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Latin America

Management Education's Growth and Future Pathways

Gabriela Alvarado

Howard Thomas

Lynne Thomas

Alexander Wilson

LATIN AMERICA: MANAGEMENT EDUCATION'S GROWTH AND FUTURE PATHWAYS

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BY

GABRIELA ALVARADO
ITAM, Mexico

HOWARD THOMAS
SMU, Singapore, and Boston University, USA

LYNNE THOMAS
Stratford-Upon-Avon, UK

ALEXANDER WILSON
School of Business and Economics, Loughborough University, UK

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INVESTOR IN PEOPLE

To the Thomas, Tuch, and Wilson families who are the foundation of our lives.

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About the Authors

Gabriela Alvarado is the Director of the Business Intelligence Center and a Professor of Marketing at ITAM, Mexico. She holds a Doctor in Business Administration degree from IE Business School, and an MBA and a BS in Actuarial Science from ITAM. Gabriela was the Associate Dean of MBA programs at ITAM Business School for 14 years, where she developed the international MBA program portfolio. Her research focuses on management education, business schools' reputation, international accreditations, and rankings.

Howard Thomas is an Emeritus Professor of Strategic Management and Management Education at Singapore Management University (SMU) where he is currently Mastercard Chair of Financial and Social Inclusion. He is also the inaugural Ahmass Fakahany Distinguished Visiting Professor of Global Leadership at the Questrom School of Business, Boston University. As a highly-cited scholar (having written over 300 articles and 40 books) in strategic management and management education and an experienced business school dean across several continents (US, Europe, and Asia), Howard continues to serve the academic community through his roles at EFMD and professional academic bodies such as the British Academy of Management. He is regarded as one of the foremost authorities in management education.

Lynne Thomas is a writer and co-author in the field of management education.

Alexander Wilson is a Lecturer in Strategy at the School of Business and Economics at Loughborough University. He holds a BA (hons) in Management from the University of Leeds, an MA (Distinction) in Organization Studies, and a PhD in Management from the University of Warwick. He has been Lim Kim San Fellow in Strategy and Organization (2011, 2012, 2013, and 2014) and Visiting Researcher (2017) at the Lee Kong Chian School of Business, Singapore Management University. He is currently a Research Fellow for the Chartered Association of Business Schools (UK) and is conducting an analysis of management education in the UK. His research examines the development of management education globally as well as conducting research on open-strategy and strategic IT projects with a focus on technology in-use.

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Preface

After attending several international academic conferences for more than 20 years, Gabriela Alvarado and Howard Thomas have witnessed how the level of awareness of Latin American business schools and their activities have increased through time. Yet, it is still relatively low when compared to the publicity that schools from other parts of the world have achieved. In addition, not much has been written about Latin American management education despite efforts such as those made by CLADEA in advancing the quality and awareness of Latin American schools.

Hence, this research project got under way motivated by the opportunity of sharing the progress that Latin American business education has made over the last decades with management education colleagues outside the region. It was also catalyzed by the strong spirit of collaboration and friendship among the authors. However, when conducting the interviews and developing the manuscript, a further opportunity presented itself: namely, providing some insights that could aid Latin American management educators in reflecting on the current state of business education on the continent and actions that need to be undertaken to strengthen its positioning within the international academic and business community in the years to come.

As such, this volume on Latin American business education adds to previous work by Howard Thomas, Lynne Thomas, Michelle Lee, and Alexander Wilson (Emerald, 2013, 2014, 2016, 2017) about management education in different regions across the globe. Thus, it sharpens our understanding of the similarities and differences between business schools across geography and time and it allows us to examine systematic differences in the business models and performance of business schools across continents. It is based on the responses from a number of face-to-face in-depth interviews with rectors, deans, and influential educators from leading business schools in Latin America, and follows a past, present, and future perspective on the growth of management education.

After providing a brief overview of the main historical, cultural, social, political, and economic aspects of the Latin American continent, the book describes the evolutionary path of business education in the region until its current state. In particular, it analyzes and interprets the major events, key issues, the impact of different actors, main changes, and "blind spots" in the evolution of management education in Latin America over the last 10 years. The book then identifies the biggest ongoing challenges confronting business education on the continent and discusses whether a Latin American model for management education is a realistic proposition. Finally, it explores how the competitive environment of business education in the region will evolve over the next 10 years, outlines a set of potential scenarios, and examines critical issues for the future.

We hope this book will contribute and, more importantly, create an open debate among Latin American management educators about the future evolution of business education on the continent. Clearly our main aim is to spark a growing interest from global stakeholders about Latin American business schools and their role in growing and developing inclusive growth in Latin America.

