turning to their former “bosses” for help, they also need to set clear limits so that their own insights and instincts about a problem-area are given full consideration and respect.

Combined, these considerations not only complicate and distort the most basic of economic stimuli, but also make it harder for existing subcontractors to know how and where to begin the process of relational reform and restructuring. It is not surprising then
that many today find themselves at a impasse. Although existing subcontractors appear to also want more dynamic and open learning exchanges with their existing client firms, at a basic level, they also seem to lack the confidence, experience and skills needed to first convince others they are serious about and interested in working towards this collective goal.
CHAPTER 3

Learning to Share Knowledge, Resources and Responsibilities

The challenges faced by subcontractors and lead manufacturers in Guadalajara’s apparel making industry have not gone unnoticed by key institutional actors from the city. In the mid-1990s, state planners from Jalisco’s Secretariat of Economic Development began a series of discussions with key officials from Jalisco’s Apparel Manufacturers Association with these specific constraints in mind. From the start, both organizations were committed to providing upgrading assistance to local manufacturers, especially those with limited skills and resources. Still they were aware of their own institutional disadvantages in approaching and working face-to-face with the city’s small and medium sized manufacturers. In 1998, these two organizations therefore turned to ITESO—a Guadalajaran-based university with considerable experience working with and organizing traditionally marginalized economic groups in the state—for help in developing and administering small firm upgrading assistance. The visible result of this institutional exchange is a six month training program, called Agrupamiento Empresarial (AGREM), which uses a combination of classroom education, peer review and project supervision to create dynamic learning alliances between groups of skilled and less skilled apparel manufacturers in the region.

This chapter introduces the reader to the AGREM training process. Specifically, it looks at how the program is organized and administered; how potential trainees are first identified and recruited; what participating firms learn throughout the various phases of
training; and finally, what they do with their new skills and training knowledge. In the last chapter, we looked at the central challenges that brandname and barebones apparel makers now face in Guadalajara. This chapter builds on this discussion to also consider the challenges that front-line trainers face as they work with these firms and in the process try and convince them to reevaluate and shift their existing relational patterns and routines. It concludes by presenting the initial results of this training program, especially the development of mentoring alliances and formal business cooperatives.

The PAE Template

Before moving on to discuss the specific strategies used by front-line trainers to ensure that local apparel makers—both barebones and brandname—see value in and stay committed to the process of joint upgrading, it is helpful to first look at the origins of the AGREM training program. As mentioned in chapter 1, the AGREM builds on earlier efforts to organize and unite Guadalajaran shoe manufacturers. In the mid-1990s, officials from Jalisco’s Shoe Manufacturers Association began a systematic review of alternative models of support for helping member firms adapt to new economic conditions and circumstances—especially the dramatic rise in low-priced imports and the collapse of Mexico’s banking sector.48 At the same time, they wanted to provide a forum

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48 Some effort was made to start this review in the early 1990s. Resources were limited during this period however, as the Association’s staff and leadership spent a majority of their time collecting and reviewing evidence to prove “dumping” charges against Asian shoe manufacturers and importers. As part of this effort, Association members helped to gather detailed information on the imports and local sales, stood watch at and observed customs officials at key ports of entry to the state and gathered comparative statistics on production and sourcing costs in Asia. With their eventual success in lobbying for greater protection and the subsequent resurrection of nation-wide, trade barriers in 1995 (temporarily approved in 1993 and with additional evidence, extended for an additional 10 years in 1995), Association staff and governing board
for identifying a new set of activities and tasks (beyond contract enforcement) around which to build industry-wide support mechanisms and collective "safety nets."\textsuperscript{49}

With these concerns in mind, the Association decided to build on and modify an earlier "joint-consulting" training program created by Mexico’s National Development Bank (NAFIN) in the late 1970s. \textit{Programa de Agrupamiento Industriales} as the original training program was called, was chosen as an organizational template in the mid-1990s for a number of reasons. First, more than 200 shoe manufacturers from Guadalajara had participated in this well-publicized, national development program between 1982 and 1989 (Orta 1999:27). As a result, a significant share of local shoe manufacturers were already familiar with and aware of the program’s central mission and methodology. Although NAFIN terminated this training program in 1989, many former trainees were still in contact with and continued to receive upgrading assistance from the program’s former trainers and networked business consultants. Second, the majority of the region’s former participants considered this earlier initiative a great success, not only for enabling them to deepen their existing production and marketing alliance but also for providing them with the tools and structure need to develop and support industry-wide collective actions. During the \textit{Agrupamiento Industriales}, trainees had worked together to create a regional credit union for smaller sized firms; had established buying "clubs" for purchasing materials in bulk and lowering repair and insurance costs through negotiated

\textsuperscript{49} As we saw in chapter 1, shoe makers were already accustomed to looking within the local 'cluster' when designing and developing coping strategies. By providing additional institutional support in the 1990s, the goal of the Shoe Association was to reinforce this "collective" response and at the same time, ensure that upgrading opportunities remained available to all members, regardless of their size, industry experience and market orientation (high vs. low-end).
group discounts; and had experimented with different mechanisms for stabilizing production orders and regional demand. Finally, former employees of NAFIN—including the regional director of the original program and some of his NAFIN “team”—were available in the mid-1990s to work with Association staff in order to “modernize” and expand this older, yet well-regarded, joint upgrading initiative.

In 1996 and 1997, Shoe Association staff and former NAFIN employees worked together to update and revise the original Agrupamiento Industriales methodology. During this period, they scheduled public meetings to discuss and promote this initiative to a new generation of shoe manufacturers. They also set up meetings with key development and funding agencies managed by the state and national government. The result was Programa de Agrupamiento Empresarial (PAE). The main goal of this six month training program is to teach participating firm owners to work collaboratively in order to identify and jointly solve shared constraints and bottlenecks. The first PAE training session was started in early 1998 with 22 micro, small and medium sized shoe manufacturers from the state. PAE is directly administered by MIDAP, a small private consulting firm in Guadalajara that was created in the mid-1990s by former NAFIN employees. As of last year, three additional PAE sessions have been completed under MIDAP’s direction, involving some 70 or so micro, small and medium sized shoe making operations (See Appendix 1).

Each PAE session is divided into three, interconnected phases. The apparel industry’s version of this program, as we will see below, uses a very similar structure.
The first training phase, referred to as the "diplomado" or certificate course, lasts approximately three months. During this phase, participating firms attend a series of lectures and seminars developed by local business consultants and technical experts on a series of subjects ranging from administration and accounting to marketing and product design. The diplomado or classroom training phase usually involves 10-15 outside specialists. In addition to providing trainees with a base knowledge and shared language, program coordinators from MIPAD have used this initial period of the program to learn more about each participant and gauge their prior exposure to and awareness of specific processes and techniques. The diplomado phase also provides participating firms with a "safe" or neutral environment for working through initial intra-group tensions and lowering the chances of later flare-ups or intra-group rivalries. As we will see below and in chapter 5, this is especially important in the case of apparel where intra-industry/intra-regional tensions are more pronounced.

Phases two and three of the PAE program are designed to be more interactive and involve “on-site” or plant-level analysis and support. During the second phase (two to three months, with some overlap with the diplomado), the group visits and spends three to four hours per week touring the factories and workshops of participating firms. Using analytical tools and frameworks developed during the diplomado phase, participants are encouraged to evaluate and critique the production, marketing and organizational practices of their training “colleagues,” as well as make concrete and constructive suggestions on how to improve specific techniques and processes. The reciprocal visits or visitas phase of the PAE is somewhat akin to an “art critique” and is used to both
challenge and give support to each participating “creator” or firm owner. Each firm owner is encouraged to speak up and present his or her ideas in front of the group. During this phase, trainees also visit larger sized, “model” factories in the state. By observing first hand the daily routines at other local facilities, participating firms—especially less experienced and barebones assemblers—not only gain exposure to alternative systems of production, but more importantly begin to realize that the daily problems and challenges they face are not that different from those of their larger-sized and more sophisticated “classmates.” University interns are often brought in to assist with the visitas phase and during factory visits gather information they need to generate formal evaluations and comparisons of each trainee firm.

During the final phase of the training program, shared bottlenecks and overlapping constraints are discussed in detail and become the basis for supervised projects—short assignments (e.g., collectively displaying goods at a trade show; planning a group trade mission) that allow trainees and trainers to identify and work through additional problem areas before moving on to establish formal business alliances and working partnerships.

The AGREM and “Severe (Program) Starting Problems”

In 1998, officials from Jalisco’s Apparel Manufacturers Association took steps to replicate the PAE training initiative. The Secretariat of Economic Development played a

50 In the first shoe PAE, firms also visited factories outside of the region.
key role in this decision—the agency had provided financial support to the first PAE training session with the goal of using it as a possible template for other local industries, including apparel.\(^{51}\) They not only offered similar financial assistance to the Apparel Association, but, as we will see below and in chapters 4 and 5, in recruiting and working closely with key advisors and community-service workers from ITESO University, helped the Association identify and work through industry-specific program challenges. Industry leaders also played a key role in securing institutional support for joint upgrading. They had learned about the shoe industry’s positive experiences with the Agrupamiento Industriales program during coordinated meetings in the early 1990s in which representatives from both industries joined forces to fight for greater protection against “dumped” and smuggled imports from Asia and the United States. In the mid-1990s, they had also participated in a year long study sponsored by Jalisco’s Federation of Industry Associations (CCIJ) in which potential business support services and training models, including the Agrupamiento Industriales and PAE initiatives, were discussed and reviewed (see Chapter 4 for more details on this). Lead manufacturers shared their insights about these initiatives at Apparel Association meetings and events.

Despite their extensive knowledge of the PAE training program, officials from the Secretariat and Apparel Association—as they worked to diffuse this model of joint

\(^{51}\) The Shoe Association initially contacted Jalisco’s Secretariat of Economic Development for financial support. The agency’s director—himself a local business owner and former president of CAREINTRA, a multi-sectoral, regional association representing small businesses in the state—took an immediate interest in this initiative and considered it a useful means for improving relations with the state’s sizable small firm constituency. The Secretariat therefore offered to help finance one-third of the program’s start up costs, conditional on state planners having open access training sessions, internal program documents and firm profiles and evaluations (more on this in chapter 4). The Secretariat also helped the Shoe Association secure federal funds to cover an additional third of the training costs. The remaining costs were covered through trainee fees.
upgrading from shoes to apparel—still faced what Semlinger (1995) calls a "severe starting problem." One limiting factor was a lack of "collective memory" of or formal connection by Guadalajaran apparel firms to the original 1980's Agrupamiento Industriales—meaning there was no earlier training example/success or industry-specific experience on which to build and reflect. At the same time, there was the added challenge of convincing cash-strapped apparel manufacturers to partially finance this training—in the 1990s, many federal funding agencies in Mexico required the collection of "matching" user-fees. In shoe making, this new funding requirement did not pose serious problems as firms were aware of the long-term benefits to training (See Table 8, below, for a cost breakdown for each industry). For apparel makers (especially smaller sized and barebones), however, it created additional doubts about the usefulness of training. Finally, in addition to these challenges, Jalisco’s Apparel Association was suffering from an earlier administrative crisis which essentially meant that its formal affiliation with this and related training initiatives was subject to industry criticism.

<table>
<thead>
<tr>
<th></th>
<th>Shoe Industry</th>
<th>Apparel Industry³</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEPROE-State Gov.</td>
<td>21,000</td>
<td>3,500</td>
</tr>
<tr>
<td>CIMO-Fed. Gov.</td>
<td>15,700</td>
<td>3,500</td>
</tr>
<tr>
<td>Participating Firms</td>
<td>26,300</td>
<td>3,500</td>
</tr>
<tr>
<td>Total Program Costs</td>
<td>63,000</td>
<td>10,500</td>
</tr>
</tbody>
</table>
| Total Program Costs, Per Firm | 2,520 | 875²³

Table 8: PAE and AGREM Program Costs in U.S. Dollars

Based on cost estimates provided by the Camara de la Industria del Calzado del Estado de Jalisco and Camara Nacional de la Industria del Vestido Delegacion Jalisco.

¹ Costs for 25 participants. Includes cost of group trip to observe production processes at shoe making factories outside of the region.
² Based on costs for the first garment AGREM, with 12 participants. The Secretariat worked with ITESO to lower total program costs, in part by helping them identify and recruit consultants and business specialists from the region, rather than Mexico City, thereby lowering travel expenses. ITESO was also able to cover some of the program costs through its existing overhead and administrative budget.
Given these factors, the Secretariat and Apparel Association had to be more
creative and cautious when it came to program promotion, especially compared to those
working with local shoe makers. In shoes, public or open meetings were sufficient for
identifying and recruiting a diverse group of local manufacturers. In apparel however,
turn out at similar promotional meetings remained extremely low (less than 10 apparel
firms attended these open session, as opposed to dozens of shoe makers). At first, the
state and Association responded by allocating more resources to advertising such
meetings, including buying air time on local radio stations and reserving larger sections
in industry circulars and regional newspapers. Low attendance at follow-up sessions,
including “no-shows” by earlier attendees claiming to be ready to “sign up” for the
program, forced program promoters to consider alternative promotional strategies.

In contrast to the PAE program, this start-up challenge could not be easily fixed
by program promoters simply by “packing” initial training sessions with governing board
members.\textsuperscript{52} In the mid-1980s, there was evidence of corrupt business dealings by a small
group of elite members active on the Apparel Association’s governing board. A related
financial scandal involving member dues essentially bankrupted the organization by the
late 1980s and forced officials from Mexico’s National Apparel Manufacturers
Association to take formal and punitive action against their Guadalajaran-based

\textsuperscript{52} In the shoe industry, Association presidents have strongly encouraged the involvement of board members
that are eligible for training. Board members are then expected to draw on their personal experiences as
trainees to promote new rounds of training to other members of the association and also, lobby government
agencies for matching funds and institutional support.
delegation. In the early 1990s, significant changes were made to the Association’s governance structure and new leaders were elected. Still, as a result of earlier mismanagement, the Association faced on-going institutional challenges throughout the 1990s. By supporting the diffusion of the PAE program, industry leaders had hoped to demonstrate their improved leadership skills and more importantly, their commitment to assisting a broader spectrum of member firms, including smaller sized and resource-challenged manufacturers. However, as part of their on-going effort to try and improve the reputation of the organization and their desire to demonstrate that Association-sponsored activities were not designed to profit only the organization’s elite, most governing board members opted initially to play a less direct and less public role in program promotion and implementation.

Similarly, initial and direct involvement by state planners from the Secretariat of Economic Development created a related set of “start-up” challenges. While some firms were initially receptive to state planning agents and expressed their support for the Secretariat’s decision to increase financing for small business development programs, others reacted defensively and were initially suspicious of the “true motives” of newly elected/appointed officials and their support staff. Given the historic lack of direct public support for small manufacturers in the state, these initial reactions were somewhat

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53 Jalisco’s Apparel Manufacturers Association—in contrast to the state’s Shoe Association—is not an independent organization but rather a regional delegation of a larger national network of business organizations. Jalisco’s delegation, like its sister delegations in other regions of Mexico, has few independent channels for generating income. Instead it relies on the National Association to allocate and audit its funds. Since the 1980s and in response to earlier mismanagement, the National Association has placed addition limits on how much direct control the local delegation has in fund raising and budget allocation.
justified. As we will see in chapter 4, between 1940 and the mid-1990s, a greater share (at times as much as 90 percent) of the state’s economic development budget was reserved for subsidizing larger-scale, export-oriented establishments and especially investments in capital-intensive (rather than labor-intensive) industries (Arias 1983; Rabellotti 1995 & 1999; Spener and Pozas 1996).

Two strategies, when combined, did help the Secretariat and Association eventually secure enough local interest in the program to schedule a formal contract signing event for the first apparel Agrupamiento Empresarial (AGREM). First, program promoters found it useful to replace open or public promotional sessions with less formal, individual meetings. They started this process by contacting apparel makers by phone and then arranging a series of short introductory sessions held at a location of their choice. In most cases, firm owners preferred to meet at their own factories or workshops. Firms were selected—somewhat at random—using past and present membership lists compiled by staff at the state’s Apparel Manufacturers Association. Once a list of potential candidates was drawn up, program promoters met with staff members again to develop a general profile of each firm owner and when possible, discuss the existing social dynamics of groups of selected firms.

Second, representatives from ITESO University—not those from the state’s Apparel Manufacturers Association or Secretariat—usually made first contact with apparel makers and coordinated individual meetings. ITESO’s quality reputation in the

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54 As we will see in chapter 5, governing board members have still contributed to the program as advisors and industry “insiders” and in some cases, have participated as “model firms” during the reciprocal visits
community and limited association with any one political party or socio-economic
“group” proved to be very useful when making direct contact with firm owners,
especially those more skeptical and critical of the Association and/or State. ITESO’s
Jesuit tradition and long-time association with well-coordinated, grassroots development
and outreach projects also helped to put many small business owners at ease.

For these same reasons, community service workers from ITESO have continued
to act as the primary promoters and coordinators of training and have therefore had more
direct contact with trainee firms than representatives from the other two agencies.
Officials from the Apparel Manufacturers Association and state planners do play a crucial
role in program implementation and development by carefully monitoring and guiding
the actions of those in front-line positions. They also informally mediate exchanges
between community service workers from ITESO and trainee firms. While the remaining
sections of this chapter focus on front-line actors and actions, chapters 4 and 5 will
reintroduce the Secretariat and Apparel Association to the story and in the process,
feature the innovative processes through which these organizations have ensured quality
training performance and results.

A Two Sided Sales Pitch

As a way to make the program equally attractive to firms with different needs and
skills sets, program promoters from ITESO have found it useful to initially feature

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phase.
different aspects of the AGREM. In the case of brandname and highly skilled firms, for example, promoters have secured an initial commitment to training by first emphasizing the AGREM's diplomado or classroom training component. For many firms in this group, the AGREM is initially valued for its well-designed certificate program and related support materials, including printed manuals, workbooks, management reviews and detailed business case studies. The initial draw for this group is not the potential development of mentoring and reciprocal alliances with less experienced firms from the region. In fact, for many skilled firms, close interaction with less skilled trainees is considered a small, conditional “fee” for receiving high quality training from and access to a group of highly-regarded, local business consultants, financial experts and export advisors. For skilled firms already accustomed to hiring upgrading specialists and consultants, the diplomado essentially allows them to review (during a short period of time) a wide range of production and marketing systems and techniques and as a result, gives them greater options when developing individual upgrading strategies. At the same time, this set-up allows them to network with and systematically compare the services of multiple local consultants and specialists, as well as approach those they may later wish to hire for “on-site” assistance.

In contrast, barebones manufacturers and assemblers have initially shown greater interest in formally partnering with and directly learning from more sophisticated manufacturers and industry elites. Program promoters have therefore emphasized this aspect of the AGREM program during initial conversations with this sub-set of local manufacturers—many with limited initial exposure to or interest in formal classroom
training or business consulting services. At subsequent meetings, potential trainees from this group are slowly introduced to the classroom training component. As they do so, promoters often stress the contribution of this training phase to the formation of quality partnerships, as well as the importance of formal education in ensuring equal upgrading opportunities for all trainees, regardless of their starting knowledge base.\textsuperscript{55}

Of course, in initially tailoring their program “sales pitch” to different groups, promoters risk encouraging later sub-group divisions. To reduce this risk, promoters have invited potential trainees to participate in group building activities before they officially commit to the training program. In two apparel AGREM sessions, ITESO, after meeting with firms individually for several months, organized a weekend “retreat” at the University’s main campus. Participating firms were strongly encouraged to bring along friends and family members also active in the local apparel industry. These events were used to establish a working dialog between firm owners and introduce firms to the joint consultation process and program “methodology.” Scheduled activities therefore included mini-seminars, group discussions and question-and-answer periods about the AGREM— in later AGREM training sessions, seminars and discussions were often led by former AGREM participants. Evaluations and individual “testimonials” from earlier PAE sessions were also presented, as were samples of training manuals and other support materials. Speeches were made by key officials from the University, the state’s Apparel Association and the Secretariat and were used to illustrate the historic significance of the

\textsuperscript{55} Securing support from large-sized, brandname firms from the region—specifically those chosen as “model firms”—proved much easier for program promoters. This is in part because of their existing political and social ties to the Apparel Association’s governing board and a strong sense of loyalty to the industry.
program and its contribution to regional development and competitiveness. During the second day of these retreats, faculty and staff from ITESO also guided team and trust building activities and games. An official contract signing event was then scheduled for the following week and was attended by key political figures from the state.\textsuperscript{56}

\textit{Transitioning to Group-Based Training}

After these contract signing events, training coordinators have had to deal with two additional challenges. First, how to maintain group interest despite significant differences in the market orientation of participating firms—a constraint caused in part by initial “start-up” challenges and the inability of promoters to easily select for specific types of manufacturers (in terms of starting product line and market orientation). Second, how to build on informal, intra-group exchanges and social ties to create more inclusive, formal business alliances and registered cooperatives—something the Secretariat and Association were especially interested in seeing developed. This is not to say that the apparel AGREM—because of the existence of these challenges and initial differences from the shoe case—has been a failure. In fact, quite the contrary, as will be illustrated at the end of this chapter. Rather, through their recognition of and quick response to these additional challenges we not only see the “entrepreneurial” talent of those entrusted with front-line training provision, but, as we will see in chapters 4 and 5, the influence of larger planning structures and institutional support networks that help ensure quality performance by those working in the program’s trenches.

\textsuperscript{56} Similar “start-up” strategies—including formal and ceremonial contract signing events—were effective in helping development practitioners secure a commitment to cooperation by smaller sized marble
To cope with both of these challenges—which have surfaced in the first three apparel AGREMs—classroom training sessions have again proven to be instrumental. As mentioned earlier, during the diplomado phase, firms have been able to observe others in action, identify personality traits and more importantly, develop social ties that have been useful when formalizing mentoring and reciprocal alliances. Firm owners are encouraged to speak up in front of the group and with guidance from program coordinators, work through intra-group conflicts. Firm owners are also encouraged to use this period to collectively access the qualifications of local consultants, business specialists and university interns as a way to develop a list of specialists to draw on for future, more customized on-site analysis and assistance. As a group, trainees also learn to collectively develop rules of engagement, including determining what constitutes “design/idea stealing,” “client poaching” and non-constructive intra-group critique. In all of these examples, the classroom is considered a neutral, safe zone or social laboratory for working through pressing issues and lowering the chances of later flare-ups or misunderstandings.

Interestingly, the developmental contribution of “off-site” activities and classroom sessions has not been sufficiently recognized by evaluators of small firm training programs. In fact, program analysts and evaluators often recommend bypassing or phasing out classroom training altogether—many consider “off-site” events and activities too removed from the site of production to alter or effect individual firm behavior (Harper 1984; Boomgard et al. 1992). This policy recommendation does take processing workshops in Andalucia Spain. See, Barzelay 1991.
into account the “tacit” or experiential side of firm learning. Still, as policy advice, it ignores the contribution of “off-site” training to trust- and consensus-building—key ingredients for a training program designed to develop more inclusive and collective forms of upgrading.

In addition to the strategic use of classroom time, coordinators have developed three other inter-connected strategies for uniting firms with different starting skill sets. Two strategies are not phase specific, but are used throughout the diplomado, visitas and small project planning phase of training to help develop and deepen group identity and build inter-group trust. The first involves identifying one or two shared constraints or region-specific bottlenecks that all firm owners faced, regardless of size, market orientation, skill level or years of formal schooling or hands-on training. By focusing on place-specific constraints, coordinators are not only able to get trainees to see value in local forms of collective action, but are able to push more skilled trainees to see knowledge and resource sharing with their less skilled counterparts as a source of competitive advantage and means of differentiating themselves from less cooperative manufacturers.