Chapter 1

Latin America: Countries with a Common Past Facing Different Realities

The evolution and the major challenges facing management education in Latin America are strongly related to its history, culture, and economic development. This chapter provides a brief introduction to, and overview of, the main historical, cultural, social, political, and economic aspects characterizing the Latin American region.

The term Latin America is generally used to refer to all countries in the Americas south of the US where the Spanish or Portuguese languages are dominant, and which were Spanish or Portuguese colonies in the past.

By this definition, Latin America is equivalent to "Ibero-America," where the prefix Ibero relates to the Iberian Peninsula in Europe. Another important term to be aware of is Hispanic America, which comprises Spanish-speaking countries in the Americas. Hispanic America differs from Ibero-America in that the latter includes Hispanic America and Brazil and sometimes the Iberian Peninsula as well.

However, for the purpose of this book, the analysis will focus on the countries of the Latin America mainland.

This book offers a detailed examination of the common cultural elements of Latin America, particularly its colonial history; its demographic structure and social development; its legal and regulatory framework; its main governance concerns; its economic growth and the extent of international trade and global connections; and its distinctive management profile.

These elements are analyzed using data from various international organizations such as the International Monetary Fund, the World Bank, the International Communication Union, and Transparency International. Some data were also gathered from the US Central Intelligence Agency (CIA).

Common Historical and Cultural Aspects among Latin American Countries

Mainland Latin America is regarded as being composed of 20 countries and one dependent territory. Geographically, it can be divided into three sub-regions: North America (Mexico), Central America, and South America.

Central America is bordered by Mexico to the north, Colombia to the southeast, the Caribbean Sea to the east, and the Pacific Ocean to the west. It comprises seven countries: Belize, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama, which together represent almost 8% of the population in the region (IMF, 2017).

South America is bounded by Panama to the northwest, the Caribbean Sea to the north, the Atlantic Ocean to the northeast, east, and southeast, and the Pacific Ocean to the west. It has more than 70% of the total population of mainland Latin America (IMF, 2017) and consists of 12 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela, and French Guiana, a French dependency.

The Latin America region shares a common history of colonial rule, mainly Spanish, which lasted three centuries. As Table 1.1 shows, 16 of the 20 countries on the Latin American mainland were Spanish colonies from the late fifteenth century till the end of the eighteenth century and gained independence between 1810 and 1825.

Of the four remaining countries, Brazil was colonized by the Portuguese and became independent in 1822 while Belize officially became a colony of British Honduras in 1854 and its independence was delayed until 1981 due to territorial disputes between the UK and Guatemala.

Guyana, originally a Dutch colony in the seventeenth century, became a British territory in 1815 and achieved independence from the UK in 1966. Suriname was initially explored by the Spaniards in the sixteenth century, colonized by the UK in the mid-seventeenth century and later became a Dutch colony in 1667, gaining its independence from the Netherlands in 1975.

The shared experience of colonization by the Spaniards among most Latin American countries exposed them to two critical cultural aspects: their language and religion, as shown in Table 1.1.

Spanish is the official language of most nations on the Latin America mainland and is spoken as a first language by more than 60% of the population. Portuguese is uniquely spoken in Brazil, the largest and most populous Latin American country with over 35% of the aggregate

Table 1.1. Colonization and Main Languages and Religions in Latin America.

Country	Colonized By	Year of Independence	Main Languages	Main Religions
Argentina	Spain	1816	Spanish (official)	Roman Catholic 92%
Belize	UK	1981	English 62.9% (official), Spanish 56.6%, Creole 44.6%, and Maya 10.5%	Roman Catholic 40.1% and Protestant 31.5%
Bolivia	Spain	1825	Spanish 60.7%, Quechua 21.2%, and Aymara 14.6%[a]	Roman Catholic 76.8%, Evangelical and Pentecostal 8.1%, and Protestant 7.9%
Brazil	Portugal	1822	Portuguese (official)	Roman Catholic 64.6% and Protestant 22.2%
Chile	Spain	1810	Spanish 99.5% (official) and English 10.2%	Roman Catholic 66.7% and Evangelical or Protestant 16.4%
Colombia	Spain	1810	Spanish (official)	Roman Catholic 79% and Protestant 14%
Costa Rica	Spain	1821	Spanish (official)	Roman Catholic 76.3% and Evangelical 13.7%
Ecuador	Spain	1822	Spanish 93% (official)	Roman Catholic 74% and Evangelical 10.4%

Table 1.1. (*Continued*)

Country	Colonized By	Year of Independence	Main Languages	Main Religions
El Salvador	Spain	1821	Spanish (official)	Roman Catholic 50% and Protestant 36%
Guatemala	Spain	1821	Spanish 60% (official) and Amerindian languages 40%	Roman Catholic
Guyana	The Netherlands/UK	1966[b]	English(official)	Protestant 34.8%, Hindu 24.8%, Roman Catholic 7.1%, and Muslim 6.8%
Honduras	Spain	1821	Spanish (official)	Roman Catholic 46% and Protestant 41%
Mexico	Spain	1821[c]	Spanish only 92.7% and Spanish and indigenous languages 5.7%	Roman Catholic 82.7%
Nicaragua	Spain	1821	Spanish 95.3% (official)	Roman Catholic 51.6% and Evangelical 33.9%
Panama	Spain	1821[d]	Spanish (official)	Roman Catholic 85% and Protestant 15%
Paraguay	Spain	1811	Spanish (official) and Guaraní (official)	Roman Catholic 89.6% and Protestant 6.2%

Peru	Spain	1821	Spanish 84.1%, Quechua 13%, and Aymara 1.7%[a]	Roman Catholic 81.3% and Evangelical 12.5%
Suriname	UK/The Netherlands	1975[e]	Dutch (official)	Protestant 23.6%, Hindu 22.3%, Roman Catholic 21.6%, and Muslim 13.8%
Uruguay	Spain	1825[f]	Spanish (official)	Roman Catholic 47.1%, Christians 11.1%, and non-denominational 23.2%
Venezuela	Spain	1811	Spanish (official)	Roman Catholic 96%

Source: CIA (2017).
Notes: [a]All official.
[b]Dutch colony until 1815 when it became a British possession.
[c]1810 (declared), 1821 (recognized by Spain).
[d]1821 (from Spain), 1903 (from Colombia).
[e]British colony until 1667 when it became a Dutch colony.
[f]Colonized by Spain but annexed by Brazil in 1821, it declared its independence from the latter four years later.

population in the region. English is the official language of Belize and Guyana while Dutch is the official language in Suriname. About 5% of the population speaks other European or native languages.

Since the Spaniards were committed to converting natives to Christianity, this became the dominant religion in the region. Indeed, the Latin American mainland has the largest concentration of Roman Catholics in the world (Holy See Press Office, 2016). In the case of Central America, Roman Catholicism was the most popular religion in the region until the 1960s, since when there has been an increase in other Christian groups, mainly Protestant.

Guyana and Suriname, former British and Dutch possessions, respectively (see above), followed a very different path than the rest of the countries on mainland Latin America and share more historical and cultural bonds with some Caribbean countries, not only in terms of language but also regarding religion. Their populations together accounts for less than 0.25% of the total population in the region, the vast majority descendants of African slaves and Indian and Javanese contract workers. As such, these countries are not necessarily considered part of Latin America and will be excluded from the rest of the analysis.

The Latin American People

Analyzing the human capital characteristics of the different countries of Latin America is crucial to understanding their existing and future development conditions as well as the present situation and future evolution of education, particularly management education, within them.

This section examines in detail demographic data including current population, annual growth rate, fertility rate, age structure, and life expectancy and school life expectancy. In all cases, a comparison with aggregate world figures and selected developed countries and emerging economies is offered.

The total population of mainland Latin America was estimated at more than 580 million people in 2015, which represents approximately 8% of the world population (IMF, 2017). The five most populous countries in the region, in descending order, are: Brazil, with more than 35% of the region's population, Mexico with nearly 21%; Colombia with about 8%; Argentina with almost 7.5%; and Peru with around 5%. This information and all demographic data are shown in Table 1.2.

In 2017, the average population growth rate in the region was 1.1%, which is slightly below the world average but more than three times

Table 1.2. Main Demographic Indicators of Latin American Countries.