In the case of the first garment AGREM, for example, coordinators concentrated on the tight local labor market created by Guadalajara’s rapid expansion of multinational electronics assembly plants between 1998 and 2000 (See Table 9 on next page). For most brandname trainees, competition from resource-rich electronics multinationals for skilled and semi-skilled workers negatively affected their own relationships with existing clients,
especially those wishing to increase their orders in response to rising consumer demand in the region. This shared challenge was used as a core discussion and “rallying” point around which classroom training sessions and reciprocal visits were organized. It also became a logical starting place group projects, particularly ones that helped both larger and smaller sized establishments develop employee-sharing arrangements and at the same time, improve employee-employer relations.

**TABLE 9 Electronics Industry, Total Employment, Jalisco**

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
<th>% Change</th>
<th>Share of State Manufacturing Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>12,360</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>17,250</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>29,000</td>
<td>68</td>
<td>3.55</td>
</tr>
<tr>
<td>1997</td>
<td>50,000</td>
<td>72</td>
<td>5.29</td>
</tr>
<tr>
<td>1998</td>
<td>60,000</td>
<td>20</td>
<td>6.03</td>
</tr>
<tr>
<td>1999</td>
<td>80,000</td>
<td>33</td>
<td>7.89</td>
</tr>
</tbody>
</table>

Source: SEPROE.

A second strategy used by program coordinators to formalize inter-firm alliances involves developing experimental group projects with short-time horizons. In the case of the third garment AGREM, for example, trainees collectively displayed their wares at a Secretariat-sponsored trade show, *Hecho en Jalisco*. For two months, AGREM participants worked in small teams to determine whether or not the project was viable, and if so, to determine as a group, how much money to individually contribute to the project; how best to market and display their products under a single brandname and “image”; how to make best use of a small display area; how to transport and insure
displayed goods; and how to respond to initial interest on the part of potential clients and
once an order was placed, how to equitably divide up production and logistics-related
tasks among all members of the group. Graphic designers from CEJALDI—Jalisco’s
design center established by the Secretariat in 1998—also provided the group with
specialized services, including assistance with the development of logos and brands.

The third strategy used to deepen inter-firm relationships is less tangible in form
and involves institutionalized story telling and narrative development. During interviews
with trainees, especially from the second and third AGREM, I often heard the same
stories repeated over and over again. These stories were used to demonstrate the benefits
of joint upgrading and collective action. One story involved a large-scale, brandname
manufacturers. By working closely with his smaller-sized, and initially less skilled
counterparts from the AGREM, this firm owner was able to quickly rebound from the
closure of his main manufacturing facilitating (due to financial strain and unresolved
differences with his business partners) and quickly transition to lower-volume, design-
sensitive niche markets. A second story, involves a smaller-sized manufacturer and
assembler that initially marketed her wares to low-end, informal retail markets in
Guadalajara. In this case, the firm owner was able to observe “modern” production
techniques and practices used by larger-sized “model factories” and sophisticated mentor
firms. With this knowledge, she was able to restructure her shop floor (switching from
line production to team or “cell” assembling) and, as a result, more than tripled her
hourly production rate. Eventually, she was able to phase in production “cells” dedicated
to serving higher-end consumer markets and quality-conscious retailers. This
restructuring and upgrading itself was conditional on her work with business consultants and upgrading specialists from the state—individuals whom she gained access to through her exchange with larger-sized, resource-rich training colleagues and AGREM coordinators.

These popular narratives—one reinforcing the reciprocal gains of mentoring for skilled firms, the other, emphasizing the learning opportunities available to less experienced, less skilled manufacturers—remain a powerful instrument for strengthening group identity and cohesion. They not only provide participating firms with added security that their “investment” in training will produce individual and collective returns, but they provide a useful benchmark with which to relate, compare and direct their own collective experiences and exchange. Program administrators have helped to develop and give support to such narratives. They often refer to them during moments of group crisis or conflict. They also use them, in conjunction with written testimonials, to promote the AGREM program to the next generation of potential trainees.  

"Free Riding" and Intermittent Struggles for Group Control

Despite the relative success of these strategies in helping individual and groups of trainees see value in deepening their local relationships, program administrators admit

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57 This strategy is somewhat reminiscent of what Sabel calls—in his review of efforts to revitalize the machine-tool industry in Pennsylvania—a reinterpretation of an industry’s “collective past” (Sabel 1992:218). In the Pennsylvania case, groups of firms often suppressed examples of past conflict and instead worked to develop a new identity based on strong-trust and collaboration. In Jalisco, instead, the past is often portrayed as conflict ridden—at times, to the point of exaggeration—and is used to help reinforce the positive results and transformative quality of the AGREM.
they have to deal with the classic problem of “free-riding.” Free-riding here involves cases where firms are in violation of basic group rules and norms. At the extreme, are cases where trainees have actively “stolen” design ideas and “poached” clients from other AGREEM participants. More typical examples, include “passive” acts where a trainee will fail to show up for a scheduled training sessions and reciprocal visit, fail to sign up for group work or complete assigned/shared tasks or act out in ways that ultimately threatens the cohesion and harmony of the group. An additional challenge relates to episodic struggles for group control by individual firms.

For program administrators, instances of free-riding and intermittent struggles for group control among participants are initially viewed as expressions or acts of individual frustration, rather than signs of deeper character or personality flaw. Only in rare cases (such as blatant design or client stealing) are “badly behaved” firm owners asked to leave the training program. In most cases, problems of free-riding and intra-group control are resolved through a further deepening of the group process. To identify the proximate cause of this frustration, program administrators use a variety of techniques.

The first, involves scheduling “private” conversations with firms that are not “pulling their weight.” These conversations take place during training breaks, and before and after group meetings. Coordinators try to find out if non-performing firms are actually unhappy with the group process, or instead are struggling with individual concerns or constraints (e.g., financial problems, labor-management disputes, a family emergency) that make it harder for them to fully engage with or commit time/resources to
the group. In cases of work overload, program administrators often try to get firms to ask for and utilize group support. In some cases, “rallying” to support a struggling colleague becomes part of the small project phase of the training program. In cases of repeat no-shows, program administrators schedule a factory visit to access the problem and brainstorm about possible solutions. AGREM trainees and “classmates” are also encouraged to contact the firm and offer additional support.

Program coordinators also set aside time for formal group evaluations and process reviews. Formal evaluation sessions—scheduled every 3 or 4 weeks—often start with a detailed questionnaire that is designed by students and researchers from ITESO. With the help of program coordinators, students record each firm’s response. Questions are usually based on a scale-system where firms are asked to rank their reactions to a given statement on a scale of 1 (in agreement) to 5 (not in agreement). Students and program administrators then analyze the data quantitatively and present the results to the group. Through the questionnaire, program administrators and evaluators try and capture the level of comfort and satisfaction with the training process; relevance of training and specialized consulting services; satisfaction with the group process; degree of or change in intra-group trust; level and intensity of interactions between firms, both during and after weekly training sessions. Under the direction of program administrators, questionnaire results are discussed and analyzed at length by the group. While program administrators know the identity of individual respondents and keep records which they compare over time to track changes in attitude and level of satisfaction, they keep this information confidential when presenting their analysis to the group.
As we will see in chapter 5, tensions arising between group members and training coordinators and consultants are also identified through an on-going, inter-organizational dialog. Over the years, program coordinators have learned to see association staff and governing board members as a valuable source of information when trying to gauge the level of participant (dis)satisfaction. In the case of both apparel and shoes, select AGREM training sessions and project organizing events have taken place at the industry associations’ main offices in Guadalajara. Firm owners often arrive early or stay late during these training sessions, as this allows them to complete association-related business (i.e., pay fees, look up the latest market data, browse industry bulletin boards, discuss lobbying tactics and voice concerns about emerging industry trends etc.). During their interaction with association staff and representatives, AGREM firms often share their opinions about and frustrations with the AGREM process, describing in detail the parts they like or do not. This information is then passed along to program administrators and coordinators during formal and informal meetings between association representatives and state planners. Association staff and representatives in turn encourage this dynamic exchange with AGREM participants, as it also allows them to develop a better rapport with member firms, identify future governing board candidates and approach and “court” non-member firms participating in the training sessions.
AGREM-Inspired Alliances and Networks

During my interviews with and observations of garment manufacturers in Guadalajara, I have identified three types of alliances and support networks developed through the AGREM training program. The first type involves cases of mentoring where skilled and brandname firms partner with and teach others how to *test-out, develop and master higher-order skills in core aspects or areas of production and design*. Typically this is done by first establishing more formal production sharing arrangements, in which less skilled manufacturers initially assemble products for a small group of brandname firms. Under the guidance of these brandname mentors, barebones assemblers are first encouraged to make suggestions about and implement basic changes to initial prototypes/patterns—for example, deciding which stitch to use or cut to make for a given item or section. Eventually trainee firms are given greater responsibilities in design aesthetics, including learning how to test out, experiment with and combine texture, style and accessories. In one case, a group of trainees were linked together through a computer network system and were able to exchange and critique design ideas via the internet with the help of computer aided design software and specialized equipment. In order to develop a greater awareness of seasonal fashion trends and local style preferences, some groups have also attended international apparel trade shows in Mexico and the United States and have scheduled group trips to regional markets and high-end department stores and retail establishments.
In some cases mentor firms have brokered “full” or “complete package” deals for their less experienced counterparts. Under these specialized sourcing arrangements, contract manufacturers work closely with a client to translate an abstract design “vision” or “concept” into a complete product range. Complete package manufacturers are not only responsible for the design, production and finishing of an item of clothing, but work with graphic artists and designers to produce boutique-ready labels, packaging materials (e.g., tissue paper and retail bags with logos) and other “image” related and promotional items (e.g., posters, postcards and brochures). In brokering deals, experienced mentor firms often provide free warehouse and storage space, along with assistance in quality control, shipment packing and labeling, customs (for international orders) and transportation.

As a result of these mentoring exchanges, former barebones manufacturers now find themselves in a better position to offer design-related advice and services to potential and new clients. The experiences of Textil y Confeccion (introduced in chapter 2) help to better illustrate some of the benefits of this form of small firm upgrading. In the late 1990s, Carlos formed a mentoring network with a small group of local brandname manufacturers that he met through the AGREM. As a result of his on-going exchanges with these skilled firms—which began as basic production sharing arrangements and evolved into more intensive, design-oriented, full package partnerships—he has been able to expand his manufacturing operations and recently opened an additional factory which he has dedicated to the design, labeling, local marketing and packaging of his own line of fashion clothing. High demand for his new skills, client services and brandname products
has, in turn, increased his own demand for permanent workers, including those trained in product and graphic design, quality control and systems management.

More experienced and larger-sized firms have also managed to prefect their design, production and logistics management skills through AGREM-facilitated mentoring alliances. In one case, an reputable jeans manufacturer from the region received help from his AGREM colleagues when transitioning to design-oriented niche markets. During the 1990s, this manufacturer—Ricardo Pimentel—worked with two other investors from the region to open a large-volume manufacturing operation (Nuevo) dedicated to the production of vaquero or “cowboy” style jeans for men and women. Ricardo’s success in this once-stable market made him a perfect candidate for initially training less experienced, smaller sized assemblers in product finishing, quality control, logistics and production coordination and plant administration.

In the early months of 2000, however, this market segment became less secure, due in part to a dramatic change in jean fashion that favored the production of small batches of more uniquely accessorized, stretch denim pants and jackets for women. Financial troubles and differing opinions on how best to respond to these market changes resulted in the eventual closure of Nuevo’s main manufacturing and finishing plant. In order to quickly adapt to this new challenge, Ricardo turned to his training colleagues for advice and assistance. He first delegated out production and finishing tasks to a group of training partners, working closely with them to develop a range of affordable designs and styles for local retailers targeting young women. These firms produced small batches of
uniquely styled stretch jeans, differentiated slightly by their use of uniquely “laundered”
denim, length and cut of leg and torso area and placement and use of accessories, like
sequins, decals, patches and fringe. In most cases, these manufacturing firms had already
developed core design skills by working closely with other brandname manufacturers
also active in the AGREM. Ricardo concentrated on marketing and branding, at times
developing exclusive “sub-brands” as a way to feature and quickly sell hybrid design
styles. He also drew on his existing industry contacts to locate reputable suppliers of
stretch and colored denim and identify local “laundry” facilities specializing in the latest
chemical and laser processes for “aging” and “dirtying” denim fabric.

In a second example, a skilled, brandname manufacturer from the state was able
to build on local mentoring ties in order to support new investments in specialized design
equipment and technology. The owners of Industrial Viejo—a small sized, but highly
experienced maker of popular designer jeans—financed their investment in a state-of-the-
art pattern making printer and computer network system by first offering design making
and printing services to firms in their mentoring network. The machinery was imported
from Europe and cost the firm more than US$15,000. Through these exchanges, the
firm’s owners were able to get group feedback on how much to charge for these services,
develop a local reputation for honesty, including legal guarantees that design ideas would
not be “stolen” or “copied” and test out and devise new ways to market such services to
firms outside the mentoring circle. Today Industrial Viejo has over a dozen small sized
clients from the region—close to half are non-mentoring firms. These firms rely on his
printing services in order to implement quick changes and improvements to original
designs and production templates.

**Niche Market Access, Stable Exports and Client Selection and Review**

A second area of upgrading assistance involves *developing skills and services for locating quality suppliers and clients and accessing stable niche markets*. In one case, a group of AGREM trainees recently developed a collective screening service for identifying and establishing contact with reputable buyers and suppliers from Mexico and the United States. The group created and manages *Inter Jeans*, a forty firm, member-based organization that compiles and circulates information about local and foreign buying firms and agents. They also organize and host quarterly trade shows targeting “select” buyers from the United States and coordinate meetings between foreign buyers and local jeans makers. The goals of *Inter Jeans’* founders are: to provide a matching service that brings smaller sized firms in contact with experienced, yet reputable buyers; and to enhance the image of the region and its international standing as producer of high quality, competitively priced denim separates.

Many small sized garment manufacturers in Guadalajara are wary of foreign buyers and as a result, tend to avoid transnational sourcing arrangements. This avoidance is due in part to widely circulated tales of “unjust” contract stipulations, unpaid invoices and buyer “bullying tactics.” *Inter Jeans’* collective screening and client matching services has helped to improve the reputation of foreign buyers within the region. This
service has also helped local manufacturers identify and target foreign buyers interested in fashion-oriented, low-volume producers and especially those seeking to work with manufacturers that have already developed a sensibility for “Latino” design and style preferences.

*Inter Jeans*’ founding members have also secured group discounts from key textile and machinery suppliers from the region and organize monthly, supplier-sponsored fashion shows, informational meetings and social gatherings. The North American economic slowdown has forced many large-size, transnational supplier firms to actively court new and smaller-sized apparel makers in the region. *Inter Jeans* has managed to use this to their advantage, asking that supplier firms present the latest information on fashion technology, design and marketing in exchange for meeting with their member firms. In one example, a team of analysts from DuPont presented a state-of-the-art presentation on industry and fashion trends normally reserved for Mexico’s elite and larger sized apparel manufacturers. As with potential buyers, less known suppliers from within and outside the region are first researched and “vetted” by the group’s governing board. Similar screening and support services will soon be offered by *Inter Kid*, a market-assistance organization currently being designed by a sub-set of AGREM trainees that manufacture children’s clothing.

Mentoring firms that are linked formally through shared production arrangements are also finding themselves in a position to better identify and target reputable clients from outside the region. In one example, a group of local jeans manufacturers—
providing under the name *Western Cactus*—have used their mentoring ties to access ethnic niche markets in the United States, stressing their “ethnic edge” or “advantage” to retailers now targeting Mexican and Central-American consumer markets in Southern California and Texas. They are also marketing their production coordination skills to smaller retail shops and boutiques in the United States—commercial establishments that traditionally depend on market intermediaries for product design and development, quality control and logistics management.

In this case, the mentoring network has internalized these specialized activities and services, first by selecting experienced export firms from the group to manage quality control, production coordination and customs processing and second, by formally partnering with a reputable, Los Angeles-based apparel salesman. To lower production costs and group overhead—and ultimately client prices—all finishing, quality control, sorting and packaging tasks are completed at a single warehouse in Guadalajara’s city center. To lower travel costs and help facilitate open dialog between client firms and manufacturers, meetings with key U.S. buyers usually involve a manufacturing representative from Mexico and are scheduled to coincide with international apparel trade shows in the United States. The network is now using their good standing in “Latino” niche markets in Los Angeles and Texas to better market their services and “ethnic” sensibilities to larger-sized retail chains and prominent buying firms in the United States.
Industry-Wide Collective Actions

The final area of upgrading assistance involves teaching firms how to get more involved in and become effective change agents in regional planning and policy development. While the previous examples show clear evidence of product, process and functional upgrading, this section outlines a fourth category of upgrading in which firms work together to improve existing institutional structures and support systems in the region. Mentoring firms have encouraged each other to become more active in the state’s garment industry association and industry-based research and lobbying committees. As a result, mentoring firms now make up a large share of the associations current governing board. Their active participation is helping to improve the local and national standing of the region’s business association. Mentoring firms are also active members of association committees formed to pressure state and federal government agencies to improve industrial policy, education systems and customs policing. Within the last year, a handful of mentoring firms have applied for and been granted “observer” status at Jalisco’s international airport and main sea ports. Credentialed firm owners are permitted to drop in and observe customs officers in action. They are also entitled to request random searches of cargo ships, mailed packages and suitcases and ultimately work as a team to help reduce the illegal importation of foreign-made garments.

Mentoring firms are active members of association-backed committees that compile and maintain extensive, comparative databases on international production and transportation costs, education rates, employee wages and tax codes. This information is
used by association staff and representatives when requesting extensions on tariff protections and is used to secure additional political support for small business assistance and regional upgrading initiatives. Groups of firm owners are also assigned to monitoring teams that patrol informal street markets and use various sampling techniques to estimate and record the number of contraband or smuggled goods sold at local markets each week. In each of these cases, firms are encouraged by their mentoring partners to channel individual frustrations into concrete political actions and regional demands for greater "economic justice" and policy accountability.

Mentoring networks are starting to play a more active role in standard setting, not just in terms of testing product quality and improving standard business practice, but more recently in determining how firm owners should improve their relations with employees and how they should respond to more questionable sourcing opportunities and contracts. Standard setting is done both formally (at public meetings) and informally (during interactions between small groups of firms) and usually starts with group discussions about how to devise long-term, development strategies for the region and industry. During these meetings, firms discuss and define what they consider "legitimate" channels or means for building regional competitive advantage. Again the recent North American economic slowdown has been used as a key "rallying event" around which group meetings and brainstorming sessions are organized. Quick fix solutions—such as cutting corners, lowering wages or taking advantage of short-term exchange rate fluctuations in order to temporarily export—are typically frowned upon by mentoring firms and are considered "spurious" and unsustainable acts. Mentoring firms instead
work with each other and their industry representatives to identify and evaluate “higher-road” development strategies and survival techniques. As we have seen, business extension agents and researchers from ITESO—Guadalajara’s largest Jesuit University, with a long tradition of progressive social and community activism—help guide them in this process.

On a related note, mentoring firms encourage each other to stay invested in the industry and the region—both financially and emotionally. This helps to offset a disturbing counter trend of disinvestment that has emerged in parts of the state’s industry not yet exposed to or active in mentoring circles. The most visible group now choosing to distance themselves from the local industry are a sub-set of medium and large sized manufacturers from Guadalajara that earlier managed to secure “captive” contracts with prominent buyers in the United States (discussed in more detail in chapter 6). This small, but closely watched group of firms, are increasingly adopting the negative views and changed attitudes of their prominent, foreign buying agents. Starting in the early 1990s, U.S. buyers considered Mexico a prime location for export assembly. “Lean retailing” requirements led to the extensive search for strategic manufacturing facilities and business partners in North America and the Caribbean Basin (Gereffi 1999; Abernathy et al. 1999). Mexico’s entry into NAFTA and subsequent peso devaluation helped its resident apparel firms and investors secure the largest share of outsourced order from the United States.
Today, however, a growing number of U.S. buyers believe that Mexico's garment producing regions are losing their competitive advantage. Some blame Mexico's strengthening peso, the emergence of low-cost manufacturing facilities in neighboring Caribbean countries and China's recent entry into the World Trade Organization. To justify their termination of long-standing contractual relations, others however, accuse Mexican contract manufacturers and suppliers of being inexperienced, slow to learn and unreliable. Frustrated export-oriented manufacturers from Guadalajara often turn on their own—not their foreign buyers—as they try to make sense of this new challenge. They too criticize their local colleagues, suppliers and even government officials for bringing down the global production "standard." However, rather than work together to try and elevate their current international standing, many disenfranchised contract manufacturers are now choosing to withdraw from the industry and region in anticipation of Mexico's "global garment bust." The result is a perspective of the region's apparel industry that can only be described as dismissive fatalism. This perspective reflects a potentially divisive form of "knowledge transfer" not yet recognized by scholars and policy analysts still blindly pushing for greater transnational economic integration.

For mentoring firms in the state, new economic pressures and uncertain futures have instead fueled additional rounds of collective action and have led to a further strengthening of their political and collective voice. Local frustrations and fears—rather than undermining the group dynamic or triggering rounds of disinvestment and distrust—are instead the basis for lengthy group discussions, brainstorming sessions and deep, reflective analysis. New concerns and pressures are also used by groups of mentoring
firms to justify and push for the restructuring, rebuilding and reorientation of existing business alliances and formal collaborative projects. To adopt Hirschman’s (1970) descriptive terms, mentoring circles enable active firms to show their “loyalty” to the region and historic cluster, while still encouraging them to be strategically “vocal” and constructive in their critique of disruptive economic trends and policies. As mentoring networks become more visible and accepted in the region, they are also helping to broaden the strategic choices and developmental alternatives available to their less organized local observers and manufacturing colleagues.
PART II

Monitoring the Training Process
CHAPTER 4

Training Provision and the State

A compelling "development narrative" has been put forward by development planners and analysts in Jalisco to explain the AGREM's success in institutionalizing, as social practice, inter-firm cooperation. This same narrative is also used to explain why, of late, program administrators have been able to broaden the reach of the AGREM program and in a relatively short time span, emend this complex training methodology to reflect the needs of shoe and apparel makers, and more recently artisanal and metal working firms. In the case of metal working and artisan goods, four AGREM sessions, involving approximately 70 firms, have been successfully completed since 2000.58

Local analysts frequently point to two features of the program's original governance design when explaining the success of the AGREM in strengthening inter-firm cooperation within the region and across multiple sectors. The first aspect is the decentralized nature of the AGREM training program and specifically the on-going commitment by SEPROE to outsource training delivery to non-governmental organizations and private consultants based in Guadalajara—actors and agencies outside the bureaucratic core of the state's economic development agency. The assumption is that in outsourcing service delivery to private consulting firms and civil sector organizations, SEPROE is in a better position to allocate and manage scarce financial resources and human capital in the region. Rather than waste time duplicating skills and expertise

58 More details on these new rounds of joint upgrading in the state will be presented in the next chapter.
within house, SEPROE uses its small staff and stretched budget to identify, coordinate and put to work existing pockets of specialized knowledge within the community. Because contract providers are not directly governed by the state or beholden to bureaucratic procedure or convention, they have greater “liberty” and “freedom” in designing and improving services to reflect the real needs of the “communities” they are targeting. Through the development of careful selection criteria and by maintaining a contractual right to substitute in better and more qualified service providers, SEPROE is able to ensure quality training and limits poor performance on the part of external contractors.