Country	Population in Millions[1] 2015	Population Growth Rate (%)[2] 2017	Total Fertility Rate[2] 2017	Age Structure (%)[2] 2017			Median Age[2] 2016	Life Expectancy[2] 2016	School Life Expectancy in Years (Primary to Tertiary Education)[2]
				0–24 Years	25–54 Years	55 Years and Over			
Argentina	43.132	0.9	2.3	39.9	39.4	20.8	31.5	77.1	17
Belize	0.366	1.8	2.9	54.5	36.6	8.9	22.4	68.7	13
Bolivia	10.725	1.5	2.6	51.3	37.5	11.2	24.0	69.2	14
Brazil	204.470	0.7	1.8	38.7	43.9	17.5	31.6	73.8	15
Chile	18.006	0.8	1.8	35.2	43.1	21.8	34.0	78.8	16
Colombia	48.203	1.0	2.0	41.5	41.9	16.6	29.6	75.7	14
Costa Rica	4.851	1.2	1.9	39.0	44.0	17.0	30.9	78.6	15
Ecuador	16.279	1.3	2.2	45.4	39.6	15.0	27.4	76.8	15
El Salvador	6.310	0.3	1.9	46.2	39.2	14.6	26.6	74.7	13
Guatemala	16.252	1.8	2.8	56.1	34.1	9.8	21.7	72.3	11
Honduras	8.075	1.6	2.7	54.0	36.6	9.4	22.6	71.1	11
Mexico	121.006	1.1	2.2	44.5	40.8	14.7	28.0	75.9	13

Table 1.2. (*Continued*)

Country	Population in Millions[1] 2015	Population Growth Rate (%)[2] 2017	Total Fertility Rate[2] 2017	Age Structure (%)[2] 2017			Median Age[2] 2016	Life Expectancy[2] 2016	School Life Expectancy in Years (Primary to Tertiary Education)[2]
				0–24 Years	25–54 Years	55 Years and Over			
Nicaragua	6.082	1.0	1.9	48.5	40.2	11.3	25.2	73.2	–
Panama	3.975	1.3	2.3	43.4	40.4	16.3	28.9	78.6	13
Paraguay	6.756	1.2	1.9	43.9	41.1	15.1	27.8	77.2	12
Peru	31.148	1.0	2.1	44.6	40.2	15.2	27.7	73.7	13
Uruguay	3.467	0.3	1.8	35.9	39.3	24.8	34.7	77.2	16
Venezuela	30.620	1.2	2.3	44.4	40.5	15.1	28.0	75.8	14

Sources: 1. International Monetary Fund (2017). 2. Central Intelligence Agency (2017).

higher compared with the European Union (EU) and is also above the US and Indonesia (CIA, 2017; World Bank, 2017). The Latin American countries with the highest population growth rates are Belize, Guatemala, and Honduras, all located in Central America, followed by Bolivia in South America. These countries have also the highest total fertility rates and the youngest populations. The countries that are growing less are El Salvador and Uruguay.

As to the average total fertility rate in Latin America, it was estimated at 2.2 births per woman in 2017, comparable to Indonesia but again below the world average though more than 50% higher than Japan and nearly 40% above the EU, China, and Russia (CIA, 2017; World Bank, 2017). Brazil, Chile, and Uruguay have the lowest total fertility rate in the region with 1.8 children per woman, similar to the US.

In terms of age, Latin America has a rather young population compare it with developed countries such as Germany and Japan whose populations have a median age of 47 years (CIA, 2017). The median age in the region was about 28 years in 2016, similar to India. Uruguay, Chile, Brazil, and Argentina are countries with older populations (CIA, 2017).

It is interesting to note that the countries with the highest percentages of people within prime working age (25–54 years), the usual target market of graduate programs and executive education, are Costa Rica, Brazil, and Chile.

The average life expectancy at birth in Latin America in 2016 was 75 years, 3 years above the world average but 10 years below Japan and 5 years lower than countries such as Germany, the UK and the US (CIA, 2017; World Bank, 2017). The countries with higher life expectancy, which is an indicator of the overall quality of life in a country, are Chile, Costa Rica, and Panama while Belize and Bolivia have lower life expectancy at birth.

As regards to educational attainment, the mean years of school life expectancy in the region are 14, 4 years below the UK (CIA, 2017). Argentina, Chile, and Uruguay are the countries with higher school life expectancy, whereas two Central American countries, Guatemala and Honduras, have the lowest.

Table 1.3 summarizes the societal situation of Latin American countries associated with urbanization and technological development. In terms of the percentage of the total population living in urban areas, the average percentage in the region was 72% in 2016, which is well above the world average of 54% (World Bank, 2017).

Table 1.3. Urbanization and Technological Development in Latin America.

Country	Urban Population (% of Total)[1] 2016	% of People Using the Internet[2] 2016	Mobile Telephones per 100 Inhabitants[2] 2016
Argentina	91.9	70.2	150.7
Belize	43.8	44.6	63.9
Bolivia	68.9	39.7	90.7
Brazil	85.9	59.7	118.9
Chile	89.7	66.0	127.1
Colombia	76.7	58.1	117.1
Costa Rica	77.7	66.0	159.2
Ecuador	64.0	54.1	84.3
El Salvador	67.2	29.0	140.7
Guatemala	52.0	34.5	115.3
Honduras	55.3	30.0	91.2
Mexico	79.5	59.5	88.2
Nicaragua	59.1	24.6	122.1
Panama	66.9	54.0	172.3
Paraguay	59.9	51.3	104.8
Peru	78.9	45.5	117.1
Uruguay	95.5	66.4	148.7
Venezuela	89.0	60.0	87.0

Sources: 1. World Bank (2017). 2. International Telecommunication Union (2017).