Local analysts further praise SEPROE’s decision to collect user fees from trainee firms as this allows the agency to more effectively monitor and compare service provision overtime. In all AGREM training sessions, participating firms are required to pay up to one-third of the programs total training costs—matching funds are provided by federal and state granting agencies. The logic here is that through the collection of user-fees, trainee firms are transformed from passive recipients of government “handouts” to active investors or “stakeholders” in local assistance programs. Trainee firms, because of their self-investment in training, are thought to be more likely to express their concerns about a chosen service provider or applied methodology. In extreme cases, they can indicate their real frustrations with the process by withholding funds or initially refusing to pay. In turn, this provides SEPROE with a clear “signaling” devise with which to gauge and compare the quality of service delivery. Furthermore, it encourages contract
service providers to be more responsive to trainee critique and cater to the needs of participating firms.  

On one level, the widespread circulation and conscious reproduction of this development narrative is useful to local development planners and practitioners. It has enabled SEPROE to build wider institutional support for and interest in the AGREM initiative, which in turn has helped the agency “market” and extend this training program to additional sectors, as well as further inspire and motivate those actively working in the trenches. Of late, international donor organizations—including the Inter-American Development Bank—have been drawn to this case, in part because the governance attributes featured under the local narrative match up with their own understanding of “good practice” in regional development planning. Mexico’s federal government has also shown a keen interest in learning from and supporting the development of this locally managed initiative—at times giving SEPROE greater discretion to administer federal funds and when necessary, “relax” initial funding requirements in order to make training available to a larger sub-set of the manufacturing population. This is not

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60 In the late 1990s, the Committee of Donor Agencies on Small Enterprise Development—whose founding members include the Inter-American Development Bank, the World Bank and the ILO—accepted as “emerging good practice” a market-based approach to delivering support services and training to small businesses. Under this model of service delivery, the collection of user-fees is considered crucial for ensuring program accountability and sustainability. Use of multiple and external service providers frees up valuable government resources, limits opportunities for “rent-seeking” and creates incentives for program efficiency. Concerns about quality service delivery are met through a competitive bidding processes and the establishment of clear performance “benchmarks” and standards. Examples of this approach, include: Gibson et al. 1997; McVay 1999; Lazerson 1999; McVay and Meihlbradt 2000. For a related discussion on the “optimal” organizational design for industry related activities, as explained by a key official at the World Bank, see Picciotto 1997.
61 In the case of the artisan goods industry, a federal-level requirement that participating firms be formally registered enterprises before signing up for training was initially relaxed—the state was given 6-months (duration of training) to convince informal sector participants to formally register. This partial “relaxing” of
surprising as examples of “good decentralization” and self-directed development planning at the state level are welcomed in light of on-going criticism by academics and political opponents that legislative power, development authority and financial resources remain tightly controlled by leaders from Mexico’s central government and policy elites (Rodríguez 1997; Ward et al 1999; Babb 2001). Neighboring states too are drawn to this case and are often encouraged by federal and regional development agencies to implement AGREM-like initiatives in their own jurisdictions especially given designs for managing local economic activities and resources under bureaucratic and budgetary constraint.

The problem however, is that in focusing on and attempting to learn from and replicate only a narrow set of case attributes—specifically, outsourcing to “experts” and fee-collection—observers and advocates of this pioneering program risk missing an opportunity to gain real insight into local development planning and governance. They also overlook the cases deeper relevance to the current development debate and specifically for understanding the real contribution of the State in stimulating economic activity and organization and guiding how front-line workers (and agencies) act and react once in the field. The goal of this chapter and the next is to correct for this oversight.

As we have already seen in chapter 3, user-fees are collected from trainee firms. This practice remains in use today. Similarly, SEPROE continues to delegate out responsibility for training to private consulting firms, non-profit organizations and

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rules allowed program administrators to target and include informal sector firms into the AGREM—in of artisan goods this was important as approximately 70 percent of all artisan goods manufacturers in the state
university “extension” or community-service centers within its jurisdiction.\textsuperscript{62} These specific aspects of the case are not in dispute. What is being challenged, however, is the core assumption—based on an oversimplified model of economic rationality and motivation—which undergirds the analytical frames used to identify and connect these particular attributes of the AGREM’s governance design with more complex development concerns and processes. These include: ensuring on-going policy effectiveness and accountability in the face of greater political and economic uncertainty; motivating continuous improvements and innovations in program design and implementation by those active in the field; and creating viable channels for public feedback, critical debate and even, democratic expression.

As we will see in this chapter and the next, documenting improvements in these areas of development planning and relating them back to the \textit{quality} and \textit{range} of inter-firm networks generated through the AGREM program, requires unpacking and understanding a “messier” set of social and historical processes and institutionalized practices in the state. To fully account for these, in turn requires relaxing some of the stricter tenets of “good governance” as proposed by international donor agencies based on universal assumptions of technical efficiency, control-via-competitive pressures and the supremacy of the “client” and allowing a “fuzzier” set of concerns for generating

\footnote{\textsuperscript{62} As we have already seen in chapter 3, in the case of shoe-making, AGREM training sessions continue to be administered and designed by MIDAP, a private consulting firm based in Guadalajara. In apparel and metal working, the Metaprograma Community-Service Center of ITESO University has become the core provider of training and employer of specialized consultants. Finally, in artisanal goods, a small non-profit with direct links to ITESO and the Metaprograma has been assigned responsibility for administering and applying the AGREM methodology.}

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open-dialog and debate, resource and knowledge sharing and on-going institution building and strengthening to first take center stage.

As we will see in this chapter and specifically through a close study of SEPROE’s decision to partner with ITESO University in 1998, the State government continues to make crucial decisions about which organizations and consultants it will work with, under what conditions and in what aspects of policy design, implementation and review. As we will also see, SEPROE’s decisions here are ultimately weighted against two broader concerns. The first, relates to building the organizational and institutional capacity to execute, evaluate and oversee the design of a diverse set of development projects within the state government. The second, reflects a deeper commitment by SEPROE’s directors to ensuring that smaller sized manufacturers in the state not only have access to quality support services and assistance, but in the process strengthen and institutionalize channels for direct political representation at the state and national level. To identify and evaluate the developmental strengths and contribution of potential institutional partners therefore, officials from SEPROE have not always relied on “objective” criteria for assessing and comparing existing skill levels and relative expertise across service providers. Rather, when new and meaningful projects are being considered or deepened (as in the case of the AGREM in 1998), potential partners agencies have been identified and compared on the basis of a good relational and institutional fit—which in this case has actually resulted in the initial exclusion of more “skilled” candidates.
Emerging theories of “good governance” and “good service delivery” would have us believe that “outsourcing” based solely on concerns for institutional and relational “proximity” and fit creates incentives for poor policy performance, a lack of transparency and “rent-seeking” and “graft.” In this next chapter of this dissertation, however, we will see that the methods used by SEPROE to measure and guarantee policy accountability on the part of ITESO, as well as to inspire hard work, thoughtful reflection and program innovation by community-service workers from the University, actually emerge out of the same social processes and shared understandings that brought these two organizations—the State and University—together in the first place.

The Logic of Co-Production

To understand SEPROE’s decision to partner with ITESO University in 1998 to administer the AGREM program to the state’s apparel industry, a useful starting place is the peso and banking sector crisis of late 1994 which left Jalisco, along with most regions of Mexico, in a state of severe economic stagnation. Official unemployment in Guadalajara and its surrounding urban counties rose to a historic high of 8 percent in 1995.\(^\text{63}\) Between December 1994 and December 1995, the state lost 51,949 or 8 percent of all formal sector manufacturing jobs. The majority of job losses were due to plant closings or lay-offs in the state’s traditional industries—especially hard hit were small and medium sized firm in craft industries, like shoe making, apparel, furniture and metal working. Approximately 3,000 or 6 percent of all registered manufacturing jobs.

\(^{63}\) Between 1992 and 1994, there were already signs of recession. During this period, the state lost 10,000 manufacturing jobs and approximately 2,500 factories were closed.
establishments—the majority of which were traditional sector firms—closed shop or pulled out of the formal market during this period. This downward trend continued throughout 1996. A joint government-university survey in 1996 of small and medium sized manufacturers that had survived the crisis, found that close to 70 percent of respondents were forced to substantially reduce their total output because of rising input costs and a dramatic drop in national demand; close to 40 percent of these same firms were forced to substantially reduce their total workforce (Vasquez et al. 1997). Underemployment was also a major concern, as displaced manufacturing workers were forced to rely on low-paying service and informal sector retail jobs to make ends meet.

To cope with the crisis, SEPROE’s director—Sergio García de Alba—assigned his team of economic development planners to begin work on building formal alliances and direct links with a mix of agencies and research centers within the state. During previous crisis years, the state’s development agency had relied primarily on the federal government to allocate development funds, make key policy decisions and coordinate action on the ground. With this crisis, however, SEPROE’s director opted to take on greater responsibilities in coordinating crisis management and in particular, by drawing on existing institutional resources within its own jurisdiction. As part of this effort, the

64 This governance structure dates back to 1972 when Mexico’s President Echeverría centralized economic development planning. Between 1940 and 1970, economic developers in Jalisco had greater autonomy in their promotional activities. Federal development laws—at least on paper—were quite restrictive at the time and limited the scope of state control in economic planning. Before 1972, however, few of these laws were enforced. In Jalisco, state planners used a variety of fiscal instruments, including tax breaks and subsidized infrastructure, to attract “big investors” and “big industrialists” to the state (Arias 1983). During the Echeverría administration limits were placed on state developers, which eventually led to a “hollowing out” of the state development agency. By the 1980s, the agency was considered institutionally “weak,” relative to other state cabinet agencies. In 1995, SEPROE had less than a dozen full time staff and an annual working budget of approximately US$80,000 to cover agency overhead, payroll and supplies and finance research and promotional projects.
agency called on a handful of the state’s universities to help it compile and update economic data on employment and manufacturing output in key industries in the state. University research centers also provided SEPROE with detailed strategic planning reports and reviews which allowed it to carefully analyze and compare possible strategies for action. SEPROE enlisted the help of existing business associations in the state to coordinate meetings and discussions with leaders from commerce and industry and key representatives from the state. It also established a small number of thematic multi-sector task forces and advisory boards made up of key representatives from the state’s universities, business associations and employee unions. Finally, it called on federal government agencies to provide financing for emergency job-creation initiatives and invited federal representatives to attend and monitor policy briefings and brainstorming sessions about long-term strategic and economic planning for the region.

On one level the shift from federal-mandated to state-directed development planning and crisis management reflects allowances by Mexico’s federal government in the early 1990s to “devolve” planning authority to state and municipal agencies. Still, the timing, nature and scope of this shift is best understood by first taking into account simultaneous political changes at the state level. Of particular relevance here is the 1995 electoral victory of gubernatorial candidate Alberto Cardenas—a significant event in Mexican political history as it brought to power Mexico’s center-right party, Partido Acción Nacional (PAN) and ended 60 years of rule at the state level by the Partido Revolucionario Institucional or PRI, then Mexico’s ruling party.
PAN supporters often leave the story here, attributing Cardenas’ victory with SEPROE’s stabilization of the state economy by 1997/98 and the agency’s ability to administer, scale-up and support a wide range of small firm assistance programs, starting with the AGREM. The logic being that policy changes and crisis management techniques simply reflected the PAN’s support and affinity for family-managed, small businesses in Mexico. While it is true that the PAN is considered Mexico’s party of small business, a more compelling argument—especially given evidence that other PAN-governed states have been less effective at translating fundamental policy goals into coherent planning practice—relates to the PAN’s explicit strategy of turning to local businesses and building on pre-existing and quasi-corporatist structures within the state. In many states, this has inadvertently led to a strengthening of political control by powerful foreign industrialists and wealthy manufacturing elites (more on this below). In the case of Jalisco, however it provided a critical opening for key representatives from the state’s small business community to enter the policy discussion and debate and for sympathizers of this constituency to more effectively pressure the state’s new governing elites to “make good” on their campaign promises.

Once in office, Alberto Cardenas turned immediately to key business associations in Jalisco to solicit nominations for his cabinet and assistance with managing the economic crisis. In the case of SEPROE, he appointed Sergio Garcia de Alba based on advice he received from members of Jalisco’s Federation of Industry Associations, or the CCIJ. The Federation is a state-wide alliance of 17 industry associations created to coordinate discussions between local business leaders and representatives from the
federal and state government (See Table 10 on next page). Garcia de Alba—a native of Guadalajara and owner of a medium sized plastics manufacturing plant in the city—had been an active member of the governing board of CCIJ in the early 1990s. Prior to that, he was President of CAREINTRA, Jalisco’s largest manufacturing sector association (with approximately 1000 members) that represents a range of smaller sized firms from industrial sectors for which there are no alternative industry-specific associations available to join.\footnote{CAREINTRA was founded in the 1940s as part of a federal plan to create separate “peak” associations for representing commercial and industrial interests in Mexico. Since the 1960s, CAREINTRA and its sister association in Mexico City, CANACINTRA have been characterized as “peak” associations for “small industry” (Shafer 1973). CAREINTRA is not only made up of a large number of micro and small sized firms, but includes a diverse set of industries that neither have the financial resources nor the minimum number of required firms needed to “break away” and officially establish an independent and industry-specific association. The latest association to “break away” from CAREINTRA is Jalisco’s Furniture Manufacturing Association, founded in 2000.} Throughout the 1980s, Garcia de Alba was an active member of CAREINTRA’s plastics division.
TABLE 10 Jalisco’s Federation of Industry Associations (CCIJ)
Member Associations in 2001

Cooking Oil Producers Association of Jalisco (Independent)*
Association of Food Producers and Processors of Jalisco (Independent)*
Shoe Manufacturers Association of Jalisco (Independent)*
Leather Products Association of Jalisco (Independent)*
Western Association of Textile Producers (Independent)*
Regional Association of Manufacturing Industries (CAREINTRA) (Independent)
National Apparel Manufacturers Association (Delegation)
Mexican association of the Construction Industry (Delegation)
Rubber and Latex Manufacturing Association of Jalisco (Independent)
Jewelry Association of Jalisco (Independent)
National Wood Processing Association (Delegation)
National Association of Restaurant Suppliers (Delegation)
National Association of Graphic Arts (Delegation)
National Association of Electronics and Information Technology (Delegation)**
Electronics Supplier Manufacturers Association (Independent)**
Furniture Industry Association of Jalisco (Independent)**

* Original members when CCIJ was founded in 1972 and joined CONCAMIN.
** Most recent members to join CCIJ. Electronics joined in 1991, CADELEC after 1995 and Furniture in 2001
Source, CCIJ

Members of CCIJ’s governing board worked together to ensure that Cardenas’
gave serious consideration to their support of Garcia de Alba. Board members informed
the Governor-elect of Garcia de Alba’s extensive experience working with and mediating
exchanges between multiple industrial sectors and groups at both CCIJ and
CAREINTRA—a skill they stressed as crucial for someone managing economic
development in a state with a diverse range of large employing industries and sectors.
They also praised Garcia de Alba’s willingness to publicly challenge federal-level
policies and decisions that he viewed biased towards “foreign-interests” and antithetical
to the needs of existing businesses in Jalisco—especially smaller sized and family-owned
operations. As President of CAREINTRA in the 1990s and as an active member of a
small firm dominated association, Garcia de Alba had seen first hand the devastating
efforts of Mexico’s post-GATT economic instability on small business owners in the
state, many his close friends and business colleagues. He was part of a growing
movement of manufacturers in the state that not only interpreted the increased
vulnerability of smaller sized firms as a sign of failed government planning, but saw in
their experience a deeper symbolic loss for the entire manufacturing sector of the state—a
sector that had grown out of and continued to benefit from the local skills, traditions and
hard work of the state’s small firm manufacturing base.

It is worth noting that Cardenas, in attempting to bring local business owners into
his cabinet, followed a path already set out by earlier elected officials from the PAN. In
the Northern state of Chihuahua, for example, when the PAN candidate was elected
governor in 1992, he invited board members and high-ranking officials from the state’s
largest business association to become full time staff at the State’s Economic
Development Agency (Mizrahi 1995). In PAN-governed Guanajuato, when Vicente Fox
took office in 1989, a similar strategy was employed. In 2001, when I visited the state, I
learned that a large proportion of top-level planners and strategists in Guanajuato’s
Secretary of Economic Development were recruits from a handful of prominent industrial
think tanks and manufacturing technology research centers in the state.

This strategy of consciously blurring the boundaries between the state and
business community in part reflects the PAN’s limited membership base. The PAN, in an
attempt to distinguish itself from the PRI, has used a much stricter membership approval
process—extensive background checks and lengthy waiting periods of up to 5 years are the norm and considered one way of limiting the type of inter- and intra-party “corruption” often associated with the PRI. This means that as a political entity, the PAN has fewer card carrying members to draw from when selecting cabinet officials and top-level bureaucrats. Scholars of Mexican political reform have argued that this strategy has also allowed the PAN to buffer itself against post-electoral fallout by providing it a “non-partisan” edge when dealing with and entering into negotiations with key elected officials from other parties (Mizrahi 1995).66

Resource Sharing as Earlier Associational Response

As mentioned earlier, under Garcia de Alba’s direction, SEPROE intensified its role in economic crisis management using a process of “co-production” whereby local resources, personnel and information were shared and exchanged across multiple organizations in the state with the intention of producing a lasting policy effect or change. It is ultimately through this process that an alliance was forged between key administrators at ITESO and Garcia de Alba and his planning staff at SEPROE. This strategy of building on existing and forging new institutional alliances within the

66 The risk of course is that a PAN governor may inherit a “bad batch” of industry with biased interests that lead policy and planning away from their idealized goal of supporting small sized business and indigenous technology and skill strengthening. To some degree this happened in Chihuahua where, under the direction of the PAN (1992-1997), industrial policies disproportionately supported the development of large-sized, foreign-owned maquiladora plants and benefited only a handful of wealthy construction families or grupos with direct ties to the foreign-dominated maquiladora industry. During the PAN’s short stint in office, only a small proportion of the state’s development resources and financing went to small business development and upgrading activities targeting Mexican-owned firms (Mizrahi 1995). Others studying the PAN in Jalisco, though not strictly economic development policy, have made similar conclusions, finding that, as a general rule and at least up to 1997, the party’s policy elite—while embracing a rhetoric of local
jurisdiction, however, was not without precedence. Rather, García de Alba and his core advisors—most coming from the state’s small business community\(^\text{67}\)—borrowed and adapted an existing organizational model developed earlier by leaders of the state’s core industry associations.

The origins and evolution of this organizational model are worth mentioning briefly here for the following reasons. First, they help to illustrate the micro-level processes through which small industrialists and their sympathizers, including García de Alba and his associates, eventually gained access to the state’s politically-influential and policy-shaping alliances—including those previously dominated by a small industrial elite of large manufacturers in the state. Second, they illustrate the extent to which resource and information sharing had already been institutionalized both within and across industry associations in the state. This, in turn, helps explain SEPROE’s enthusiastic support of programs designed to facilitate inter-firm cooperation and local knowledge sharing and also why the officials from the Agency were committed to using an organizational design that drew on “outside” organizations and resources for training delivery and program governance. Finally, as we will see in the next chapter, the same logic and tradition of co-production was useful to state planners when appealing to associational leaders and members for support and input as they worked to diffuse the

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\(^{67}\) His core advisor was an active member of CAREINTRA and owner of a small factory in Guadalajara that produced electronic controls and switches. Shortly after joining SEPROE, García de Alba also recruited the owner of a small leather goods factory and former President of the Tlaquepaque Chamber of Commerce, which represents both manufacturers and retailers from a borough of Guadalajara that is known for its artisanal goods.
AGREM model from shoes to garments and more recently to metal working and artisan goods.

The conscious strategy of resource and information sharing by manufacturers in Jalisco dates back to the mid-1950s, when a group of 7 close friends and prominent industrialists from Jalisco—all former or existing presidents of their respective industry associations and owners of large and medium sized manufacturing operations in the state—began to meet weekly over breakfast to discuss and debate, as a group, everything from investment strategies to state politics. As mentioned early, the group came from diverse manufacturing backgrounds, ranging from food processing to alcohol production to shoe manufacturing. After years of informal discussion and a growing awareness of their shared concerns and grievances about particular industrial policies and national development planning, the group decided to formalize their relationship and use their collective strength and “voice” to create a working dialog with key political figures at the municipal, state and federal level. The idea was initially proposed by one of the group’s members who, in the mid-1960s, also sat on the board of Vice Presidents of CONCAMIN (Mexico’s Federation of Industry Associations). At the time, CONCAMIN’s influence over national industrial policy was on the rise (Shafer 1973). This national peak organization therefore provided an important role model for the group to follow as it attempted to better direct and shape industrial policy-making within its own jurisdiction.

In 1966, the group—originally nicknamed the Junta de Amigos or Committee of Friends was officially renamed the Committee of Presidents of Jalisco’s Industrial
Associations. During its early years, each committee member—the founding members of the Junta—was assigned a specific topic area or concentration around which to plan group action. As part of their task, they would compile and compare industry statistics, review and help put together strategic policy reports and evaluations, assess and compare intra-group opinions on a given subject and debate and coordinate policy briefings with key public officials and media representatives. The seven also used their extensive social and industry ties to build political support and credibility for their lobbying activities. Each relied on their respective association for providing secretarial services and research assistance and to partially finance research costs and lobbying trips to Mexico City.

Initial topic areas, included electricity, trade and imports, transportation and labor relations.

In the late 1970s, the group went through a second transformation becoming, the Consejo de la Cámara de Industriales de Jalisco or CCIU. While the Committee of Presidents was made up of a permanent group of founding members, the Consejo or Board selected its principle representatives through a more open and democratic process. In doing so, it adhered to federal laws governing industry associations that dated back to

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68 It should be noted that parallel meetings were also taking place within their respective industries and in most cases, were inspired by these original multi-industry breakfast meetings. These “breakfast” meetings often included ex-presidents of the industry associations and were used to identify intra-industry problems, discuss lobbying tactics and identify candidates for the governing board.

69 Mexico’s President Lopez Portillo (1976-1982) had initially suggested this restructuring to the Committee. He was familiar with the organization from his days as director of the Federal Electricity Commission in the early 1970s. As with his predecessor Echeverria, Portillo worked to centralize control over development planning in Mexico. As part of this effort, key sectors of the population—from farm workers to government employees to labor to business—were “organized” and were required to affiliate themselves with a large corporatist organization. Each sectoral organization was then given an opportunity to meet with the President and “advise” him on social and economic policy. In contrast to Echeverria, Portillo was well liked by industrialists in Mexico (Schmidt 1991; Babb 2001). It is therefore not a surprise that the Committee accepted his advice to restructure itself once again and in the process, become a member of CONCAMIN—Mexico’s industry federation.
1941 (Shafer 1973). Once CCIJ agreed to adopt the governance structure of a formal association, it was eligible for direct participation and representation in CONCAMIN. During the 1980s, CONCAMIN reserved three board seats for CCIJ’s coordinators—the largest number from any single association in the country.