Again, Uruguay, Argentina, and Chile are the countries with higher values while Belize, Guatemala, and Honduras, all from Central America, have the lower percentages of urban populations.

The average percentage of individuals using the Internet in Latin America in 2016 was 51%, very close to the world average of 52% but nearly half of that in the UK, South Korea, Japan, and Germany (ITU, 2017). Once more, the countries with higher percentages are Argentina, Uruguay, Chile, and Costa Rica; lower penetration rates obtain in Central America, Nicaragua, El Salvador, Honduras, and Guatemala.

In 2016, Latin America comprised approximately 9% of the world's mobile telephone subscribers and the average mobile telephone subscription per 100 inhabitants in the region was above the world average – 117 versus 109 (ITU, 2017). Panama, Costa Rica, and Argentina had the higher figures, and Belize and Ecuador the lowest.

Together, these human capital and social development factors suggest the existence of different "developmental" sub-groups of countries within mainland Latin America. While these may or may not correspond to geographical sub-regions they may reflect developmental maturity.

These "developmental" sub-groups are:

- Group 1: The Southern Cone, bounded on the west by the Pacific Ocean and south to the junction between the Pacific and Atlantic Oceans; in other words Argentina, Chile, and Uruguay, countries with low population growth, aging societies, high standards of living, and educational attainment, as well as high levels of urbanization and technological development.
- Group 2: Brazil, the biggest country and sole Portuguese-speaking one in Latin America, characterized by a low population growth rate and increasing elderly population, an overall quality of life and educational attainment around mean values but urbanization, and technological development above the average of the region.
- Group 3: Venezuela, Colombia, and Peru. This group of countries exhibits regional average values in all elements of their demographic profile. It is worth noting that the first two countries of this group emerged from the collapse of Gran Colombia in 1830. Regarding urbanization, their figures are above the Latin American mean.
- Group 4: Central America plus Ecuador, Bolivia, and Paraguay. Most of these countries have high rates of population growth and fertility, young populations, low educational attainment, and low levels of urbanization and technological development. Clear exceptions to the above are Costa Rica and Panama, whose characteristics are closer to those of Group 3 excluding life expectancy and technological development, where they are more similar to Group 1.
- Group 5: Mexico, the second-most populous country in the region and the only one located in North America within mainland Latin America. It has an average demographic profile but higher levels of urbanization and Internet use.

How Latin Americans Are Governed

The form of government, the legal and regulatory environment, and governance issues that exist in the various Latin American countries are all key elements to be studied in order to gain a more in-depth understanding of business development within the region and, accordingly, the evolution of management education.

A presidential republican form of government is prevalent in Latin America. Fourteen of the countries under study have this form of government; Brazil, Mexico, and Venezuela are federal presidential republics; Belize, due to its history as a British colony, is the only country with a parliamentary democracy under a constitutional monarchy (CIA, 2017).

Virtually all Latin American countries follow a civil law system based on Western European legal usages. Once again, as a result of its colonial history, Belize's legal system is modeled on English common law (CIA, 2017).

Legal regulations are critical to the development of businesses in any country, especially whether the regulatory environment is conducive to business operation in terms of enforcing legal contracts, property rights and investment protection.

To assess the ease of doing business in Latin American countries, we have used the "ease of doing business index" developed by the World Bank. This ranks economies from 1 to 190, with first place being the best. It includes quantitative measures of regulations for starting a business, construction permits, accessing electricity, registering property, obtaining credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

Table 1.4 displays the ease of doing business index together with the corruption perceptions index of 2016 for Latin American countries.

Half of the nations reviewed here rate in the top 100 countries for ease of doing business. Mexico appears as the country in the region with better and simpler regulations for businesses and stronger protection of property rights, followed by Colombia, Peru, Chile, Costa Rica, and Panama. Nicaragua, Bolivia, and Venezuela – all three with leftist governments and political leaders with a high concentration of power – rank among the nations with poor regulations affecting businesses, with Venezuela being in the 187th position out of 190.

In addition, the Corruption Perceptions Index shows the perceived level of a country's public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). Uruguay and Chile rank among the 25 cleanest

Table 1.4. Ease of Doing Business and Corruption in Latin America.