Additional industry groups from the state were invited to participate. New member associations were asked to pay a small annual membership fee. Before CCIJ opened an independent office in the late 1980s, member associations were also expected to share responsibility for hosting monthly Federation meetings. In exchange, their respective presidents were given a chance to become one of four governing board members—one Coordinator and three Vice Coordinators—positions that were up for review every few years and were determined by member vote. In turn, CCIJ coordinators were eligible for a much sought-after seat at the CONCAMIN table.

*Earlier Examples of CCIJ’s “Collective Consciousness”*

As more industry associations joined CCIJ in the 1980s and Mexico’s economy began to falter with a drop in the World price of oil, the number of topic areas put forward by CCIJ coordinators began to multiply. New problem areas were initially presented at monthly CCIJ meetings and were based on informal surveys of existing member associations. Once a significant number of industries expressed a related set of

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70 These laws were initially the result of industry pressure and were intended to improve the workings of existing business associations by ensuring that fees collected and spent went to useful and productive activities and when in area of lobbying or in creating new services, were considered legitimate and legal the
concerns or constraints, a CCIJ board member was assigned the task of coordinating group action in a particular area or topic. Given the complexity of industrial policy after Mexico’s entry into GATT in the early 1980s and mounting economic challenges, research about a given topic was eventually completed with the help of a larger team of volunteers. Volunteers were business owners from the state that were members of the associations active in CCIJ.

Throughout the 1990s, the share of small firm volunteers rose considerably and thus helped to facilitate direct dialog between the associations governing elite and smaller firms representing the associations core membership base. Several important actions at the state level resulted from this coordinated team work and information gathering. These “successes,” briefly described below, ultimately helped to improve the “image” that the associations’ governing elites had of smaller manufacturers and eventually led to opportunities for greater power sharing and more direct forms of political representation within the state’s manufacturing associations.

One example is that of the water commission. This team, made up of CCIJ representatives from food processing, leather production, construction, rubber and latex manufacturing and tequila, successfully pressured the federal movement to upgrade and open additional water filtration plants in the state throughout the 1980s and 90s. The commission continues to use their extensive network of social and political connections to forge strategic alliances with water-related research centers from the state. They have

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Footnote: Federal government (Shafer 1973). As mentioned in an earlier footnote, they were eventually later allowed federal officials centralize planning authority and open a policy dialog with business leaders.
been known to pool their financial resources to hire international water experts to help develop water planning strategies with state and federal agencies. In the past decade the commission (today known as the ecology commission) has extended their work to the area of air quality, lobbying federal development agencies to work closely with local manufacturers to enable them to meet international environmental and emissions standards. While dominated by larger sized firms, this commission also includes a number of smaller sized firms in the state.

Similarly, in the 1980s, the shoe industry association, with assistance from business owners from the construction, jewelry and furniture industries, helped to push through a plan to create a multi-use conference center in central Guadalajara. They used their connections with CCIJ to more effectively lobby state and federal government agencies for financial and institutional support. Teams of volunteers—many small sized firm owners—helped compile information and statistics on everything from building materials costs to financial support to local industry demand. They worked with representatives from Jalisco’s Commerce Association to compile data to illustrate the potential (and positive) impact of increased conference activity on service sector demand and local business revenues. The EXPO Center was built in 1987 on a parcel of land donated by the state government. Today, the Center is the site of Modama (shoes) and Exhимoda (apparel) trade fairs—two of the largest trade fairs in their respective industries for all of Latin America. The Center has also helped to make Guadalajara a key destination site for many international trade fairs and political rallies in Mexico.
CCIJ’s system of cross industry problem-solving was also useful for industries attempting to file industry-specific claims of “dumping” against Chinese manufacturers in the 1990s. Representatives from the Jalisco’s shoe and apparel associations—the former an autonomous agency, the later a regional deletion of a National association—joined forces in 1992 to lobby federal trade officials to file their petitions before the World Trade Organization and request permission to resurrect temporary tariff barriers. To improve their chances of success, both industries drew on their respective strengths and skills to help the other—in the case of shoes, they provided garments with a well trained army of local and regional shoe makers accustomed to visiting area markets in order to identify cases of smuggling or “dumping” (e.g. goods sold below the cost of production). In the case of the apparel association—though limited in what they could offer at the state level—they used their strong connections to officials at their National offices in Mexico City to provide the state’s shoe association with free legal advise, immediate updates on important national-level trade meetings and decisions and scheduling assistance with federal agents and advisors. The garment association also helped to coordinate a nation-wide discussion—that involved both shoe and apparel makers—which stressed the need for all involved to “fix” demands across industry divides in order to expedite the approval process at the federal and international level. Informational and brainstorming meetings held at CCIJ’s offices were often attended by members from the leather goods, jewelry and plastics industries—the latter, eventually working through national level organizations to also file a petition to the World Trade Organization to limit the importation of plastic toys from China. In all case, industries
struggling to compete with under-priced imports used their link to CCJ to raise public
awareness of their fight and build multi-industry support.

As a result of this collective action, Chinese-made shoes and garments imported
to Mexico have faced tariffs of up to 1100 percent since December 1993. Similar
restrictions exist on imported toys from China. A recently negotiated, bilateral trade
agreement between China and Mexico—a condition for China’s entrance into World
Trade Organization this year—guarantees these protections through at least 2008
(Associated Press 2001). This extension itself is the result of a tireless effort by shoe and
garment firms from Jalisco (and neighboring regions) to show additional evidence of
“dumping” through indirect or “triangulated” trade routes, via Central America or the
United States. Today, these industries share information about wage rates and input costs
in China. They also team up for “random” checks at key ports of entry in the state to try
and monitor and limit smuggling. Representatives from the state’s shoe and garment
associations continue to coordinate meetings with federal agents responsible for
monitoring cross-border trade and commerce.

In all these examples, CAREINTRA’s member firms are not only involved, but
the Association continues to play a key role in providing additional institutional support
and administrative services. As one of the largest associations in the state, it has a core
group of professionals and administrative support staff available to help volunteers access
information, schedule meetings and put together formal presentations. CAREINTRA’s
main facility in Guadalajara—the largest of any CCJ member association—is often the
site for CCIJ group meetings and symbolic meetings with key political leaders and government officials.

Today, many scholars of Mexican industrial history remain skeptical of the development value of older corporatist structures, including industry-specific and peak business associations. Some see them simply as relics of an outdated, protectionist era of Import-Substitution Industrialization and applaud recent changes to Federal legislation which has forced associations to behave more like private enterprises by subjecting them to market and competitive pressures. Others claim they encourage large manufacturers to amass additional political power and control within the country, often leaving smaller firms underrepresented or dependent on large-firm "good will" (see, for example, Shafer 1973). While certainly not without their organizational and political limitations (and challenges), it is important to note that in the case of Jalisco, existing corporatist structures and specifically the entry of CCIJ into CONCAMIN in the late actually provided a legitimate and powerful structure through which small firms could increase their visibility and direct representation.

A reduction in the total number of large and medium sized firms in traditional industries in Jalisco during the 1990s—in part the result of financial crisis and individual bankruptcies—did create "gaps" in existing leadership of most associations. Still, that small firms managed to fill these gaps, undoubtedly reflects CCIJ’s growing use of volunteer commissions to identify key policy and action areas in the mid-1980s. Through their active participation on these commissions, small business owners in the state were
able to prove themselves to the remaining elites—not only revealing their skills at high-powered political and policy negotiations, but a willingness to dedicate valuable resources and time to identifying, discussing and resolving shared bottlenecks across the state's diverse industrial landscape. They were also able to forge alliances with a sub-group of medium sized manufacturers from the state—including García de Alba—that were not only aware of the real challenges faced by this sub-group of producers, but viewed their survival as part of a larger movement to "rescue" Jalisco's historic manufacturing base and craft tradition.

Before the late 1980s, most industry associations in the state were governed by owners of medium and large-sized manufacturing establishments—firms that accounted for less than 10 percent of all manufacturing establishments in the state. By 1995, however, more half of those elected to the governing boards of most CCIJ member associations were owners of micro and small sized manufacturing plants. Active participation by small firm owners in the state's industry associations has continued to rise during the past 8 years. Three out of the past four presidents of the state's shoe industry association have been owners of manufacturing plants that employ less than 100 workers. In the case of the state's jewelry, metal working, apparel and furniture associations, similar changes are underway.

As small firms began to enter key positions in the state's associations, they were able to push for incremental changes in the kinds of member services offered by these corporatist structures. As we saw in an earlier chapter, young entrepreneurs and small
business owners in the shoe making industry used their support of the new building as leverage when demanding that new research staff be hired to study and document their shared constraints and new support services be created with these challenges in mind. The visible results of these efforts not only include a number of high quality research studies on the state’s industry in the 1980s and 90s, but the decision by association leaders to sign on to the Agrupamiento Industriales program in the early 1980s.

Similar shifts are underway in other manufacturing associations in Jalisco today. Delegation associations—like apparel—that rely on their national office for funding and therefore lack independent sources of income for financing studies and testing out new services, are increasingly turning to state and federal agencies for institutional and financial support as they work to develop and improve their member services. Often critics of Mexican corporatism attribute such changes to a new law governing member based industry and corporatist organizations.\(^1\) While this legislative change has helped

\(^1\) Under pre-1996 corporatist-style regulations, firms in Mexico were required to register with and pay dues to government mandated industrial associations (member associations of CONCAMIN) thereby ensuring stable membership rates and a steady flow of financial resources (Lucas 1997). In contrast, the 1996 legislative reforms made chamber membership optional rather than obligatory, thus giving disenfranchised members a clear exit option and clearing the way for the creation of alternative business associations and industrial chambers. By exposing these organizations to external competitive pressures, it was assumed that these private organizations would become more accountable to their existing members and would improve their existing services and programs in order to attract additional members. In addition, this market-based control mechanism is expected to facilitate the formation of substantive public-private alliances. By using membership rates as a proxy for organizational performance and accountability, state and federal agencies are thought to be in a better position when identifying and selecting well-performing organizations. Ironically, though, these recent legislative reforms appear to have widened the chasm between employer associations and public agencies in some states. In some cases, changes to this law have created an overabundance of local employer and industry associations which state planners find hard to initially compare. In these cases, state planners have had a difficult time comparing performance across organizations and have raised concerns that changes in membership rates in older associations and the growth of new ones simply reflect existing intra-associational political struggles, an exodus of the wealthy elite from older associations and the possible use of bribes (based on author’s interviews with state planners neighboring state’s of Jalisco). The Federation model of CCIJ, in this context, essentially represents an alternative model to that of the market and has enabled struggling associations—including that of garments—to get help and guidance from public agencies and better performing Federation members.
representatives from Jalisco’s small firm community legitimatize their demands for improvements in member services, it is ultimately their direct representation in these associations—and in SEPROE—that has guaranteed that these demands are not only heard, but acted upon.

While Garcia de Alba had an early political advantage in that he was active in an association that already catered to the needs of smaller sized manufacturers, his rise within the ranks of CCIJ cannot be understood without also taking into account the growing opportunities for direct political representation by small firms in the state’s industry-specific associations. As an owner of a relatively large sized, family-owned manufacturing facility (approximately 300 employees), he was also in a good position to coordinate and mediate discussions between large and small manufacturers in the state, including former industry elites and those just entering the state’s existing representative structures and organizations. When Alberto Cardenas was elected Governor of Jalisco in 1995, he ultimately inherited this modified associational structure—one not only set up to identify and better represent the needs of smaller sized manufacturers, but one developed out of an institutionalized tradition of resource and information sharing.

ITESO as Learning Partner

Through its institutionalized practice and tradition of co-production and in an attempt to better deal with the looming economic crisis in the state, Garcia de Alba and his team of planners made contact with a number of diverse organizations and research
centers in the state in the mid-1990s. As will see below, a range of possible “partners” existed to help SEPROE amend the joint consultation methodology—which Garcia de Alba and his team of planners first observed in shoes in 1997—and extend it to apparel and eventually to artisan goods and metalworking. Why SEPROE then chose to work almost exclusively with ITESO’s Metaprograma in 1998 for completing this task needs some additional explanation. This is especially true, given that from a purely technical stance—in terms of existing skills and experience in facilitating cooperation among small firms—several of these alternatives may initially seem the more obvious choice.

Garcia de Alba and his core policy advisors had initially considered extending a service contract with MIDAP—the private consulting firm that was in charge of administering the AGREM to shoe makers in Guadalajara. As mentioned in Chapter 3, the director of MIDAP—a former employee of Mexico’s Development Bank (NAFIN)—had close to 20 years experience working with small manufacturers in Jalisco’s craft industries. So did many of this employees, including several who worked under his direction at NAFIN. At NAFIN, they had gained first hand knowledge of applied joint consulting through their work with Programa de Agrupamiento Industriales. MIDAP’s staff already had considerable experience with implementing and adapting the original PAI methodology to fit the needs of diverse segments of Jalisco’s manufacturing population. During the 1980s, MIDAP’s director headed a team of NAFIN researchers and trainers assigned to the metal working, furniture, shoe and apparel making industries of Jalisco. As mentioned in chapter 3, under the original PAI program, over 200 shoe making establishments from Guadalajara participated in this earlier round of training and
under his direction. Forty metal working firms and 38 furniture factories from the city were also enrolled in the original Agrupamiento Industriales program, as were 26 micro-sized knitwear workshops in a remote region of Northeast Jalisco.

By 1998, SEPROE also had a solid working relationship with a variety of technical schools and universities throughout the state, including several well-established, university-affiliated economic research and policy centers. In the cases of ITESM (or Tec de Monterrey’s Guadalajara campus) and the University of Guadalajara, for example, planners from SEPROE had experience working with qualified researchers and technical “labs” familiar with the local economy and its resident manufacturers. They had hired researchers from these institutions to design and implement extensive industry studies, compile and analyze state economic data and generate strategic planning reports used to guide decision-making in the area of local economic development. In the case of ITESM, SEPROE had already commissioned a lengthy, multi-industry study that it used to separate out struggling sectors in the state from those already experiencing dynamic growth. ITESM’s Center for Strategic Studies had considerable experience working with government agencies at the state and federal level, especially in the area of economic planning and development. In 1995, for example, the Center published a comprehensive review of Jalisco’s economy and existing industrial structure with the institutional support from the state government. Professors and research staff from these same institutions were also experienced business consultants and were accustomed to providing direct support and training assistance to local manufacturers.

72 In 1996, researchers at ITESO were initially considered for a similar study, but SEPROE admitted that at the time it was not convinced the University could produce a satisfactory and in-depth report.
By contrast, ITESO University was a relative newcomer to economic development and strategic planning, especially as it related to administering small business support programs. In fact, since its founding in the early 1970s, the University had shown little interest in directly supporting local business development and industrial upgrading. For many University administrators and faculty, business owners from the state and especially those with factories in Guadalajara were considered materially privileged, politically connected and well organized. Many from the University’s progressive student body and faculty viewed private business ownership through a neo-Marxist lens and when examining industrial organization, sympathized with workers of these establishments or those displaced through exclusionary business practices.

Before 1995, course work and research at the University did little to challenge such views. Internships and community service programs—key component of ITESO’s curriculum and a reflection of its links to the Jesuit Society or Order of Latin America—were designed and structured to encourage students to directly engage with, study and assist the poor. Students often studied and worked with residents of urban squatter settlements, those from native communities, orphaned children and landless farm workers. Even wealthy industrial benefactors and active business owners on ITESO’s governing board, supported the idea that ITESO’s primary mission was to improve the daily lives and living conditions of under-represented and clearly “excluded” social and ethnic groups. While small businesses have been managed and created by ITESO graduates (some mentioned in a discussion below) and through University coursework on
management and business ownership, as social and economic actors, businesses owners from the state have traditionally been viewed as the (Christian) providers of aid and support, rather than targeted recipients.  

In 1996, this changed however as the University took steps to create *Metaprograma de Apoyo Universitario a la Micro y Pequeña Empresa*, a community-service or extension program designed to facilitate greater exchange between ITESO and micro, small and medium sized enterprises from the state. Metaprograma was created with the knowledge that smaller sized firms—though growing in number in Mexico and in their share of the national workforce—were increasingly vulnerable to market fluctuations, international economic pressure and price changes. Small firm vulnerability, in turn, increased the chances that those employed at such establishments would be out of work or without a stable source of income. The idea, therefore, was to design a community-service center that would enable ITESO and its student body to effectively learn about and identify the real challenges facing small business owners in the state; administer, develop and support assistance programs to help firms better cope

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73 ITESO—as a private university—relies heavily on private donations from wealthy benefactors in the state to subsidize the cost of education, especially for low-income students. A group of prominent business owners from Jalisco sit of the board of directors for the University and are active in a non-profit (ITESO, A.C.) designed to raise money for the school. They represent a small but powerful group of businessmen in Jalisco that, while active members of the Catholic Church, have distanced themselves from more conservative and traditional Catholic elites in the region (many affiliated with and alumni of Jalisco’s other Catholic Institution for higher-education, UAG, or National Autonomous University of Guadalajara). A similar ideological split within the state’s Catholic Church also led ITESO founding in the 1970s and reflects an on-going debate among the Catholic leadership in Latin America as to the social role of higher-education—is it to educate a social elite in order to preserve cultural strength and ensure political representation for the Church, or is it a method for reducing national and regional poverty by educating the poor and educating students to value assisting the poor. In the case of ITESO and most Jesuit universities in Latin America, the second path was chosen. The core mission is to train students to become professionals "capable of carrying out the construction of societies in which poor have real opportunities for life" (Jesuit Universities Rectors 2001). For a useful history of this split within the Catholic Church, including its ideological links to Liberation Theology, see Espinosa 1998.
with these pressures; and in the process, create a team of specialized professionals (students and faculty) that could work together on future projects to help ensure dynamic, yet sustained, economic and job growth within the region. For ITESO, Metaprograma was an obvious extension to its core mission to alleviate poverty and help create and sustain new and better work opportunities for the urban poor. Its core strategic actions—including developing a set of relatively “autonomous” consulting firms that would eventually hire ITESO alumni—were developed through a careful review of earlier “cluster” support programs in Mexico (including NAFIN’s Agrupamiento Industriales Program) and related small business assistance initiatives in other parts of Latin America (Vasquez et al. 1997:224).

Metaprograma was itself the outcome of a larger University-wide reform initiated in 1995 by ITESO’s Rectors—most ordained priests from la Compañía de Jesús or the Jesuit Society of Latin America—to help students, faculty and administrators cope with on-going economic uncertainty and rising poverty within Jalisco and its neighboring states (Vásquez 1997:215). At the time, similar reforms were also underway at affiliated Jesuit Universities throughout Latin America and were considered a coordinated, region-wide challenge to the “neo-liberal agenda” and free market ideology that dominated Latin American policy and development discourse throughout the 1980s and 1990s. For many Jesuits, economic liberalization—especially as proscribed under the neo-liberal framework—was considered antithetical to the Order’s core mission of ensuring social and economic justice. Neoliberal economic policies were especially problematic as they were “unable to create equal opportunities” and guarantee sustainable “life conditions for
all” (Jesuit Universities Rectors 2001). By 1995, economic indicators on poverty and employment in Latin America were available to give additional support to these claims and were used to encourage those working within Jesuit Universities to test out and experience with new community-oriented development projects and models based on principles of economic justice and social inclusion on the one hand and Christian values of compassion and mutual support on the other.

Still despite this reform and a clear organizational mission, when SEPROE assigned responsibility for AGREM training to Metaprograma in 1998, the Center and its core staff had little direct working experience with small firms or with related aspects of industrial upgrading. While it had a well-developed theory of small firm upgrading, it lacked practical knowledge and applied experience. The obvious question then, is why would SEPROE—an agency already challenged by its own resource and knowledge constraints and faced with the daunting task of stabilizing a crisis economy—risk partnering with an organization that seemed equally unprepared to implement and manage a complex joint consultation training program? SEPROE’s choice is even more puzzling given the relative importance of small firm assistance and support for its new directors and for those who supported their appointment to state government.

For the organizations not selected for the task, the answer to this question is often given as follows: SEPROE’s choice in Metaprograma had more to do with existing social ties and influential alumni networks, than with initial concerns for training quality and success. Often cited is the high number of ITESO alumni working within SEPROE’s
top-ranks. Sergio Garcia de Alba graduated from the University in the 1970s, as did two of his key advisors at SEPROE—one of which was also a long-standing member of a business advisory board at ITESO that was active in the initial push for Metaprograma’s creation. Furthermore, a top planner at SEPROE assigned by Garcia de Alba to work on traditional sector upgrading and support programs in the mid-1990s, eventually divided his time between the government and the university—by early 1998, he worked mornings at SEPROE and afternoons at ITESO in an effort to help develop and strengthen the Metaprograma.

There is no doubt that strong social and institutional ties already existed—and were furthered strengthened—between key individuals at SEPROE and ITESO during the 1990s. Furthermore, on-going dialog between these individuals undoubtedly led SEPROE to first encourage MIDAP to initially pick university interns from ITESO in 1997 for PAE’s inaugural session. Still, in portraying this as a classic and modern day example of “old boys networking” and public-sector favoritism, one misses the subtler and less calculated processes of “sense-making” through which Garcia de Alba and his planning team at SEPROE eventually came to see ITESO as the better institutional fit.

While it is true that MIDAP had amassed more skills and practical experience in the area of small firm upgrading and specifically through its on-going work with traditional sector firms in the state, it is also the case that their own pride in these accomplishments, self-confidence in their ability to perform well and independently as a
local service provider and familiarity with existing shoe makers in Guadalajara actually “shut out” opportunities for constructive, multi-agency debate, dialog and mutual support and learning. As we will see below, SEPROE’s decision to work with ITESO—and not MIDAP—when attempting to emend and apply the AGREM methodology to apparel (and later to metal working and artisan goods), actually had more to do with what MIDAP already knew and claimed to know, than who in government it did not.

Open Learning

From the start, SEPROE and ITESO shared a similar interpretation of the PAE experience. Both approached the relationship with MIDAP with an eagerness to learn and exchange ideas. Both considered this inter-organizational arrangement a partnership of equals—where each participating organization brought with them a unique set of assets and experiences—and one that would eventually grow into a multi-agency alliance and working policy group around which to build regional support for a wide range of small firm upgrading initiatives. For SEPROE, there was hope that PAE would become a template for designing training and joint upgrading programs for other craft and traditional sectors in the state and Western region. For ITESO—an organization run by academics and analysts already familiar with the tenets of the earlier Agrupamiento Industriales program and related “clustering” initiatives in Latin America—it was considered an ideal opportunity for observing, first hand, how existing “theories” of cooperation and joint consulting (both at the industry and institutional level) actually worked in practice. It also allowed staff at Metaprograma to put students and faculty from diverse disciplines together to work on a concrete research project and collaborative exercise.
In contrast, MIDAP had a very different set of expectations and designs in mind when it entered the exchange with the state’s development agency and ITESO university. For one, given his earlier work with Agrupamiento Industriales and investment in “modernizing” its core tenets with financial assistance from the state’s shoe association, MIDAP’s director saw himself as the “intellectual owner” and principle creator of the PAE methodology. With the help of the Shoe Manufacturers Association, he had dedicated close to a year making improvements to the original Agrupamiento Industriales program. During this time, he interviewed and met with former PAE trainees from the state in order to identify key strengths and weaknesses of the original design. Additional time was spent studying the current conditions affecting the state’s shoe industry, as well as adapting the program to new budgetary constraints.