Country	**Ease of Doing Business Index[1] 2016**	**Corruption Perceptions Index[2] 2016**
Argentina	116	36
Belize	112	–
Bolivia	149	33
Brazil	123	40
Chile	57	66
Colombia	53	37
Costa Rica	62	58
Ecuador	114	31
El Salvador	95	36
Guatemala	88	28
Honduras	105	30
Mexico	47	30
Nicaragua	127	26
Panama	70	38
Paraguay	106	30
Peru	54	35
Uruguay	90	71
Venezuela	187	17

Sources: 1. World Bank (2017). 2. Transparency International (2017).

countries in the world whereas Venezuela ranks among the 10 most corrupt (Transparency International, 2017). Other countries in Latin America with high levels of government corruption are Nicaragua, Guatemala, and Paraguay.

Overall, there is a clear correlation between how bureaucratic a country's administrative systems are (often known as the level of "red tape") and how corrupt its public sector is seen to be. These conditions are more prevalent in Latin American countries that have current or former socio-political instability.

Macroeconomic Outlook of Latin America

In March 2013, *Bloomberg Markets* magazine released a ranking of the most promising emerging markets using data from Bloomberg's own financial-market statistics, IMF forecasts, figures on demographic and economic development from the World Bank, as well as governance indicators of particular interest to foreign investors such as the issues examined in the previous section.

The ranking rated five Latin American countries among the top 20 emerging markets in the world, viz Brazil, Mexico, Colombia, Chile, and Peru (Bloomberg Markets, 2013). However, in recent years, the pace of the economic growth in the region has slowed due to weak external demand, further declines in commodity prices, volatile financial conditions including large exchange rate depreciations, and some important domestic imbalances and rigidities. During 2015 and 2016, the region faced two consecutive years of negative growth for the first time in over three decades (IMF, 2016).

The combined nominal GDP of countries on the Latin America mainland was estimated at more than US$5,009 billion in 2015, which accounts for nearly 7% of the world's GDP (IMF, 2017). The largest economies, as shown in Table 1.5, are: Brazil, representing approximately 36% of the region's GDP; Mexico, accounting for more than 23%; and Argentina with about 13%. More than 70% of the regional GDP is concentrated in these three economies.

Real GDP growth in Latin America contracted by 0.9% in 2016 after stagnating in 2015, but is estimated to increase by 1.2% in 2017 and 1.9% in 2018 (IMF, 2017). As stated at the beginning of this chapter, the evolution and future growth of management education within the different Latin American countries tends to go hand-in-hand with their economic development.

The economic deceleration experienced in Latin America during 2015 and 2016 is strongly related to the deep recession in Brazil, where growth declined by 3.8% and 3.6% due to public debt dynamics, low competitiveness, and political problems. Yet its growth is projected to turn positive in 2017 (IMF, 2017).

In addition, Venezuela, the fifth-largest economy in the region, had the largest downturn, contracting 6.2% and 16.5% in those years, mostly as a result of its overdependence on oil revenues and a non-business friendly environment.

Moreover, while Mexico's moderate growth during 2015 slightly declined in 2016, its future prospects might be seriously affected in

Table 1.5. Economic Growth and Inequality in Latin American Countries.

Country	**GDP (US$ bn)[1] 2015**	**GDP Real Growth Rate[1] 2015**	**GDP Real Growth Rate[1] 2016**	**GDP per Capita PPP (US$)[1] 2015**	**Gini Index[2] 2011–2016**
Argentina	631.621	2.6	−2.2	20,475	42.7
Belize	1.743	2.9	−0.8	8,413	–
Bolivia	33.241	4.9	4.3	6,955	47.0
Brazil	1,801.48	−3.8	−3.6	15,731	49.7
Chile	242.538	2.3	1.6	23,658	50.5
Colombia	291.530	3.1	2.0	13,835	53.5
Costa Rica	55.475	4.7	4.3	15,741	48.5
Ecuador	100.177	0.2	−1.5	11,381	48.5
El Salvador	26.052	2.3	2.4	8,357	37.0
Guatemala	63.767	4.1	3.1	7,766	53.0
Honduras	20.729	3.6	3.6	5,094	47.1
Mexico	1,152.27	2.7	2.3	18,470	48.2
Nicaragua	12.748	4.9	4.7	5,283	47.1
Panama	52.132	5.8	4.9	21,981	50.7
Paraguay	27.283	3.0	4.1	9,041	51.7
Peru	192.310	3.3	4.0	12,391	45.3
Uruguay	53.275	0.4	1.5	20,902	41.6
Venezuela	242.596	−6.2	−16.5	16,786	39.0

Sources: 1. International Monetary Fund (2017). 2. Central Intelligence Agency (2017).

the future by Donald Trump's protectionist policies given that current economic ties with the US are strong, owing largely to the North American Free Trade Agreement (NAFTA).