For MIDAP and with these constraints in mind, initial contact with SEPROE in 1997 was done out of financial necessity. At the time, the state’s shoe industry was coming out of a period of economic crisis. As a result, most firms lacked sufficient working capital to pay more than one-third of the cost of training. Similarly, because of Mexico’s banking and peso crisis and due to the high costs incurred by the Association during its earlier efforts to challenge Chinese imports on grounds of illegal “dumping,” the Shoe Manufacturers Association also had limited funds to cover the remaining costs of the program. To guarantee quality training and free-up valuable resources to cover the costs of contracting top-quality businesses specialists from the region for the diplomado
phase, MIDAP turned to SEPROE for financial assistance\textsuperscript{74} and to ITESO for basic administrative assistance and to help offset high labor costs through the provision of student volunteers and assistants. For MIDAP, the anticipation of mutual exchange and collective learning did not enter into the equation. Rather, SEPROE and ITESO’s request to observe the process was granted as a condition for financial and institutional support and with the understanding that they not intervene in the training process.

This initial difference in interpretation, while hard to discern during the early planning phases of this inter-organizational exchange, eventually became a source of considerable conflict during the course of the five month training program. The end result was an unresolved disagreement between representatives of ITESO and MIDAP over intellectual property rights, the quality of intern training and the principle objectives (and primary beneficiaries) of PAE. Tensions between the two organizations rose as faculty advisors from ITESO began to push for qualitative changes to the program in light of critical feedback from student interns. Students were quick to voice their frustrations with the process—their core concern related to a shortening in the number of hours actually spent within a given factory. While promised a minimum of 10 hours of factory visit time per week, most students admitted that, on average, they only managed to get in 2 or 3 hours per week. Students claimed that firm owners often seemed unwilling to share or confirm information about their existing production and marketing practices and on a number of occasions asked them to leave the plant before they had sufficient time to

\textsuperscript{74} As mentioned in chapter 3, SEPROE was not the first agency MIDAP approached for funding. MIDAP’s director also set up meetings with top officials from NAFIN and from other Federal level development agencies. It is not clear why they were turned down for funding, but it is likely due to the fact that MIDAP was a for-profit, private firm, as opposed to an institutional or government agency.
observe and report on key data. In addition to helping MIDAP with administrative tasks and errands, student interns were required by ITESO to write lengthy analytical reports based on factory visits and observations. As these reports were evaluated and graded by faculty advisors and were to be used as possible report-writing examples for securing future work and consulting contracts, shortened factory visits were thought to undermine the students’ learning process and in turn, lowered the quality of the internship program.

When faced with this problem, MIDAP ultimately sided with the firms. When pushed on the subject by faculty and accused of treating students as “cheap labor,” MIDAP’s staff countered with its own accusations that ITESO was undermining the integrity of the PAE methodology by selecting students with limited basic knowledge in business administration and management and from disciplines that were not closely aligned with the technical needs and requirements of most participating firms. Under this lens, firms were justified in limiting how much of their valuable time they dedicated to interacting with under-skilled students. MIDAP also expressed resentment at faculty demands that they change or alter the original design of the program to accommodate the needs of ITESO’s students. This was seen as an unnecessary request and one designed to compensate for poor planning on the part of ITESO and Metaprograma.

Unfortunately, SEPROE’s attempts to mediate this conflict were futile. As discussions between the two organizations grew more tense, ITESO made it clear to MIDAP that it planned to administer its own version of the original Agrupamiento Industriales program. In learning this, MIDAP took steps to copyright the PAE
methodology and even threatened to bring a law suit against the University over possible copyright infringement.

Identifying New Possibilities for Co-Production

For planners at SEPROE, the nature of the conflict between ITESO and MIDAP—and their failed attempts at conflict resolution—eventually came to symbolize a deeper set of personal frustrations with and perceived failings of this exchange. Planners and officials at SEPROE admitted feeling “shut out” or excluded from key discussions between MIDAP, participating firms and Shoe Association staff/representatives. Instead, they heard about these discussions after the fact and often had to rely on MIDAP’s interpretation of events and actions. Though probably more a reflection of MIDAP’s close relationship with key firms from the state’s shoe industry and existing personal ties with association staff\(^{75}\) than a deliberate attempt to close off communication, this communication “hierarchy” nonetheless came to represent a lost learning opportunity for the state and those attempting to bring about and sustain policy reforms.

There is also some suggestion that MIDAP’s statements and actions raised concerns for SEPROE’s directors that they were inadvertently contributing to the

\(^{75}\) MIDAP was originally founded with the help of key individuals from the state’s Shoe Manufacturers Association. The Shoe Manufacturers Association contacted a number of former NAFIN staff during the early 1990s. At the time, the current director of MIDAP was running a small import-export business in the state. In 1995, because of the economic crisis and rising import prices, he agreed to dedicate the year to attempting to resurrect the Agrupamiento Industriales program and locate possible sources of financial and institutional support.
reproduction of an older model of industry representation at the state and federal level. As we saw in an earlier section, changes in association structure enabled owners of smaller sized operations greater access to key positions within these organizations. As small firms and those sympathetic to their situation became active in their respective associations, they were also able to challenge and contest paternalistic forms of representation at the state and federal level whereby a small number of larger sized and resource rich elite manufacturers represented the interests of a diverse and significant number of small manufacturers. That MIDAP confidently presented itself as an industry spokesperson and expert, raised initial concerns that the organization was using its existing skills, experience and status within the industry to limit open and direct dialog between the state and micro and small sized shoe makers and in effect worked to undermine on-going efforts to encourage this traditionally under-represented segment of the manufacturing community to articulate and vocalize their needs and concerns.

Frustration with the process on the part of planners and officials at SEPROE only increased with the ITESO-MIDAP conflict and especially when MIDAP suggested that SEPROE and ITESO had designs to “copy” and replicate—without authorization—the PAE methodology from the start. State planners in turn were forced to defend their own actions and policy intentions.76 It is not a surprise then that they eventually grew suspicious of MIDAP, believing the organization was deliberately withholding crucial

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76 SEPROE felt compelled to present evidence showing it had existing knowledge of and interest in supporting “cluster” initiatives before it entered into funding negotiations with MIDAP. Similar evidence was put forward by representatives from ITESO. Both made additional claims that the PAE methodology was flexible by design and that it evolved and changed with each training session and depending on who was active in each session. ITESO, in turn, argued that it had helped MIDAP improve key parts of the PAE methodology throughout the course of this first application to shoes. This, it argued, greatly weakened MIDAP’s case for individual ownership and proprietary rights.
information about the process (and its potential weaknesses) and possibly in an attempt to limit how much of its methodology would be available for review by those representing Metaprograma.

As discussions with MIDAP further deteriorated, SEPROE—in an effort to identify and evaluate the policy lessons from the PAE process—increasingly turned its attention and energy to deepening its relations with staff and faculty at Metaprograma. The two organizations eventually partnered to design a formal evaluation of the PAE process. As part of this evaluation, they created an in-depth questionnaire—with multiple choice and open-ended questions—which planners from SEPROE administered to trainee firms with the help of the Shoe Manufacturers Association. The goal was to gain a better understanding of the strengths and weaknesses of the existing program design and specifically, access the quality of classroom training, the usefulness of individual consultants, extent of individual learning from intra-group and model factory visits and the impact of training on inter-firm cooperation and the creation of formal business alliances. In their reporting of results, all responses to open ended questions were presented in the original words of the respondents. Individual responses were also carefully coded so that planners from SEPROE and staff at ITESO could easily identify firms that were dissatisfied with specific parts of the program and approach them for feedback on how and where to made improvements and changes.  

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MIDAP was also required to submit an final evaluation in exchange for funding from SEPROE and federal authorities. MIDAP’s evaluation focused primarily on documenting quantitative improvements within firms and their link to the training process. Included were pre- and post-training data on daily production, employment, exports, installed capacity, investment in new equipment and order-to-delivery times. See Appendix 2, for examples. Less emphasis however was placed on evaluating the level of satisfaction (and causes of dissatisfaction) with the training program. When asked to evaluate the quality of the program, firm responses were usually summarized across phases of training and if negative (or less
With the student conflict in mind, ITESO helped to write a series of questions useful for identifying the proximate causes of this breakdown in communication across University and industry divides. In addition to answering questions about the quality of the work performed by specific groups of interns, trainee firms were asked if they felt they had a clear understanding of the intended goal of this exchange. They were also asked whether or not they felt sufficient steps had been taken to ensure the development of a good working relationships with the interns. The majority of firms admitted that they had received very little information—from either MIDAP or ITESO—about the intern process and were not clear on the exact purpose of the student-firm exchange. Through a series of open ended questions, respondents were asked to provided detailed feedback on the internship process and recommend areas for action and improvement.

For both SEPROE and ITESO, the evaluation and program review process came to symbolize a shared commitment to learning, open dialog and joint problem solving. Metaprograma’s open door policy with planners from the state only helped to reinforce this shared view. Throughout the training program, state planners were given access to

enthusiastic), often presented in simple “yes or no” terms or ambiguously defined categories. Three examples taken from the 1998 evaluation results include (author’s translation): “The training I received during the classroom training phase of the program matched my initial expectations: Yes (100%) or No (0%). The administration of the classroom training phase was: Excellent (11%) or Good (89%). The response I received from trainers was: Excellent (89%) or Good (28%).” It is not clear from these evaluation results if other choices—besides excellent and good—were initially given. The one exception was a three page annex at the end of MIDAP’s report which presented the results of two open-ended questions attempting to access the general level of satisfaction with student interns from ITESO. Here, MIDAP chose to include critical statements made by firms, including two claims that the students lacked enthusiasm and interest in the process. Throughout MIDAP’s evaluation results, the identities of individuals respondents was excluded, except for short individual testimonials collected from firms in praise of the program.
all written documents and reports produced by staff and interns at Metaprograma. Similarly, SEPROE was copied on Metaprograma and related University correspondence and its planners were invited to sit in on key discussions with student interns and briefings by those observing individual PAE training sessions. Metaprograma staff were also proactive in scheduling regular “check-in” sessions and review meetings with SEPROE’s directors. The fact that one of SEPROE’s chief planners also held a key position at Metaprograma only helped to strengthen and guarantee this dynamic exchange.

After being approached by Jalisco’s Apparel Manufacturers Association in 1998, it is not surprising then, that SEPROE turned to Metaprograma with an offer to create a formal alliance in order to develop and administer a joint upgrading training initiative for apparel makers in the state. This is not to say that their decision to partner with ITESO, and not MIDAP, implies that the latter was unqualified to coordinate and administer training. In fact, quite the opposite. As we have seen already in chapter 3, MIDAP continues to work closely with shoe manufacturers in the state. In the past four years, it has completed three additional PAE training sessions in the shoe industry and is currently working on a related set of upgrading modules which, though shorter in total training time when compared to the PAE, build on its core tenets in an attempt to create dynamic and cooperative exchanges between shoe makers, leather goods suppliers and shoe retailers in Mexico and the United States.

\footnote{Through this evaluation, it was also determined that once firms had a better sense of the role to be played by student interns, they did have an interest in having these students observe and report on their daily interactions with the companies.}

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SEPROE—despite its earlier frustrations with the PAE experience—continues to provide financial and institutional assistance to the State’s Shoe Manufacturers Association so that its member firms can continue to work closely with and employ the consulting services of MIDAP. In press releases and formal presentations of its core development actions and strategies—including those with Federal development and support agencies and with potential “client” industries interested in the AGREM—SEPROE frequently invites shoe makers to talk about their positive experience with the PAE program. SEPROE is also careful to acknowledge and publicly praise the hard work of individuals from both MIDAP and ITESO when it talks about its on-going support of joint-upgrading initiatives in the state. Finally, SEPROE has made sure that MIDAP is included on government lists of qualified business consultants in the state. These lists are used by officials administering a variety of Federal financing programs designed to assist individual firms locate and temporarily employ local consultants and business specialists.

Rather, SEPROE’s decision to strengthen its ties with ITESO in 1998 and with small sized apparel makers in mind, was considered a larger investment in institutional infrastructure—one aimed at building on and deepening existing relationships across organizational divides with the possibility of using this as a template for launching and “co-producing” future development initiatives in the state. In contrast to the what the conventional models of outsourcing and even the widely circulated development

production practices and plant management systems.

97 Representatives from Jalisco’s Shoe Manufacturers Association met with planners and officials from SEPROE on several of occasions during this period and made the request that SEPROE to allow them to continue using MIDAP as a core consultant and training coordinators.
narratives outlined above would have us believe, this decision was not considered a wholesale transfer of control from government to “society” nor an optimal utilization of existing “expertise” and technical skill. Instead, it was a reflective act intended to close an existing skill and relational gap between the state and “society,” and in the process, enable government planners and officials to improve their own capacity to directly govern, support and review business development and assistance programs in the state—and by keeping open a direct channel of communication with micro and small sized firms in the state. In the next chapter, I will look at the processes through which SEPROE has ensured that its dual goals of internal capacity building and “co-production” are not in conflict.

SEPROE’s new directors faced a similar scenario in their first year in public administration. Because of the Agency’s earlier budgetary and staffing constraints, a group of prominent business owners in the state created Jalisco Investment Board (JIB) in the 1980s. This board—made up of 10 individuals with large commercial interests in the state—focused primarily on promotional activities, or those designed to attract and “recruit” new investors to the region. They also brokered deals with federal agencies in an attempt to provide fiscal incentives for securing new investment deals. They used their extensive political, commercial and social connections in the state to secure funds for promotional trips to South America, the United States, Asia and Europe. In 1996, SEPROE approached JIB for assistance as it worked to develop its own internal capacity in this aspect of economic development. The board, though willing to allow SEPROE to become a symbolic member in exchange for funding, was unwilling to share information with or delegate out more complex promotional tasks to state planners and officials. Rather, they expected to maintain full control of economic promotion for the state. SEPROE’s directors were not satisfied with this proposal and eventually broke off negotiations with JIB. Instead, they chose to create their own promotional division, called CEFE with research assistance from university interns and researchers from the region. The JIB board was eventually disbanded in the late 1990s, due in part to the growing financial insecurity of a number of its members.
CHAPTER 5

Institutional Indispensability and the State’s “Social Skills”

In this chapter, I look at the institutional niche that SEPROE has created for itself as it continues to work with ITESO and the State’s Apparel Manufacturers Association to administer and evaluate the Agrupamiento Empresarial training program. As we have already seen, SEPROE has played a limited role in the direct provision of AGREM training. Unanticipated and “severe start up” challenges which appeared during the first phase of the inaugural AGREM session in 1998 forced program administrators to dedicate more time and resources to promotional activities and trainee recruitment. In chapter 3, we saw that SEPROE—given its stretched resources and limited staff—relied primarily on administrators and faculty from Metaprograma to revise and implement this phase of the program. As University administrators and associates worked diligently to identify and convince participants to sign on to the program, it became evident to state planners that these individuals also had a front-line advantage as representatives of a politically “neutral” and reputable organization in the state and when dealing with traditionally marginalized economic groups. Through their work with rural campesinos, indigenous groups and the urban poor, community-service workers and faculty from ITESO had learned how to deal with individuals and groups that were not only suspicious of and unsure about institutional “outsiders” and intervention but often resorted to “quiet” acts of disengagement and disappearance when encountering situational uncertainty. Affiliates with Metaprograma were not only trained to identify and assuage these veiled concerns, but drew on their existing “social-skills” to ease into discussions with micro
and small sized firms and from the perspective that community-service workers and their institutional affiliates, rather than training recipients, needed to initially prove themselves deserving of attention and respect.

In recognizing Metaprograma's relative strengths and skills and given the symbolic significance of the AGREM for both SEPROE and the Apparel Manufacturers Association, state planners supported an organizational design which placed University workers at the training program's visible helm. SEPROE instead work behind the scenes offering institutional support and assistance to University community-service workers responsible for program implementation. As we saw in chapter 3, SEPROE's "background" responsibilities included negotiating with Federal agencies for funding for the program and linked assistance; organizing and attending select ceremonial and symbolic events designed to further demonstrate to AGREM participants the developmental significance and contribution of their investment in training; supporting trade shows to feature and promote the products designed and manufactured by participants of the AGREM; formalizing connections to other programs and support services (e.g., CEJALDI's design services, JALTRADE's export assistance programs, FOJAL's credit program and support for consulting service) as a way to encourage AGREM participants to continue to draw on the state's diverse resources and specialized skills as they work to strengthen and "build out" their mentoring alliances; and compiling and updating industry statistics with the help of trained statisticians and economists from the state.
This separation of tasks and the initial pulling back by SEPROE in the area of training delivery does not mean however that the state government has transferred its decision-making power entirely to the University. Rather, in this chapter we see that SEPROE not only continues to carefully monitor service delivery, but regularly intervenes to ensure that core program goals and principle objectives—loosely defined at the start of each training session—are not easily swept aside or unilaterally altered by those in front-line positions. SEPROE’s ability to keep front-line workers “on track” and accountable to a range of program goals and “stakeholders” does not however stem from their use of a traditional “command and control” style of governance whereby the state simply dictates the nature and terms of service delivery and limits poor performance, “opportunism” and “guile” through punitive measures and threats. Nor does it reflect the use of an inter-agency contract or legally-binding agreement in which expected outputs and organizational responsibilities are worked through and clearly specified up front (what might be called a “property-rights” approach to policy making and implementation). Rather it reflects a more interactive and “discursive” style of inter-agency engagement and policy enactment and continuous review that SEPROE has helped to create and sustain by essentially making itself institutionally indispensable for both Metaprograma and the Apparel Manufacturers Association.

As we will see below, over the years, SEPROE has worked closely with both organizations to ensure their good standing within their own respective “communities.” At times, SEPROE has advocated on behalf of its institutional partners to help stave off and minimize criticism from skeptical academics, industrialists and federal bureaucrats.
At other times, SEPROE has helped to bolster the reputation of its institutional partners by assigning them additional tasks and responsibilities which are more in line with their traditional goals and “constituent” needs. SEPROE has also helped to ensure program continuity by mediating disputes that have arisen between the Apparel Manufacturers Association and the University during the course of the AGREM program. Through these actions, SEPROE has secured a role for itself as institutional coordinator, mediator and guarantor. In the process, it has essentially earned a right to intervene and to be heard as it makes strong recommendations and suggestions for how to improve the training process and extend its reach across the region diverse industrial landscape. It has also acquired the institutional leverage and insight needed to push front-line workers to continuously innovate and adapt the program and with both existing and future target “communities” in mind.

*Informal Feedback Loops and Suggestions from the Sidelines*

Throughout the course of the AGREM, directors at SEPROE have drawn on and reinforced their institutional connections with staff and elected officials at the state’s Apparel Association. As we will see in this section, this deepening of institutional relations has directly helped ITESO’s front-line workers improve and incrementally revise key components of the training process. During the initial phase of the AGREM, SEPROE took the lead in scheduling meetings with and coordinating exchanges between key representatives from the Association and University. State planners would also meet separately with the directors of both organizations and would push those attending these
meetings to give honest and constructive feedback on the process. During these meetings and as a way to minimize later disagreements and misunderstandings, state planners would try and help the representatives of one organization understand the actions and motives of another. SEPROE’s ability to direct and mediate these exchanges in part stemmed from their existing institutional overlap with and connection to both the University and the business community.

Because of this existing link, SEPROE’s directors and planners were not only comfortable “reading” and interpreting the actions and statements of representatives from both organizations, but when necessary were able to switch institutional “hats” when discussing and defending AGREM-related policy objectives and goals. During the beginning phases of AGREM planning, SEPROE’s mediating skills were especially useful in securing a commitment to the training program and inter-organizational partnership from both the Association and the University. This was a significant achievement given the fact that ITESO approached the exchange from the perspective of employees and with a concern for income and job security, while the Association—as a representative of employers in the state—considered the needs of firm owners and their members. Through their intervention, SEPROE helped to guide the planning conversation in a way that eventually led both organizations to view these multiple or dual logics as complementary and not in conflict.

As administrators from Metaprograma forged closer ties with Association staff and governing board members and in the process, felt more comfortable expressing their
opinions and concerns about the program and engaging in direct debate and dialog, state planners were able to limit the number of AGREM review meetings they attended and organized. During the course of an AGREM session formal meetings involving all three parties were instead reserved for ceremonial events that included participating firms or federal funding agencies. During election years—even six years in the case of SEPROE and every two years for the Association—meetings were scheduled more frequently to discuss program impacts and evaluation results. Formal meetings were also useful for developing strategies for ensuring the continued support by the state and Association of the AGREM program despite a change in political leadership. Finally, formal meetings were reconvened during the planning phase of each new training session.

In place of regularly scheduled formal meetings, state planners used brief weekly exchanges, often by phone or through email, to keep close tabs on the progress of each AGREM session. As part of an explicit “open door policy,” officials from both the Association and University were encouraged to drop-by SEPROE’s offices for debriefings and “chats.” Regular discussions about the AGREM also took place during formal meetings set-up to discuss other state-sponsored programs and initiatives. In the late 1990s, for example, the President of the Apparel Manufacturers Association sat on the governing board of SEPROE’s design center, CEJALDI. For close to a year, he and other board members met on a regular basis to determine the Center’s core objective and organizational structure, as well as devise plans for “marketing” and promoting design assistance and support services to a diverse range of industrial and commercial associations in the state. Discussions about the AGREM program essentially piggybacked
on these design center planning meetings—the latter held in the same building complex that housed the offices of state planners assigned to work on the AGREM. The fact that CEJALDI’s director at the time had worked with the original SEPROE team observing the PAE program in 1997 and had coordinated and attended planning meetings for the Agency during the early phases of the first apparel AGREM, helped to keep open lines of communication between representatives of the State and the Association. Records were often kept of both formal and informal discussions and were reviewed and discussed by state planners assigned to the AGREM.

Through this on-going and open exchange with representatives from the Association, state planners were able to help administrators and training coordinators from ITESO identify a less visible set of “clues” for gauging trainee satisfaction. They were also in a unique position to help front-line workers detect and determine the possible causes of less overt forms of intra-group tension and conflict. Two aspects of the training process are worth mentioning here to illustrate the contribution of this open dialog to the functioning of the program. The first relates to the selection and evaluation of specialists and consultants for the diplomado and experimental mentoring phases. The second—briefly mentioned in chapter 3—relates to identifying the causes of initial and repeat no-shows by individual trainees.

In the case of diplomado training, front-line trainers believed that firms were not always willing to openly express their negative opinions of a given consultant or training style or topic. Given that third-party consultants and specialists were hired for the first
phase of the program when firms were slowly being acclimated to the process of joint consulting, initial silence—especially on the part of barebones manufacturers—likely reflected entrenched social patterns (outlined in chapter 2) and a related fear of speaking up in front of groups of skilled brandname manufacturers. The fact that many consultants and specialists were university faculty or associates—in some cases from ITESO—and often came recommended by larger trainees and “model firms,” only increased the likelihood that less skilled firms would limit what they would say and to what members of the group so as not to offend either AGREM coordinators or their more skilled counterparts.

Formal evaluations and group discussions were useful for comparing views across a range of consultants and styles of training. Informal discussions between SEPROE and officials from the Association however were initially more effective in helping front-line workers determine why a particular consultant or diplomado session received a relatively low rating overall or less praise from a sub-set of manufacturers. SEPROE was in a position to call on their colleagues at the Association to informally “investigate” the causes of a low rating or poor review. Staff and officials from the Association would often approach trainees that were known to speak more candidly about the range of opinions they had heard expressed during their conversations with different firms from the group. Front-line trainers, careful not to betray the confidence of their “informants” would then use this information to guide group and individual discussions about the diplomado phase. In some cases, they would draw on these insights to help local consultants improve their training style and delivery. In extreme cases, they would
recommend that Metaprograma’s directors remove an unpopular consultant from the pool of possible candidates for future diplomados.

The on-going exchange between key individuals from SEPROE and the Association was also useful to training coordinators as they worked with a new set of specialists in an effort to strengthen the experimental mentoring and final component of the AGREM. In the third apparel AGREM—started in June 2000—coordinators agreed to bring in a reputable business consultant from the state that had considerable experience facilitating “team work” within and across diverse organizations. He was invited to assist training coordinators with the fourth and final phase of the training program after SEPROE and the Association raised concerns that the original AGREM methodology was not sufficiently designed to guarantee the formation of a cooperative alliance involving all trainee firms (more discussion on this concern and related improvements to the original AGREM methodology will follow).

At first, participating firms in the fourth phase of the AGREM accepted the consultants suggestions for how to go about designing and planning a group project that was not only more inclusive but would create a lasting cooperative exchange involving all trainees. After a few months of group discussion and practical training, however, firms began to voice their frustrations about the consultant’s style of engagement to Association staff and representatives. Their main complaint was that the consultant was unwilling to listen to and address their growing concerns that the range of products manufactured by members of the group was too “stretched” to justify the formation of a
cohesive marketing, production or buying cooperative. As officials from the Association learned of this tension, they notified state planners, who in turn appealed to community-service workers from the University to assist them in resolving this conflict. In the end—and with the support of the State and Association—trainees unanimously voted to terminate the contract with the consultant and appealed to University coordinators to help them identify and select a better suited candidate for the job—one that not only had the skills and training to facilitate cooperation, but understood the group's need for open dialog and discussion.

In the case of initial or repeat no-shows by firms already committed to the training, indirect and informal channels of communication between SEPROE and the Association were useful in determining the possible causes of early or mid-program defection. They were also useful to Metaprograma staff as they worked to develop and strengthen strategies for convincing firms to reengage and recommit. For reasons mentioned in the introductory section of this chapter, training coordinators from Metaprograma—through their earlier work with marginalized groups—had learned to see disengagement by firm owners as a sign of possible frustration with the process or discomfort with the group. They were also aware that smaller sized firms and subcontractors—especially at the start of the program—were less likely to vocalize their concerns to those in positions of "authority."

Informal exchanges between SEPROE and the Association were therefore useful to community-service workers in determining the likelihood that dissatisfaction with the
training process was a motivating factor. The Association was also in a better position to determine whether or not other factors, including financial hardship, production constraints, tensions with employees or personal problems, were to blame. In cases of financial hardship, for example, representatives from the University and Association often worked together to devise alternative and deferred payment plans for individual firms in order to avoid imposing additional financial strain. In cases where unforeseen crises required firm owners to spend lengthy periods of time away from the program, training coordinators, usually with help from the Association, would convey to firm owners the importance of maintaining group cohesion and continuity. They would often help firm owners identify temporary substitutes or stand-ins from the factory (in some cases family members or plant supervisors), would formally introduce these individuals to the group and bring them up to speed on the training program. Again, planners and officials from SEPROE were instrumental in helping front-line trainers and Association staff and representatives ease into more “sensitive” discussions and debate about the behavior of individual and member firms.

Advocacy, Extensions and Appeals for New Assignments

As we saw in chapter 3, in the late 1990s the state’s Apparel Manufacturers Association was still suffering the consequences of an earlier political and financial scandal. Legislative changes to the corporatist rules governing industry associations in Mexico—including those making association membership voluntary rather than mandatory—put added pressure on the Association to improve its local image and
standing. Members of the organization’s governing board—in an effort to illustrate their commitment to reform—pushed to increase the number of membership services offered by the Association, including training services and consulting support. As we saw earlier, because of their own financial and resource constraints, the Association turned quickly to SEPROE for assistance in this area. Efforts by state planners to intervene and mediate discussions in order to help improve the quality and relevance of Association-sponsored services, like the AGREM, were therefore welcomed. Officials and staff from the Association not only dedicated considerable amounts of time to assisting state planners, but made sure formal and informal lines of communications remained open and of use.

Officials and community-service workers from Metaprograma viewed SEPROE’s role in mediating and coordinating discussions with the Association in an equally positive light. As we saw in the previous section, informal discussions between key individuals from the Association and SEPROE, provided Metaprograma with additional information and insights that were useful in detecting program weaknesses and “sticking-points” and testing out new solutions and methodological revisions. Ultimately this feedback helped community-service workers from the University quickly identify and respond to both major and minor conflicts that might otherwise have gone undetected by those less familiar with the daily trials and tribulations of industrial life. It also enabled them to improve the quality and credibility of AGREM training and service provision. Finally, it enabled faculty and students affiliated with Metaprograma to improve relations with local manufacturers and their employees, as well as those with local institutions in the state. In the process, the University gained a better understanding of the complex economic,
socio-political and institutional environment which affected how local manufacturers and their employees would work and act.

The informal feedback loop used by SEPROE to assist front-line workers and administrators at Metaprograma with training delivery also served an additional function. Ultimately, it has helped state planners and officials keep better track of Metaprograma’s performance and impact as a service provider. This, in turn, enabled the state government to more effectively advocate on behalf of Metaprograma during two critical University evaluations which not only decided the “fate” of ITESO’s extension center, but helped to clarify the University’s official position on small business development and support. Through its informal discussions with the Association and de facto role in monitoring and mediating University-Association exchanges, the state government ultimately grew more confident in Metaprograma’s ability to manage complex development projects and initiatives. Former ITESO alumni at SEPROE used their institutional connections to follow the progress of the University’s internal evaluations. Key individuals from SEPROE also established contact with industry advisors and benefactors of the University to make sure they were aware of the larger developmental value and reach of Metaprograma—both in terms of supporting marginalized economic actors and helping to stabilize urban employment. Strong endorsement by ITESO alumni and SEPROE officials was undoubtedly an influential factor in the University’s eventual decision to keep the Metaprograma Center open.\(^{81}\)

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\(^{81}\) It should be noted that this decision was not without conflict. A vocal faction within the University criticized the center for placing too much emphasis on educating business owners and not enough resources for training their employees. Those advocating on behalf of Metaprograma were aware of this conflict and worked to ensure that sufficient data was available to show the positive gains for employees from this form
As state planners continued to interact with and observe the work of coordinators and associates of Metaprograma they also began to see new uses for the Center and University in related areas of economic development planning. Officials from the Metaprograma helped state planners realize this potential by requesting that they be considered for new planning projects and initiatives that targeted the urban and rural poor. In the late 1990s state planners approached administrators from Metaprograma with a proposal to help them develop and administer new initiatives with federal job creation funds. As part of this work, the Center helped to design and implement a series of pilot projects targeting poorer families from rural and indigenous communities in the state. In one example, funds were made available to a small apparel making cooperative made up primarily of rural women whose husbands and children had migrated to the United States in search of temporary employment. The goal of the project was to provide these women with a stable and independent source of revenue and employment. Funds were used to provide cooperative members with specialized training in apparel making, finance the purchase of quality sewing and cutting machines and cover additional consulting services to help the cooperative secure contracts from regional apparel brokers and manufacturers.

of University intervention and business assistance. Furthermore, the evaluation process was not just a formality but was designed with a specific goal of determining whether or not the University should continue to support this line of community-service work. A second Metaprograma—officially named Metaprograma de Articulación y Difusión Cultural—was also opened in the mid-1990s at ITESO with the goal of supporting the link between the University and cultural institutions. The goal was to provide assistance to the state’s arts community and “creative economy” by providing support and training to local artists, designers and writers and also institutional support for state museums, theaters, film centers, art galleries and libraries (Vázquez et al. 1997). For reasons unknown to the author, this center did not survive the evaluation process and was eventually closed down by ITESO’s rectors.
The impacts of this and other related projects on employment and income-generation ultimately helped Metaprograma improve its own standing within the broader University “community.” University faculty and student interns at the Center welcomed the opportunity to work on and study more traditional community assistance projects. Metaprograma’s work on a diverse range of development initiatives, as well as their reputable standing with SEPROE and ability to negotiate and “bargain” for new state assignments and contracts, added further support to claims by Metaprograma advocates that the Center’s resources, skills and institutional connections were valuable from both a practical and academic perspective. Similarly, Metaprograma—because of SEPROE’s decision to continue to work with and use of Metaprograma for administering related programs (e.g., job-works programs; rural cooperative programs)—was in a better position to defend itself against intermittent criticism from a small, but influential group of ITESO faculty (and administrators)—this group has raised concerns that the Metaprograma had failed to live up to its original goals of alleviating poverty and risked becoming a tool for small industry (and capitalism).

In 2000, state planners yet again extended the scope of ITESO’s development and community-service work. Specifically, the Agency invited associates and faculty of Metaprograma to help replicate and apply the AGREM program to the artisan goods and metal working sectors of the state. Again, SEPROE drew on its existing connections with local employer groups, industry associations and federal funding agencies to help make training support accessible and affordable. They also relied on informal feedback mechanisms to ensure program success for these industries—especially given the higher
numbers of micro sized and informal sector firms in these industry. Again, they relied on SEPROE for help in flagging possible conflicts and constraints.

In the case of artisan goods, for example, SEPROE helped to draw attention to the unique economic profile of working artisans in the state—many living on the edge of poverty and as a result, moving in and out of the formal economy. They helped community-service workers from the University realize the difficulty they would have in securing a full commitment from firm owners once the subject of user-fees was broached. ITESO and SEPROE initially worked together to reduce the individual costs of the program. SEPROE’s institutional connection to Jalisco’s Artisan Institute and Gallery (a government managed center that reported directly to SEPROE) was useful as both agency worked to address this new constraint. SEPROE, with assistance from the Artisan Institute, identified a fourth party that was interested in providing additional institutional and financial support—the municipal government of Chapala, a small bedroom community of Guadalajara famous for its artisanal goods. Finally, the state government helped ITESO enter into negotiations with Federal funding agencies in an effort to “relax” requirements that all trainees be affiliated with formally registered establishments and workshops. ITESO and SEPROE were able to convince Federal agents to grant them a 6-month extension—or the duration of training—during which to convince non-registered participants to formally register their workshops with Federal agencies. This partial “relaxing” of Federal rules allowed training coordinators to also target and include informal sector firms for the AGREM—in artisan goods this was especially important as
firms frequently move in and out of the informal economy as they cope with new economic challenges. According to industry experts, approximately 70 percent of all artisanal workshops in the state are unregistered at any given time.\textsuperscript{83}

Avoiding Exclusive Forms of Cooperation

As we saw in chapter 4, the conflict that arose between Metaprograma and MIDAP during the PAE process reflected an initial difference in how each organization defined the core objectives of the program and its principle beneficiaries. While MIDAP privileged the concerns of shoe makers in Guadalajara and within each PAE session, the particular needs of trainee firms, Metaprograma broadened its scope to also consider the impact of training on job quality and creation, the educational quality of the program for University students and faculty and the larger process of institution-building itself. For state planners and officials at SEPROE, Metaprograma's allowances for and balancing of these multiple objectives was initially appealing as it enabled their own concerns for organizational learning and state capacity-building to also enter into the planning equation. Interestingly though, as front-line workers from Metaprograma grew more confident and comfortable in their role as trainers and coordinators, it was feared by some institutional actors that a similar narrowing of focus—in which the needs and requests of sub-groups of trainee firms was implicitly prioritized—could potentially take hold.

\textsuperscript{82} In addition to this institutional connection, the director of the Institute had a social and professional connection with key officials from SEPROE. Earlier he had worked at the Tlaquepaque Commerce Association with the director in charge of the AGREM program at SEPROE.
\textsuperscript{83} There are approximately 10,000 artisanal workers in Jalisco.
At the start of each AGREM session, training coordinators worked as hard to build trust among trainees as they did to gain the confidence and respect of firm owners. As firms grew more comfortable with individual coordinators from Metaprograma, they were more willing to share their insights and honest reflections about their production practices and management styles and were more open to critical feedback and suggestions from University associates on how to improve and strengthen existing systems and techniques. This openness was useful to University associates as they worked together to develop and design individually-tailored restructuring plans and consulting reports. As coordinators eventually made the switch from classroom teacher and formal trainer to training colleague and friend, firm owners were also more likely to listen to their appeals to give serious consideration to worker concerns about low wages, job insecurity, poor health and safety standards and inflexible work schedules, especially for working mothers, students and older employees.

The growing synergy between University coordinators and trainees was praised by SEPROE as it suggested the University was successful in breaking down the “cultural” and institutional barriers that worked to divide diverse segments of society—from employee to employer, from professional to industrial classes, from public/quasi-public to private-sector. In addition to using these connections to give firm owners a friendly, but forceful nudge, University coordinators were able to help state planners with requests that AGREM trainees speak about their experiences at promotional and planning meetings involving representatives from other industries in the state. Coordinators were also in a position to informally track the progress of trainee firms once they had
completed the training process—at times, through simple devises like attending informal social gatherings and post-training group *fiestas*. Furthermore, they were able to use their close connections with trainees to push firm owners to consider hiring—individually or as a group—private consultants and trained university students from the region when needing additional and future upgrading advice and assistance. Finally, in an effort to ensure future firm learning and industrial growth and as a way to make firms more aware of the existing support services and resources in the state, coordinators introduced trainees to associates of specialized support centers and micro-financing programs, including CEJALDI, JALTRADE and FOJAL.

For key officials at the Association, however, the growing closeness of coordinators and trainee firms during the course of the AGREM raised concerns that Metaprograma would be more lenient with trainees and would inadvertently facilitate the reproduction of exclusionary and elitist patterns of social and political engagement. As mentioned above, in the case of the first three apparel AGREM’s, coordinators faced a considerable challenge as they worked to develop a cohesive and formal cooperative involving all training participants. Instead, mentoring alliances were established by subgroups of participants, particularly those producing similar or complementary goods. Informal arrangements, like *Textil y Confeccion’s* design support network, *Nuevo’s* market transitioning team, *Industrial Viejo’s* shared printing shop and a handful of exchanges used to boost firm morale and confidence, reflect these intra-group subdivisions. Also included here are more recently formed and wide-reaching alliances
created by former AGREM participants, but open to participation by non-trainees like InterJeans and now, Inter-Kid—examples presented at the end of chapter 3.

For trainers and coordinators from Metaprograma—those in direct contact with participating manufacturers and those most aware of the day-to-day challenges of forging and sustaining group cooperation—these formal and informal exchanges were considered a significant achievement despite their use by a sub-set of trainees. In all cases, former barebones manufacturers were working side-by-side and in cooperation with sophisticated and brandname manufacturers. Through these exchanges, smaller sized and less experienced apparel makers were able to identify and access new technologies, secure a position in quality-enhancing niche markets in Mexico and the United States and test out value adding activities and additional support services. They were also learning to play an active role in Association reform, as well as value direct political representation. Similarly, their sophisticated mentors had learned to see real value in these exchanges as evidenced by the fact that they were deepening them to test out new systems of marketing and production and financially support their investments in state of the art technologies and logistics systems.

For representatives from the Apparel Manufacturers Association—these significant accomplishments aside—this subdivision was initially more problematic and worthy of additional policy reflection and review. They were quick to appeal to state planners from SEPROE for assistance in helping them “push” training coordinators to identify the real causes of this apparent disconnect within groups of participating firms.
Their principle concern was that this fragmentation reflected a less visible set of socio-economic and class distinctions that existed within groups of trainees. While some manufacturers targeted middle class consumer markets, often selling their wares through retail establishments in large shopping malls and department stores in the city center, others came from a long-tradition of producing items for low-income families and workers through direct sales at informal and weekly street markets. Informal statements from and discussions with trainees indicated that more elite manufactures were initially reticent to align themselves with a sub-set of manufacturers that sold goods to Mexico's "popular" classes.

Under this lens, sub-group alliances—rather than being clear signs of training success—were just as likely to represent exclusive "clubs" that reinforced existing political and social divisions within the industry. If true, it was feared that their existence would send a disturbing message to excluded manufacturers that their choice of final markets was less valid or valued and there customers less deserving of quality improvements and upgrades both to the goods they purchased and within the local factories producing them. It was also feared that the Associations indirect affiliation to these sub-groups through their support of the AGREM would undermine the hard work of the governing board to reform the organization and eliminate opportunities for political factionalism and the recreation of paternalistic forms of representation (as discussed already in chapter 4).
SEPROE’s institutional niche as moderator, advocate and advice-giver enabled state planners to push for a partial resolution to this problem. As a way to flag the seriousness of this situation to administrators at Metaprograma, state planners pointed out that local political leaders, policy-makers and top officials at the Agency—many interested in final numbers and uncontestable results—were also beginning to vocalize their concerns that the state-sponsored training program was not achieving its proposed goals. At this point, state planners reminded administrators from Metaprograma that a more inclusive outcome had been agreed to by all parties at the beginning of the AGREM planning process and emphasized that collective input and review was the best course of action at this point, rather than unilateral decision-making on the part of the University. Finally, they used their close connections with Metaprograma to make a forceful case for an internal evaluation and careful review of the original AGREM methodology and training process.

In the process, however, state planners were also careful not alienate community-service workers at Metaprograma by blaming them for this less than perfect outcome. Rather, they used their close connections with Metaprograma officials to ensure that community-service workers interpreted this as simply the newest challenge of the AGREM process and one that reflected a deepening of interest in the program as institutional actors and organizations began to recognize the program’s larger contribution to institution building and legitimacy-making. During this period, they also publicly praised Metaprograma and its associates for their hard work and on-going commitment to assisting smaller sized manufacturers and their employees. During media
events and in public writings, they highlighted the innovative and unique qualities of the AGREM and raised public awareness of its potential applicability to other industries in the state. In the process, they helped to “buy time” for those working on program revisions and improvements so that proposed solutions could be well tested and evaluated. During this period, state planners also continued to show their support for the Center by continuing to consider it for additional projects and development initiatives. Through a careful mix of praise and pressure and through continued observation and institutional support, SEPROE ultimately helped to ensure that this difference in interpretation across organizations did not undermine the process of continuous review, open-dialog and program strengthening or result in a complete institutional breakdown or policy failure.

As we saw above, in the case of the third apparel AGREM, the methodology was revised with this specific constraint in mind. The third AGREM was comprised entirely of manufacturers that had completed the first two AGREM training sessions in 1999. Sixteen manufacturers out of a possible twenty-eight signed up for this session.\textsuperscript{84} The first three phases of the training program were eliminated as all trainees had successfully completed the start-up, diplomado and reciprocal visits components of the AGREM the previous year. Instead, the third AGREM focused primarily on the implementation of a revised fourth phase that was designed to help firms identify a set of activities and tasks

\textsuperscript{84} Training coordinators and Association staff spent considerable time meeting with and talking to individual firm owners as a way to try and convince them to participate in this revised session. The reasons given by firms not registering ranged from financial constraints that made it more difficult for them to commit additional resources to a cooperative to the recent start up of new factories and projects—often involving AGREM associates—which in turn limited how much available time they had to invest in an additional group project and formal business alliance. Some manufacturers admitted they wanted to wait to see the final results of this session before participating in future rounds of AGREM training.
around which to develop an inclusive and formally registered cooperative business venture. As we also saw earlier, a specialist in group formation and team-building was hired to be the primary training provider for this phase of the AGREM. As in the PAE program, coordinators from Metaprograma, at first, played a more observational role. With assistance from Metaprograma and the Association, SEPROE closely monitored the progress of the fourth phase of the AGREM through formal and informal discussions with representatives from these organizations.

During the initial weeks of this session, the specialist worked closely with trainees to develop and carry out a series of trust-building exercises and activities. At this point, firms were asked to present different ideas for the project to the group, discuss and rank these suggestions and begin to divide up responsibilities for researching the costs and resource requirements needed for each prospective plan. The top proposals involved sales-related projects including opening a collective showroom and distribution center for national and international sales and forming a registered brandname that would be used to collectively display goods at national and international trade shows. As a way to work through and identify some of the potential challenges of finalizing a sales-related project, trainees spent the remaining time of this session working together on a short-term sales assignment in which they selected a line of products to collectively market at a regional trade show.

85 Less popular projects initially considered, included the creation of a shared medical center for employees, group maintenance and janitorial contracts and a collective buying club for negotiating contracts with textile manufacturers, machinery vendors and repair shops.
As firms worked side-by-side to identify a line of products which would be displayed collectively at a local trade show, they quickly began to identify the built-in constraints to an complete-group, marketing project. For one, firms admitted feeling uncomfortable with the extreme differences, across manufacturers, in product type and style. They presumed their consumers would also find the collection—ranging from women’s casual clothing, to embroidered work shirts, to denim jeans, to baptismal gowns, to wedding dresses—extremely awkward and mis-matched. They also began to realize the high costs of designing and producing a more cohesive collection and one which ensured equal participation by all firms. Considerable financial investment by member firms would be necessary to cover the costs of additional employee training, design assistance, marketing studies and analyses, supplier selection and quality-control. On top of this financial investment, firm owners would need to set aside a considerable amount of time and managerial resources—especially during the initial months—to restructuring their factories in order to accommodate new production “cells” and workspaces. Additionally, given the existing challenges and high-costs of forming a cooperative, the group agreed they would also have to hire and help train a manager to moderate intra-group discussions and coordinate production orders.

Fortunately, these insights and cost estimates were not lost on their institutional observers. While the team-building specialist failed to accept these as valid constraints to cooperation and initially dismissed those vocalizing these concerns as uncooperative and divisive, officials from the Association were more sympathetic and began to help trainees “prove” that their shared instincts were indeed correct. On the request of the group, an
outside evaluator was brought in to carefully study inter-firm dynamics and determine whether or not the group was "socially dysfunctional" or was simply stretched because of pre-existing product distinctions and differences. In a final report submitted to the group in October 2000, the evaluator praised the group for their high level of trust and camaraderie. He admitted however that extreme difference among participating firms—in terms of their final product and production techniques—while enriching the intra-group learning process and dynamic also worked against the AGREM’s long-term goal of creating a unified business alliance and marketing cooperative. During the presentation of his findings, he also voice his own concerns that participating firms appeared to be tiring of the process, especially as they watched institutional actors struggle to define and agree on a clear standard of success. He encouraged those active in the process to consider alternative and more cost-effective projects—like additional group training and standards certification—be considered in the interim and as a way to ensure that the existing achievements of the AGREM training, in terms of creating a unified group and building trusting relations across distinct segments of the industry, not be completely lost.

With this advice in mind, the Association and SEPROE worked out a deal with trainees so that part of the remaining AGREM funds were initially available for organizing social events and gatherings in order to maintain group cohesion while they waited for a final solution to be identified. The Association also worked to strengthen the formal and informal alliances forged between AGREM participants. In the case of InterJeans, for example, the Association has continued to provide on-going institutional support to this alliance, especially when events are open to the public and all Association
members, including a recent fashion show hosted by InterJeans with funding and fashion assistance from DuPont.\textsuperscript{86} They have also encouraged former AGREM participants to work together to forge new alliances and support groups, including the Entrepreneurial Youth Alliance founded last year by two participants of the third AGREM in order to represent younger manufacturers (under 30 years of age) in the Association and help forge strategic alliances between generations of firm owners. By supporting these projects and making other members aware of their success, they have also helped to build additional interest in the AGREM program and in the case of more inclusive AGREM-related alliances, like InterJeans, Inter-Kid and the Youth Alliance, provide access for firms that have not yet completed the AGREM process.