Although Argentina's economy contracted during 2016, according to the IMF's Regional Economic Outlook, its medium-term growth prospects have improved, with GDP growth expected to rebound in 2017, as a result of government policies to remove domestic imbalances and distortions and correct relative prices (IMF, 2017).

During the last four years, Colombia's real GDP growth rate has made it the best performer among large economies in the region thanks to effective macroeconomic and fiscal management. However, its economic growth has decelerated since 2014 due to the global drop in oil prices. It is expected to recover in 2018 (IMF, 2017).

Likewise, Chile has consistently been one of Latin America's fastest-growing economies owing to its sound macroeconomic policies but its growth has lost pace in recent years, mainly as a result of the slowdown in the mining sector associated with the decrease in copper prices; indeed, copper alone provides 20% of the government's revenue (CIA, 2017). Nevertheless, its growth is expected to recover gradually starting in 2018 (IMF, 2017).

Conversely, whereas economic activity has been contracting in virtually all of the countries in the region, the economy of Peru grew during 2015 and 2016. In particular, the country's economy strengthened in 2016 supported by expanding copper production and robust private consumption, although growth is expected to decline in 2017 owing to the worst flooding and landslides in decades and spill overs from the Odebrecht corruption scandal (IMF, 2017).

Poverty and inequality remain as worrying issues in many Latin American nations. Average GDP per capita in the region (on a purchasing power parity basis) is more than 30% below the world average, about 70% lower than developed countries such as Germany, the UK and Japan, and half of Russia (IMF, 2017).

Countries in the Southern Cone along with Panama are the ones with the highest GDP per capita, while Honduras, Nicaragua, and Bolivia are the poorest countries in the region. Inequality, as measured by the Gini Index, where 0 represents perfect equality and 100 perfect inequality, is higher in Colombia, Guatemala, and Paraguay. However, it is worth noting that half of the countries on the Latin American mainland rank among the 25 countries in the world with a worse income distribution among their population. They have an average Gini index of 47.1, which is more than 70% higher than, for example, Germany (CIA, 2017).

Additionally, rising inflation and growing unemployment has affected a number of countries in the region, especially Venezuela, Argentina, Brazil, and Colombia (CIA, 2017; IMF, 2017). Still, Latin America's economy is forecast to grow, albeit modestly, in 2017 and 2018 but, as said by the World Bank, "that will largely depend on the strength of external markets and the capacity to address macroeconomic challenges" (World Bank, 2017).

International Trade and Global Connections

Global trade and a greater "open-market" orientation has significantly boosted economic growth in many Latin American countries over the last decade. As Table 1.6 shows, the level of global trade is higher than the level of intra-regional trade in most of the countries, which might help to explain the existing imbalance between global versus regional partnerships developed by Latin American business schools.

The US appears as the main trading partner for more than half of them, especially for Mexico and Central America, and as the second-most important for around 20% of the remaining countries. China is the key trading partner in approximately 20% of cases but its importance has been rising in many countries of the region.

Exceptions to the above are Argentina, Bolivia, Paraguay, and Uruguay, whose main trading partner is their neighboring country Brazil.

The degree of openness in trade varies among countries. For example, Chile has had for many years a market-oriented economy characterized by a high level of foreign trade and at present has 22 trade agreements covering 60 countries including the EU, the US, South Korea, China, and Japan. Also, Mexico has free trade agreements with 46 countries and has become increasingly oriented toward manufacturing since NAFTA came into force in 1994. More recently, Colombia and Peru have signed trade deals with several countries (CIA, 2017).

With regard to trade blocs in the region, the significant existing ones are:

- The Common Market of the South (MERCOSUR) signed in 1991 and whose current full members are Argentina, Brazil, Paraguay, and Uruguay. (Bolivia is in the accession process.)
- The Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) between the US and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, which has been in effect since 2006.
- The Andean Community (CAN), created in 1969 as the Andean Pact to promote regional trade and economic integration. It comprises the South American countries of Bolivia, Colombia, Ecuador, and Peru; and the Pacific Alliance formed in 2011 by Chile, Colombia, Mexico, and Peru.

Table 1.6. International Trade and Foreign Direct Investment in Latin America.