In 2001, the Association's governing board decided to initially hold off the start of a fourth apparel AGREM while training coordinators completed a series of sessions with trainees from two other industries in the state, including metal working and artisan goods. Training coordinators and administrators from Metaprograma were quick to accept this new challenge and went about revising key parts of the AGREM start-up

\textsuperscript{86} A minor conflict did arise between InterJeans' founders and the organizers of Guadalajara's main apparel trade show, Exhimoda, also one of Latin America's largest apparel trade show. The conflict related to the overlap in scheduling of InterJeans' Guadalajaran trade shows (2 of 4 each year) and Exhimoda's spring and winter shows. The organizers of Exhimoda—five ex-presidents of the Association—raised concerns that in holding a smaller, product-specific show at the same time and at a different venue in Guadalajara, InterJeans was actually drawing clients away from the Exhimoda showroom. They also complained that InterJeans was financially benefiting from the free publicity and ease of travel for prospective clients already visiting the region at attend Exhimoda. The Association's President and governing board stepped in to help mediate this conflict. The President of InterJeans was asked to step down from the governing board to limit accusations of bias during these sensitive negotiations. For similar reasons, the President of the Association—an owner of a denim laundry facility in Guadalajara—also withdrew his membership from InterJeans. In the end, a deal was reached by all parties whereby InterJeans members—only in cases of scheduling overlaps—were only permitted to register for and display their products at a single trade show. Manufacturers of all-denim products typically chose to display their goods at InterJeans' showroom, while manufacturers of both denim and non-denim products selected Exhimoda.
process as they worked with micro and small sized metal working manufacturers and artisan workshops. During the first metal working AGREM (initiated in 2000), similar problems to those found in garments arose when coordinators tried to develop a more cohesive, formal alliance or cooperative involving all participating firms. Coordinators soon discovered that the group—as had been the case in the first and second garment AGREMs—was too diverse in terms of market orientation to formalize or sustain a production or marketing cooperative.\textsuperscript{87} Makers of clothing hangers worked side by side with machine tool manufacturers and makers of nails and tacks. As with the apparel case, these differences made it more difficult for all firms to agree on what to do with their collective training, skills and resources. As in apparel, formal alliances between a sub-group of manufacturers producing related sets of goods were easier to forge and sustain.

The 2002 metal working AGREM was therefore redesigned with both the apparel and metal workings experiences in mind. In this second metal working AGREM, program coordinators from Metaprograma used the pre-contract signing phase to complete an extensive study on local and regional demand for metal based products. During this period, potential downstream or purchasing industries were first identified.

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\textsuperscript{87} AGREM promoters admitted that “start-up” constraints were more severe in the metal working case. The relationship between the Association and registered firms in the state was even more “stretched” than in the apparel industry. After months of promotional events and individual meetings, AGREM coordinators were only able to secure a commitment to the first metal working session from four member firms. They quickly turn to Guadalajara’s yellow pages and registry of manufacturing firms to identify and locate additional candidates. In some cases, promoters met with individual firms on three or more occasions before they were able to convince firm owners to sign up for the project. Because of existing tension in the industry and in some cases, a deep distrust of the Association’s political elite, AGREM coordinators were also more cautious about when and how they mentioned their formal affiliation with Jalisco’s Metal Working
Next coordinators met with key representatives from these industries and negotiated “captive” purchasing orders and contracts. Leaders from the state’s jewelry and food processing industry associations expressed considerable interest in working closely with local manufacturers to develop specialized machinery and equipment. Using this as the basis for firm selection, program administrators narrowed their list of potential AGREM candidates, but continued to use many of the innovative start-up techniques mentioned in chapter 3 when making contact with firms and working to develop greater intra-group trust and camaraderie. In an effort to strengthen local supply chain management and enable buying firms to observe the quality improvements being introduced by their “upstream” suppliers through this training, the diplomado and vistas phases of the AGREM were also revised to allow for direct participation by “downstream” buying firms and industry representatives.

Similar revisions have also been made in the artisan goods AGREM. Differences in product type were less extreme as artisans from a particular region of the state tend to produce a closer range of complementary styles and related products. Therefore, training coordinators used this session to test out a slightly different methodology which enabled them to better identify and “head-off” intra-group tensions and conflicts. Part of this revision included the use of a more sophisticated evaluation technique and on-going reviews process for identifying and working through differences of opinion about a particular aspect of the training process or style of engagement between participants and consultants. Some of the changes made to the original methodology reflected parts of an

Association. As a way to off-set these tensions, initial diplomado sessions, rather than being held at the Association’s main meeting hall, were held at ITESO’s campus.
existing model for building intra-group trust and improving worker morale created by two psychology professors from ITESO for education and government institutions in the state. The improvements made during this session were useful in ensuring the active and vocal participation of even the smallest manufacturer, in this case an informal sector workshop with two employees. The first artisan AGREM concluded with the creation of a formal marketing cooperative in the town of Chapala that produces artisanal pottery and garden furnishings for buyers in Western Mexico and Southern California. All firms completing the training process signed on as cooperative members.

With these changes in mind, apparel leaders resumed their discussion about the AGREM in 2002. In the past year, governing board members have been active in trying to develop and promote a new round of training to both member and non-member firms. They have called on former participants for advice and input. A new round of joint upgrading training is expected to begin in Jalisco’s apparel industry later this year.

_Extending a “Learning-by-Monitoring” Approach to Program Implementation and Review_

State planners at SEPROE have faced two central challenges as they continue to work with Metaprograma to extend the AGREM training program within and across traditional industries. The first challenge involves inspiring community-service workers to continuously problem-solve and in the process strengthen parts of the program as they encounter new “sticking points” and constraints. The second challenge is finding a way to identify and measure the results of their work in order to ensure that invested parties—
including trainees, the Apparel Association, Federal funding agencies and University administered—feel they were getting a “fair deal” in exchange for their commitment of resources, time and institutional support. The design used and institutionalized by SEPROE to balance these two central challenges of the AGREM is what I would call a “learning-by-monitoring” style of governance and policy-making (Sabel 1993).

Originally identified among groups of economic actors and within multi-division firms, a learning-by-monitoring approach to task and project management is designed to facilitate continuous product and process innovation by those workers closest to the site of production. The goal here is to “decentralize” the learning and decision-making processes so that front-line workers—rather than relying on top-level managers and engineering specialists to dictate and authorize all changes—are in a better position to identify and quickly resolve production constraints and bottlenecks as they encounter them. Under this model, those in positions of “authority” or those removed from the site of production, provide critical support to the system by creating a stable and secure work environment and in the process, encouraging front-line workers to innovative by continuously sharing and comparing their ideas with—rather than withholding information or “hiding” problems from—their co-workers, colleagues and supervisors. Top-level administrators also help to ensure quality improvements by identifying and reinforcing a broad set of standards or goals around which workers can organize, measure their own progress and performance and if necessary, challenge by presenting a convincing case that new standards and goals be considered.
In the case of Jalisco’s AGREM, state planners and their core institutional partners are moving towards a similar process of decentralized learning and front-line problem-solving. Strict operational procedures and guidelines defined by those “above”—features that make the job of identifying and monitoring program outcomes and impacts certainly easier for those in positions of “authority”—have been relaxed or waved in order to create a more flexible and interactive working environment, especially for those in the program’s trenches. Training coordinators from Metaprograma have been given considerable freedom to tinker with and make incremental changes to the original AGREM “blueprint”—itself a product of review and revision by front-line workers. We have seen several examples of these incremental changes throughout this chapter and in chapter 3. Training coordinators were free to extend and emend the initial start-up phase of the program once they realized the limits of group meetings. Similarly, they were in a position to quickly revise their strategy for approaching and recruiting potential trainees; could extend or terminate contracts with individual consultants and specialists when necessary and in response to group feedback; and design and test out new evaluation instruments for identifying and responding to intra-group conflicts. Front-line workers were also given the freedom to experiment with different techniques for building group trust and for deepening their own relationships with individual manufacturers and groups of trainees.

As a way to motivate front line workers and reward their hard work, SEPROE has used a combination of public praise and advocacy. Their willingness to step in and defend the work of Metaprograma has sent an implicit message of support to community-
service workers and their AGREM associates. So has the Agency’s decision to grant Metaprograma greater responsibility in designing and implementing additional development projects and initiatives. And, more recently, the Agency’s decision to consider Metaprograma a central experimentation and launching site of new projects. Through these actions and public statements, SEPROE has helped to produce a sense of “job security” and stability for front-line workers and Metaprograma associates. This, in turn, has helped to eliminate fears that the Center will be easily replaced by new organizations invited by SEPROE to play a more active role in the development planning process, including other university centers in the state. Rather, community-service workers and Metaprograma officials see information sharing with and advice-seeking from other organizations as an effective means for identifying and resolving new bottlenecks and constraints and for strengthening their own capacity to manage, improve and assist in the implementation of complex development projects.

As Sabel points out, however, allowances for flexibility and incremental tinkering can give “rise to a potentially paralyzing fear of the breakdown of monitorability” especially by invested parties removed from the sites of program enactment (1993:232). The inability to initially pin-down or establish a clear set of program goals, to follow the step-by-step implementation of a pre-established sequence of tasks or to anticipate the timing and full impact of each and every program revision and change can create a spiral of doubt and distrust that, in turn, can chip away at the benefits of flexibility and continuous policy review. It is here, then that state planners from SEPROE—much like top-level managers in learning firms—have employed a combination of strategies and
techniques for helping them reduce the likelihood that concerns and fears on the part of invested and observing parties will undermine or work against the process of incremental innovation, peer-review and policy experimentation.

For one, SEPROE has helped to develop and keep open channels of communication so that invested parties—like the Association, the Federal government and the University—can monitor and directly contribute to the process of innovation and program improvement. As we have seen in this chapter, state planners have helped to moderate and guide early discussions between different organizations and groups. Through this process, they have helped different institutional actors develop their own communication skills for articulating and constructively presenting their concerns about the process to front-line workers and for deepening their own institutional connections to Metaprograma. Furthermore, by strengthening their own relationships with different organizations, state planner and directors from SEPROE have been able to closely monitor discussions about the AGREM and keep open the possibilities for more discreet conversations and dialog, especially when tensions or flare-ups between organizations and interests first emerge. In the process, state planners have essentially taught invested parties to see value in working through intermittent disagreements and conflicts by staying connected, respectful of others and open to new ideas and perspectives.88

SEPROE has also helped to eliminate serious doubt on the part of individual organizations by working to reinforce and reiterate collective standards and goals. As we

88 For additional examples of this style of local planning, which features rather than avoids "conflict and its resolution" see Tendler 2001:6 and Barzelay 1991.
have already seen, the AGREM represents many things to many people. For officials from the Association, in addition to enabling its member firms to become more competitive in national and international markets, it has come to represent a crucial step in their efforts to transform the organization from "lobbyier" to service provider. For political leaders and policy-makers in the state, the AGREM is a powerful symbol of their commitment to local policy deepening and political reform. For the University, it is a forum for expressing and responding to demands for distributive justice in the face of unfair global trade practices, politics and policies.

SEPROE, by facilitating discussions between invested organizations, has helped to create a "process by which parties come to reinterpret themselves and their relation to each other by elaborating a common understanding of the world" (Sabel 1993: 234). In the case of the AGREM, they have pushed different groups to identify common connections across multiple interests and goals and translate them into a core set of program standards around which to evaluate and measure progress, as well as inspire those at the program's helm to continue to make quality improvements. At the same time, through their on-going discussions with different organizations and their ability to detect subtle differences and changes of opinion, state planners have been able to determine how and when a new set of goals and guiding principles gets moved from the sidelines to the program's core.

As we have seen in chapter 4, new directors arrived at SEPROE with an existing template of co-production around which to organize local actors and activities. Newer
concerns for policy learning and capacity building led them to institutionalize a
governance system whereby Metaprograma became one of their principle co-producers
and eventually the experimental center of small firm assistance and upgrading for the
state. As we have seen in this chapter, however, the ability to deepen and sustain this
institutional partnership and use it to generate quality training results, reflects a more
general set of “social skills,” that while certainly reinforced by SEPROE’s existing belief
in co-production, also stand on their own.

The next chapter is written with these “skills” in mind—that is the ability of
development planners “to motivate cooperation in other actors by providing those actors
with common meanings and identities in which action can be undertaken and justified”
(Fligstein 1997:398). It returns again to the subject of inter-firm cooperation and the
central challenges that firms face as they work to deepen their relational ties. This time,
however, the goal is not to document the steps already taken by development planners to
shape, guide and monitor firm responses. Rather, it is to suggest ways that development
planners in Jalisco (and its neighboring regions) can now build on their existing successes
in apparel, metal working and artisan goods and extend this model of locally-governed
and organized upgrading to include a new set of industries and economic concerns.
CHAPTER 6
Mexico, Reconnected

What lessons can we draw from this case study of joint upgrading? At first glance, the obvious lessons are for policy makers and development practitioners working to equalize growth opportunities within a region by targeting and assisting smaller sized, traditional sector manufacturers. Stepping back, however, we are also able to consider a more general set of planning principles and insights that are less sensitive to firm size and industry and/or market orientation—that is how to keep skilled and well-connected manufacturers invested in a “community” and at a time when they face their own economic challenges and constraints. While local “clustering” initiatives are typically designed to provide assistance to and facilitate inter-firm cooperation among only the most marginal of economic actors and establishments, development practitioners and planners in Guadalajara have instead supported an innovative initiative that brings together and unites manufacturers with initially different skill sets and experiences and with distinct economic and social roles in the “community.” In the case of the AGREM, the central goal is to facilitate and help sustain dynamic and reciprocal learning alliances that include both barebones assemblers and highly-skilled, experienced manufacturers—and with the program’s recent extension to metal working, also prominent downstream buyers and industries (jewelry and food processing).

As we have seen in this study, brandname or lead apparel makers from Guadalajara—both small and medium sized operations—not only face growing...
competition from nationally-made and imported clothing but must also cope with a multitude of macro-economic pressures and shifts. As we have also seen, in the 1990s a sub-set of these firms initially responded to these challenges by withdrawing from the industry or distancing themselves from their existing and local subcontracting base in Guadalajara. By stepping in with training assistance, development practitioners are helping to solve the city’s disinvestment problem. They are doing so by initially subsidizing the costs of high-quality, locally-developed consulting and professional services and creating program advantage by partially funding highly valued consulting services “in bulk”; by providing smaller sized, barebones assemblers from the city with the base knowledge, communication skills and confidence needed to “give something back” to those families and individuals that have historically coordinated and managed local production networks and supply chains; and finally, by providing firm owners with both the “breathing room” and close supervision needed to identify and work through the initial constraints of cooperation and in ways that enable trainees of all types to learn to see the real benefits of relational deepening and “community” involvement.

Throughout the 1990s, development planners in other parts of Mexico appeared much less concerned with the risk of disinvestment by skilled and highly-networked manufacturers and coordinating firms in their own jurisdiction. Instead, many watched as their cities were transformed—virtually overnight—into thriving export centers by national and foreign investors able to take advantage of Mexico’s participation in the North American Free Trade Agreement. During this period, dedicated apparel centers in Tehuacan and Torreón grew substantially, generating approximately 100,000 new
assembling jobs and accounting for a significant increase in Mexico’s clothing trade with the United States (Bair and Gereffi 1999; Iskander 2001; Gereffi et al 2002). Similarly, cities along the U.S.-Mexican border saw a dramatic rise in the number of export assembly plants, commonly referred to as maquiladoras, producing everything from food products and pharmaceuticals to consumer electronics and auto parts. As mentioned in chapter 3, Guadalajara also benefited from this new round of investment, attracting several hundred U.S. and Asian-owned computer and peripheral export assembly plants after 1994.

Initially, development planners and scholars were confident that this new round of investment in Mexico would create lasting development opportunities for host communities and their existing residents. Initial studies focused on and documented the new learning opportunities that were available to a growing number of domestic-owned assemblers, manufacturers and suppliers tapped into U.S.-centric supply chains (Dussel Peters 1998; Piore and Ruiz-Durán 1998; Bair and Gereffi 1999). Under the tutelage of U.S. buyers and coordinating firms, Mexican manufacturers learned to employ new production practices and technologies, lower order-to-delivery times and in some cases, identify and correct for flaws in original design patterns thereby improving the quality and durability of the final product—skills needed to transition to and compete in more quality-conscious markets in the United States. As information about these learning opportunities and sourcing arrangements circulated, state and local planners throughout Mexico increasingly focused their policy resources on recruiting prospective export

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89 In Torreón alone, apparel assembly jobs jumped from 12,000 in 1993 to over 65,000 in 1998 (Gereffi et al 2002:207).
manufacturers and coordinating firms to their own jurisdiction. Federal authorities encouraged these efforts by relaxing national regulations and allowing state and municipal agencies to actively "sell" or market their communities to prospective investors by reducing taxes and providing state subsidies for physical infrastructure and employee training.

The challenges to sustaining this development strategy surfaced in 2001 with the start of the current North American economic slowdown and dramatic drop in U.S. consumer demand. For one, the dynamic learning and sourcing opportunities that were once available and/or promised to domestic-owned manufacturers and export assemblers were cut short as U.S. buyers and coordinating agents took steps to consolidate their international production networks and "call-in" their investments (Dussel Peters et al. 2002). Second, despite a significant increase in the number of domestically-owned maquiladora plants, local content rates in this "sector" of the economy remained extremely low (averaging 5 percent if we consider export enclaves in both interior states in Mexico and those bordering the United States). As in the past, export processing plants in Mexico continue to purchase their material inputs and specialized machinery from suppliers in the United States, Asia and Europe (Wilson 1992; Lowe and Kenney 1999; Gereffi et al 2002). Even in the case of domestic-owned export assembly operations, "captive" contract stipulations set by foreign buying agents and retailers have required that firms sever their existing ties to local subcontractors, raw materials suppliers and retailers (Dussel Peters et al 2002; see also, Harris-Pascal, Humphrey and Dolan 1998). Generally speaking, skilled workers, including top-level managers, production
technicians, quality-control specialists and product designers, have continued to be imported or "borrowed" rather than locally hired and/or trained. ⁹⁰

To expect this category of manufacturers to automatically shift gears and respond to new economic pressures by deepening their local ties and drawing on a host community's unique assets, resources and skills seems naïve at best. In the past two years, a growing number of export processing plants in Mexico, both foreign and domestic-owned—fearing a complete loss of U.S.- destined orders—have instead resorted to short-term survival techniques based on cheapening local labor and production inputs. In the case of apparel for example, a number of maquiladoras have joined forces to lobby the Mexican government for additional subsidies (for employee training and infrastructure) so they can move their assembly operations to low-wage, rural communities in southern states like Oaxaca and Chiapas (Moreno 2001; Thompson 2001). Others have simply shut down their Mexican operations altogether and some with plans of opening replacement facilities in lower-wage countries in Central America and Asia.

Interestingly, some development scholars have actually welcomed this latest economic threat and "shake-out," as they consider it an opportunity for Mexico to finally abandon what they see as an unstable, "low-road" development plan. Their advice instead is for local planners to end all support for and recruitment of maquiladoras and redirect their policy resources and attention to home-grown technologies, production networks

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⁹⁰ Export processing zones have long been criticized for their limited developmental potential and value. For an earlier example, see Helleiner 1973.
and industries. To some extent this policy recommendation is useful as it sensitizes planners to the need for alternative development models which create and sustain production and export advantage on the basis of local knowledge and locally-rooted skills and with a broader set of social and policy goals in mind, including stabilizing employment and upgrading opportunities for small industrialists, working families and the urban poor. The problem however, is that this suggested policy reform ignores a middle road for achieving these goals and specifically one that works to bridge, rather than keep separate, Mexico’s two economic worlds—‘clusters’ of domestic-owned and oriented firms that rely on both local markets and traditional, locally-developed technologies on the one hand and on the other, large volume, export processing “enclaves” that, with the exception of low paying jobs and some domestic ownership, have limited connection to the local economy.

Given Mexico’s historic openness to foreign direct investment⁹¹ and 30-years of national support for and active promotion of the maquiladora “sector,” it would be a mistake for development planners to not rise to this latest challenge or “crisis” by also considering ways to harness, tap into and retain the skills and export capacity of this traditionally isolated industrial group. In making this claim however, the goal is not for planners to concentrate all of their resources and energy here, nor privilege export-oriented manufacturers over their domestic counterparts. Rather, it is to shed light on the innovative planning tools now available to development practitioners throughout Mexico.

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⁹¹ For more discussion on Mexico’s “integrationist development model” and its departure from “isolationist” regimes developed in other newly industrialized countries to keep open local upgrading possibilities through initial restrictions on foreign-ownership and investment, see Amsden 2001.
seeking to create and sustain learning opportunities for locally-based manufacturers, suppliers and service providers, including those tools which allow them to simultaneously work to "tie down" or locally "embed" the country's newer economic arrivals and export-oriented recruits. What might this middle or bridging path then look like and what would it require of regional actors, policies and institutions? In the remaining sections of this chapter, I turn again to Jalisco's experiments with joint upgrading, this time to look for possible clues and insights for answering this question, especially as it relates to the regions own set of diverse export manufacturers and assemblers.

_The Price of Dedication_

During my study of apparel making establishments in Guadalajara, I had the opportunity to visit and interview the owners of a handful of maquiladora or export processing plants in and around the city. As mentioned already in chapter 2, these operations are quite rare in that the majority of the city's (and state's) apparel makers have, for many decades, concentrated on the domestic market and have continued to sell their wares through locally-developed retail and wholesale networks. Still it is worth starting the discussion of how to potentially modify and extend upgrading assistance with this specific sub-set of local manufacturers in mind. For one, these firms represent a

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92 As mentioned in chapter 2, a large number of the city's existing apparel makers did briefly experiment with export production in the mid-1990s, mixing domestic orders with those destined for low-end markets in the United States. In most cases, however, these experiences were short lived, lasting only a season or two. The maquiladoras featured in this section are a different animal, in that they have managed to secure longer-term contracts with prominent U.S. buyers and retailers, that include Wal-Mart, Target, Miller's Outpost and Guess. Furthermore, the city's maquiladoras differ from others with some export experience in that they have chosen to dedicate all their production resources to export processing year round.
growing number of export processing plants in Mexico, in that they are domestic-owned and operated and in most cases, were started by second and third generation manufacturers with considerable experience in local apparel markets. As we will see below, local ownership and previous market experience are possible leverage points that development practitioners can creatively use as they target or “lure” groups of export-oriented manufacturers into their policy reach. Second, Guadalajara’s maquiladoras, as with other domestic-owned export processing plants scattered throughout Mexico, are starting to feel the squeeze of the North American economic slowdown. In the past year or so, they have not only seen a dramatic decline in U.S.-destined production orders, but must now cope with the reality of being prematurely dropped from “captive” sourcing arrangements with U.S. buying and production coordinating firms. As I will argue below, these pressures not only create new possibilities for development practitioners to extend their support services, but more importantly, an opportunity to design assistance programs so that export firms can learn to value and participate in locally-grown support networks and dynamic learning alliances.

Interestingly, state planners and development practitioners in Guadalajara have yet to fully recognize this policy challenge and opportunity. Why? In Mexico—as with many liberalizing economies in Latin America—there is a deep-rooted assumption, often reinforced by mainstream or neo-liberal economic development theory, that dedicated export firms are somehow better equipped or more prepared to adapt to and withstand periods of economic instability and uncertainty. What gets missed under this lens however are the real trade-offs that developing country firms must make as they try to
access or transition entirely to export markets. While it is true that Guadalajara-based apparel exporters have acquired a new set of skills and capabilities through their work with and exposure to large-volume, quality-conscious export markets in the United States, it is also true that in focusing initially on mainstream markets and retailers in the 1990s, they have had to give up their earlier skill advantage, industry rank and support networks that would enable them to better adjust and adapt to today’s economic challenges and shifts.

As mentioned earlier and also in chapter 3, prominent apparel buyers and brokers from the United States frequently use “captive” sourcing arrangements to maintain control of their extensive global supplier networks. The regular use of these types of “governance” arrangements—whereby U.S. buyers and brokers initially dictate and decide the terms of production—has led some development scholars to characterize the North American apparel industry as “buyer-driven” or “led” (Gereffi and Korzeniewicz 1994). The extension of this system to Guadalajara has basically worked as follows: in the 1990s, potential export assemblers were handpicked by prominent U.S. buyers and broker agencies, often with the help of officials and staff from Jalisco’s Apparel Manufacturers Association. In most cases, firms were selected because of a demonstrated skill, lead role or quality reputation in the local industry. Once under contract, these firms were initially asked to dedicate all production lines to export markets and ideally to a single buyer or broker.\(^9^3\) In the process, they were also required to give up initial control

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\(^9^3\) This strategy is fairly common and is believed to help reduce the risk that developing country assemblers and subcontractors will renegotiate production contracts or easily switch to new buyers. It also enables U.S.-based buyers and brokers to better control the pace of supplier upgrading so that they can ensure consistent and high-quality production and at the same time, internalize most of the benefits from this investment.
of design, marketing and sourcing-related activities. In exchange for task narrowing, Guadalajaran firms were guaranteed stable production orders and in most cases, given extensive training in and feedback on production-related activities, often with the help of international specialists in production standards, logistics and quality control. Throughout the decade, lead firms in Guadalajara accepted these contract provisions with the expectation that overtime loyalty considerations and productivity improvements would be rewarded with greater local discretion and decision-making, especially in value-adding tasks and processes. Strong support for these arrangements by local policy makers and development analysts only reinforced this expectation for task widening and sustained learning.

The current North American economic slowdown and recent entry of China into the World Trade organization has, unfortunately, changed this outlook. The subordinate position of Guadalajara’s export assemblers—while initially encouraged and reinforced by U.S. buyers—is now considered a considerable liability as productivity-enhancing, cost-lowering changes and improvements to existing assembly plants still require initial and often costly investments in factory supervision and technical assistance. Moreover, high urban wages and rising utility costs limit the extent to which Guadalajaran-based assemblers can help their clients and brokers stabilize market share by supporting production discounts and competitive price breaks. It is not surprising then, that in the past year or so many U.S. buyers have opted to terminate their contracts with Guadalajaran assemblers. In the process, the city’s apparel maquiladoras have been forced into fierce competition with other “global” assembly sites and at a time when they
have not fully developed or mastered a new set of distinguishing skills in “high road” assembling (less cost-sensitive as it is based on quality standards and reliable production) or value-adding customer service (“full” or complete package assembling). At the same time, these firms are realizing, that because of their extended absence from local retail and sourcing networks and earlier closure of internal design and marketing departments, they are also at a relative disadvantage in their home markets.

This is not to say that alternative sourcing opportunities—national or international—have been lost entirely. In a few cases, viable private solutions have been discussed and developed. The owner of one medium sized maquiladora, for example—with help from a nephew and daughter recently trained in women’s fashion in Mexico City—has managed to reestablish himself in the domestic market by designing high-quality, “indigenous-inspired” clothing for Jalisco’s popular tourist destinations and upscale hotel boutiques. Still, this transition has not been without its own set of challenges and constraints. In 2001, the firm was forced to lay-off close to half of its production workers and shop-floor supervisors. For more than a year, the firm produced at a loss while its owners worked (often without pay) to rebuild their design and marketing departments, reorient their existing productions operations and secure new contracts with clients and suppliers in the state. In most cases, however, local maquiladora owners, fearing displacement from both export and domestic markets, have chosen instead to withdraw entirely from the industry.
Export Partnerships and Ethnic Access Channels

State planners and development practitioners do have at their reach a number of innovative tools and techniques for keeping this sub-set of the economic population active and engaged in export markets. The challenge now is to do so by convincing them to invest in and value export alliances and support networks that include other manufacturers and economic actors from the community. This essentially involves a shifting of frames whereby *maquiladora* owners learn to recognize the multiple paths that are available for accessing export markets and clients and in the process, see in community-based alliances and local upgrading support, the possibilities for creating more equitable and stable sourcing arrangements.

Clearly, this task is not without its challenges. Where it would seem development practitioners can make initial in roads is by first attempting to reestablish and strengthen the social, ethnic and institutional networks previously used by these firms to upgrade their skills and production processes. Within the ranks of AGREM trainees or “graduates” do exist a sub-set of brandname manufacturers that were also active in these same tight-knit social and ethnic circles. These firms can play a crucial role in program promotion simply by sharing with their old friends and colleagues some of their positive experiences with joint upgrading and mentoring alliances. At the same time, they can encourage these firms to move beyond earlier biases against the state government and state-sponsored support programs. Likewise, staff and officials from the state’s Apparel
Manufacturers Association can help plant the idea of retraining in the minds of these firms.\textsuperscript{94}

As program administrators begin to design training assistance with these export firms in mind, earlier AGREM sessions can also be mined for project ideas and inspiration. As we saw already in chapter 3, initial AGREM sessions resulted in a number of unique collaborative projects and inter-group alliances that, on closer inspection, have already helped to boost export potential and growth for the region. In the case of \textit{Inter Jeans}, for example, seasonal trade shows are not only oriented to the domestic market, but of late have also targeted a growing number of U.S., Canadian, European and South American-based apparel buyers. While total export numbers for the group still remain low, there is growing evidence that \textit{Inter Jeans} members are now more comfortable with the idea of dedicating a larger share of their production lines and design and marketing resources to international sales. Similarly, as we saw in the case of \textit{Western Cactus}, smaller sized apparel makers from the city—many with little prior experience in export markets—have managed to tap into fast growing Mexican-American consumer markets in the United States. In this case, they have used their collective skills and support networks to secure a foothold in these markets, initially featuring their “ethnic” design sensibilities and cultural advantage. At the same time, they have been able to put to use their collective skills in product design, marketing, quality control and logistics and

\textsuperscript{94} In most cases, Guadalajara’s apparel \textit{maquiladoras} are not only members of this organization (or only recently withdrew from it), but are also former Association presidents and governing board members.
inventory management to offer “full” package production deals and customized client services to small volume retailers and boutique operations.95

There are also several examples of individual export success that are worth mentioning. In one case, a former AGREM trainee and established manufacturer of baptismal gowns and related accessories was able to draw on his new skill sets and support networks to extend his market reach to include Mexican communities in the United States. With the help of a “traveling” bible salesman from Guadalajara, he was able to secure long-term production contracts with specialized retail stores and boutiques in East Los Angeles—including those started by emigrating families from the state of Jalisco. As he works to deepen his connection to this niche market, he also finds himself in a position to identify and negotiate additional export deals for his AGREM colleagues, including those partnering with him to create the Inter Kid cooperative.

Several themes connect each of these AGREM-facilitated export experiences. For one, export sales are not expected to replace those destined for local markets and retail establishments. Rather, the goal is to first establish and strengthen existing links between markets and sets of clients and as a way to help stabilize production orders overtime. Second, access channels are deliberately designed to be niche-based rather than mainstream. Again, this allows Guadalajaran-based manufacturers—many of whom

95 In a recent study of apparel manufacturing in Tamil Nadu, India, Meenu Tewari discovered, among other things, a related strategy whereby an Indian-based manufacturer partnered with a smaller-sized retailer in Italy and in the process, established a dynamic export partnership by offering this retailer distinct services and software support in logistics and inventory management (2001). During a recent conversations with a Washington D.C. based shoe designer and retailer, I also learned that Turkish shoe manufacturing operations are relying on similar, “small retail-oriented” client services to gain entry into higher-end, boutique-style retail markets in the United States.
have legitimate concerns and fears about working with and depending solely on U.S. buyers and intermediaries—to control the pace of entry to these markets and at the same time, ease into an export routine that is not only based on quality production and customized client support but creates competitive advantage by featuring ethnic design sensibilities and skills, national and regional loyalties, cultural traditions and norms and equitable and honest business practices and contract negotiations. Finally, through their participation in these niche markets, AGREM trainees are also recognizing the real diversity of markets in the United States and other advanced industrial economics. In the process, they are extending their own list of ideal target markets to include large-volume retailers that cater to the needs of immigrant and particularly Mexican-American communities (including Gigante, a Mexican multinational with new stores in Southern California), as well as boutique operations targeting smaller sized Mexican enclaves in other regions of the World (Canada, Europe and South America).

As state planners work to extend joint upgrading programs to include experienced export assemblers from the region they should consider introducing some of these same themes. Diplomado or classroom training can include training modules that not only introduce firms to diverse export markets, but also discuss the possibilities and benefits of combining markets and production strategies as a way to avoid the dependency "trap." During these sessions, firms could also discuss and learn about customs regulations, international production and quality standards, logistics support and transportation safety and security. At the same time, experienced exporters can share with the group their own personal experiences and insights.
As planners work to develop future formal alliances and groups projects, they can also consider unique ways of building on the existing skill sets and experiences of local exporters—either by extending existing production networks; by helping groups of firms target Mexican multinationals or large-volume retailers that are focusing on fast-growing immigrant communities in the United States; or by facilitating the creation of reciprocal partnerships where, in exchange for helping domestic-oriented assemblers and manufacturers access these specialized and growing export markets, former export assemblers could also receive supervised training in “Latino” fashion design and marketing. Finally, there are also possibilities for state planners to deepen their own institutional support networks by making firms aware of the kinds of public assistance now available to those locally-based groups hoping to build on and establish connections with U.S.-based, emigrant communities from the region. In Los Angeles, for example, Jalisco’s state government now sponsors an annual trade fair which invites families originally from the state to consider buying locally-produced goods and as a way to support regional development and upgrading.96

Obviously the specifics of each training session and inter-firm alliance need to be carefully considered and determined through a more interactive process of group formation and problem-solving (chapter 3 and 5). The suggestions presented here are not meant to be exhaustive. Rather, the goal is to illustrate the direct contribution that the AGREM program has already made in keeping open export possibilities for local
manufacturers and in the process, encourage planners—in both Jalisco and neighboring regions—to draw additional insights and inspiration from this set of accomplishments.

As this section has hopefully illustrated, the extension of state support to domestic-owned apparel *maquiladoras* is not a major policy leap in so far as this sub-set of manufacturers had an earlier link to the local industry and specifically, to domestic-oriented and owned apparel makers, subcontractors, textile manufacturers and distributors, machine shops and retail establishments. As development practitioners work to extend dynamic learning alliances and joint upgrading support to these firms they can start by rebuilding these earlier industry connections and with the help of other institutional actors, “market” this training program as a “reunion” of former colleagues and “revival” of dynamic local supply chains and industry support networks. At the same time, they can consider targeting export firms that still maintain their social, political and ethnic connections to domestic-oriented manufacturers; those that are still active in locally-based industry associations and institutional support networks; and even those with a new found interest in sustained learning thanks to their on-going exchanges with foreign buyers, manufacturers and markets. Finally, development practitioners can turn to existing AGREM-facilitated alliances, including those of *Inter Jeans, Western Cactus, Nuevo* and *Industrial Viejo* (described in chapter 3), to illustrate the tangible benefits—both individual and collective—of sustained local engagement, institution-building and

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96 Based on lengthy conversations with MIT doctoral student, Natasha Iskander about her current research on state-level programs designed to formalize economic and institutional connections between immigrant families in the United States and their “sending” or home communities in rural Mexico.
community deepening AGREM sessions. The fact that many domestic-owned maquiladoras now face a new set of export challenges and of late have been forced out of export markets altogether, only helps to give additional support to such efforts.

*New Models and Mentors*

A greater challenge is finding ways to extend local learning alliances to include groups of foreign-owned maquiladoras and manufacturers, especially those in technology-intensive, as opposed to labor-intensive, industries. As mentioned earlier, Guadalajara is host to a large number of foreign-owned computer and peripheral manufacturers, assemblers and suppliers. The industry’s roots can be traced back to the 1960s and 70s, when prominent U.S. electronics manufacturers, in an effort to access Mexico’s protected and growing consumer markets, established production operations in Guadalajara. During this period, industry giants, including Hewlett Packard, Motorola, IBM and Kodak built large-volume production plants throughout the city. In the second half of the 1990s, Guadalajara’s electronics industry expanded considerably, this time with a focus on export markets. Between 1994 and 1999, employment in the industry jumped from 12,000 to more than 80,000. This rapid growth was assisted in part by the recruitment strategies of existing electronics manufacturers and commercial firms (involved in construction, infrastructure and utilities) from the city, who used their

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97 Similar strategies could be used to also bring together export and domestic-oriented firms in other traditional industries in the region, including metal working, furniture, food processing, jewelry and artisan goods.
industry status and sourcing connections to lure hundreds of Asian and U.S.-owned electronics suppliers and assemblers to the region and establish Guadalajara as the central production site for computers and peripherals destined for markets in both North and South American (see chapter 4, footnote 80, for more details).

It was also in the second half of the 1990s that the state government and specifically the Secretariat of Economic Development, first attempted to develop sourcing opportunities for locally-owned supplier firms and parts manufacturers. They did so by entering into a formal partnership with Hewlett Packard, IBM and Motorola and establishing a dedicated supplier development association, called CADELEC (a recent member of Jalisco’s Federation of Industry Associations). The first goal of this association—to identify and map local demand for and supply of inputs and services—was quickly achieved. In the process, state planners were able to see greater potential for matching locally-owned suppliers with prominent, foreign-owned electronics manufacturers. At the same time, they were able to promote (often through their export assistance center) these sourcing opportunity to new university graduates, regional business, technical and engineering schools, local investors and entrepreneurs. Efforts to help locally-owned firms negotiate and secure stable sourcing contracts with electronics firms have, thus far, been less successful. In most cases, foreign-owned suppliers, many with satellite production facilities in Guadalajara, have continued to produce the majority of the region’s computer and peripheral inputs. Where there are exceptions, they usually involve locally-owned firms in low-wage service industries, like packaging or shipping, or those producing low-technology items, such as power cables and switching devises.
(Dussel Peters 1998). This is not to say that these cases of local sourcing are developmentally insignificant. Rather, for now, they fail to meet the development expectations of state planners in that they do not yet capture or reflect the full range of sourcing possibilities available to local firms.

Initial efforts to development sourcing opportunities in higher-skilled activities and value-adding tasks were based on the policy recommendations and advice of CADELEC’s industrial founders. It is not surprising then that the association’s first development proposals involved the creation of new divisions and employment positions at existing, large volume production facilities and in turn, promoted greater vertical integration of skills and services by foreign-owned firms. While skilled jobs and higher-level management and engineering position (including jobs in software development) have been created for a sub-set of Guadalajaran residents, this path of “local” development—whereby larger sized, foreign-owned firms become the principle beneficiaries of upgrading subsides and state support—conflicts with the Secretariat’s central goal of creating more inclusive and equitable learning opportunities for existing, locally-owned manufacturing establishments and small business entrepreneurs and enterprises.

Interestingly, the current economic crisis has opened up the possibility for state planners and practitioners to regain greater control of supplier development in electronics and in a way that would allow them to once again work towards their main policy goal. How so? First, the crisis has forced many third and fourth-tier electronics suppliers to
close their Guadalajaran production facilities and instead ship supplies from their central operations in Asia. One possibility then is for locally-owned manufacturers to attempt to insert themselves into the electronics supply chain by initially specializing in those products and services (including software) that are more place-sensitive or greatly affected by time and transportation delays. At the same time, declining consumer confidence in North and South America has put firms at the top of the electronics hierarchy in a more vulnerable position. Firms like Hewlett Packard, IBM and Motorola, as well as their dedicated contract manufacturers, are under considerable pressure to further differentiate their services and products from those of their main competitors. Again, this presents locally-owned manufacturers, as well as local business consultants, technical experts and production specialists (many highly trained and with links to Guadalajara’s prestigious university and research centers), with an additional sourcing opportunity. It also provides the state government with an identifiable set of industry challenges and constraints around which to base and build the next round of upgrading support.

Again, the AGREM program provides a useful template. Through earlier applications of this upgrading model, state planners and program administrators have developed the social skills and institutional partnerships needed to bring together firms with different and distinct skill sets and experience. In the process, they have convinced a variety of manufacturers to see value in group interaction, knowledge sharing and joint project development. I would argue that these skills and institutional partnerships are easily transferable to the electronics industry, despite greater differences in firm size,
ownership and market orientation. As in the recent metal working AGREM, for example, initial electronics sessions could be designed so that a small number of foreign-owned manufacturers become the “captive” or downstream buyers of the products and services that locally-owned, trainee firms learn to collectively develop. In other sessions, foreign-owned electronics manufacturers could participate as “model” firms.\textsuperscript{98} This would not only give them an opportunity to directly contribute to the learning process of trainees, but would also allow them to witness, first hand, the services and training offered by local consultants and universities. Eventually, these firms could be invited to participate as trainees, either by enrolling smaller internal departments in need of additional upgrading and restructuring, or even an experimental division that might function better as an independent operator or contract manufacturer.

Obviously not all export processing firms in Mexico—either labor or technology-intensive—will be immediately convinced of the usefulness of deepening their institutional commitment to or investments in their Mexican host community. In the face of greater economic uncertainty, it is likely that a significant number of these firms will continue to react by searching for and moving to low-wage assembly sites in other regions of the world, especially Asia. In suggesting that regional and local planners

\textsuperscript{98} Electronics manufacturers in the region are already familiar with this role. In 2000, a group of electronics firms invited local apparel manufacturers to visit and tour their Guadalajaran production facilities. This was in response to a growing number of complaints by apparel makers that electronics manufacturers were using unfair hiring practices to lure skilled and semi-skilled workers away from traditional industries. By opening up their facilities to lead apparel firms and industry representatives, the idea was to initially reduce this inter-industry conflict and at the same time, give business owners from the region a opportunity to directly learn about the kinds of employee benefits electronics firm offer to their employees, as well as the production and outsourcing systems they use to make existing industrial resources more productive. The idea for these tours grew out of a series of conversations between governing board members of Jalisco’s Apparel Manufacturers Association and Association of Electronics and Information Technology, both active members of CCIJ or Jalisco’s Federation of Industry Associations.
consider widening their policy net with this sub-set of manufacturers in mind, the
intention is not to have them exhaust their limited resources on firm retention alone, nor
enter into a drawn out “bidding war” with other regions offering fiscal incentives and
relocation assistance to Mexican-based, export assembly operations. Rather, it is to
encourage local policy actors to experiment with and focus on developing
“comprehensive support” services that are useful to and valued by a wider range of
resident manufacturers, including export-oriented and foreign-owned firms, and in the
process, consider making use of these services conditional on a firm’s developmental
contribution to and commitment to improving the region’s existing assets and skills.
Simply put, it is about making the next round of industry support not only more inclusive,
but also developmentally significant and meaningful.
## Appendix 1

### PAE-AGREM Sessions, Jalisco 1998-2002

<table>
<thead>
<tr>
<th>Session</th>
<th>Industry</th>
<th>Date Started</th>
<th>No. of Firms</th>
<th>Training Coordinators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Session 1</td>
<td>Footwear</td>
<td>March-98</td>
<td>22</td>
<td>MIDAP</td>
</tr>
<tr>
<td>Session 2</td>
<td>Footwear</td>
<td>December-98</td>
<td>16</td>
<td>MIDAP</td>
</tr>
<tr>
<td>Session 3</td>
<td>Footwear</td>
<td>June-99</td>
<td>25</td>
<td>MIDAP</td>
</tr>
<tr>
<td>Session 4</td>
<td>Garment</td>
<td>October-98</td>
<td>12</td>
<td>ITESO</td>
</tr>
<tr>
<td>Session 5</td>
<td>Garment</td>
<td>May-99</td>
<td>18</td>
<td>ITESO</td>
</tr>
<tr>
<td>Session 6</td>
<td>Metalworking</td>
<td>December-99</td>
<td>16</td>
<td>ITESO</td>
</tr>
<tr>
<td>Session 7</td>
<td>Garment</td>
<td>June-00</td>
<td>15</td>
<td>ITESO</td>
</tr>
<tr>
<td>Session 8</td>
<td>Artisan Goods</td>
<td>May-00</td>
<td>14</td>
<td>ITESO</td>
</tr>
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<td>Session 9</td>
<td>Footwear</td>
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<td>N/A</td>
<td>MIDAP</td>
</tr>
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<td>Session 10</td>
<td>Metalworking (with Jewelry &amp; Food Processing)</td>
<td>February-02</td>
<td>N/A</td>
<td>ITESO</td>
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</table>

Source: Camara de la Industria del Calzado del Estado de Jalisco, Camara Nacional de la Industria del Vestido Delegacion Jalisco, MIDAP and ITESO. N/A Data not available.
Appendix 2

PAE Post-Training Evaluation, Summary Statistics
Group I, Shoe Industry (Six Month Period)

<table>
<thead>
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<th>Pre-Group</th>
<th>Post-Group</th>
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<tbody>
<tr>
<td>Installed Capacity</td>
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<td>Actual Production</td>
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<td>56550</td>
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<tr>
<td>Total Utilized Capacity</td>
<td>59%</td>
<td>63%</td>
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Source: MIPAD.
Adapted from: MIDAP’s, Resultados e Informacion Relevante del Primer Programa de Agrupamiento Empresarial de la Industria del Calzado. Sept. 1998.
### Appendix 2 (continued)

**PAE Post-Training Evaluation, Various Indicators**  
**Group 1, Shoe Industry (Six Month Period)**

<table>
<thead>
<tr>
<th>Participant</th>
<th>Starting Employment (Asterisk Indicates Firm that exports(^1))</th>
<th>Starting Productivity (Pairs Per Person Per Day)</th>
<th>Ending Productivity (Pairs Per Person Per Day)</th>
<th>Percentage Change (Values in Bold Indicate Increase)</th>
<th>Order to Delivery Time, No. of Days, Pre-Group</th>
<th>Order to Delivery Time, No. of Days, Post-Group</th>
<th>Change in Order to Delivery Time, No. of Days</th>
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<td>1</td>
<td>59</td>
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<td>19</td>
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<td>8.00</td>
<td>0.00</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: MIPAD.  
\(^1\) Four firms export 5,635 pairs of shoes per week, or 10% of total group production. Firm 7 exports 92% of its total output. Remaining firms export approximately 3% of total production. Ninety-two percent of the groups exports go to the U.S., 8% to Central and South America.  
\(^2\) Many firms had a difficult time increasing total employment during this period because of the tight labor market caused by the rapid growth in electronics assembly plants in Guadalajara. See, Table 9 in chapter 3 for more details.
Bibliography


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