Country	Main Exports Partners[1] 2016	Main Imports Partners[1] 2016	Foreign Direct Investment (US$)[2] 2015
Argentina	Brazil 15.5%, US 7.7%, and China 7.6%	Brazil 24.3%, China 18.7%, US 12.5%, and Germany 5.5%	11,758,994,011
Belize	Burma 30.7%, US 22.6%, and UK 19.3%	US 37.2%, China 11.6%, Mexico 10.8%, and Guatemala 7%	59,119,224
Bolivia	Brazil 19.3%, US 13.6%, Argentina 11.4%, Colombia 8.8%, China 6.8%, Japan 5.9%, and South Korea 5.4%	China 19.9%, Brazil 17.5%, Argentina 10.5%, US 9.8%, and Peru 6.9%	554,643,532
Brazil	China 19%, US 12.6%, Argentina 7.3%, and the Netherlands 5.6%	US 17.6%, China 16.9%, Argentina 6.7%, and Germany 6.6%	74,693,632,858
Chile	China 28.6%, US 14.1%, Japan 8.6%, South Korea 6.9%, and Brazil 5%	China 24.3%, US 14.7%, and Brazil 9.3%	20,468,714,299
Colombia	US 33.5% and Panama 6.3%	US 26.4%, China 19.1%, and Mexico 7.5%	11,732,167,013
Costa Rica	US 41%, the Netherlands 5.8%, Panama 5.7%, Belgium 5.4%, Nicaragua 5.2%, and Guatemala 5.2%	US 37.1%, China 13.5%, and Mexico 6.9%	3,145,009,998
Ecuador	US 32.3%, Chile 6.8%, Vietnam 6.6%, and Peru 5.6%	US 23%, China 19%, and Colombia 8%	1,321,508,337
El Salvador	US 48.3%, Honduras 14.2%, Guatemala 13.5%, and Nicaragua 6.5%	US 37.9%, Guatemala 10.2%, China 8.8%, Mexico 7.6%, and Honduras 6.3%	496,992,814

Guatemala	US 34%, El Salvador 11.5%, Honduras 7.1%, and Nicaragua 6%	US 38.1%, Mexico 11%, China 9.9%, and El Salvador 5%	1,175,523,400
Honduras	US 36.7%, Germany 10.7%, El Salvador 8.6%, Guatemala 6.5%, the Netherlands 5.4%, and Nicaragua 5.3%	US 32.8%, China 14.1%, Guatemala 8.9%, Mexico 7.3%, and El Salvador 5.7%	1,316,679,827
Mexico	US 81%	US 46.6% and China 18%	33,181,269,654
Nicaragua	US 51.5%, Mexico 13.8%, El Salvador 6%, and Venezuela 5.9%	US 19.7%, China 12.9%, Mexico 9.7%, Costa Rica 7.8%, Guatemala 6.5%, and the Netherlands Antilles 5.7%	949,900,000
Panama	US 21.4%, the Netherlands 15.2%, Costa Rica 6%, and China 5.6%	US 25.7%, China 9.2%, and Mexico 5.3%	5,057,700,000
Paraguay	Brazil 35.4%, Argentina 10.5%, Russia 7.6%, and Chile 6.1%	China 27.3%, Brazil 24.3%, Argentina 14.3%, and US 7.1%	315,265,500
Peru	China 23.5%, US 17.3%, and Switzerland 7.1%	China 22.8%, US 20.2%, and Brazil 5.8%	7,817,116,455
Uruguay	Brazil 16.4%, China 12.2%, US 6.2%, and Argentina 5%	China 18.8%, Brazil 17.9%, Argentina 13.3%, and US 6.9%	1,369,314,228
Venezuela	US 35.1%, India 17.2%, China 14.1%, The Netherlands Antilles 8% and Singapore 5.3%	US 22.1%, China 14.3%, and Brazil 7.4%	2,956,000,000

Sources: 1. Central Intelligence Agency (2017). 2. World Bank (2017).

With regard to foreign direct investment, the main recipients are: Brazil, attracting nearly 42% of foreign direct investment within mainland Latin America; Mexico, receiving about 19%; and Chile with almost 12%. Interestingly, foreign direct investment flows to Chile are proportionally much greater than the relative size of its economy.

Results of a cluster analysis considering jointly all economic figures examined in the previous two sections reveal the existence of five economic clusters or "strategic groups" in the region quite similar to the "developmental" sub-groups characterized in the demographic and social development section.

These economic clusters are illustrated in Figure 1.1, which is a "dendrogram" used to represent hierarchical clusters of strategic groups. The dendrogram is read from left to right. Continuous vertical lines before the dotted line represent countries that are joined together.

The position of each continuous vertical line on the scale indicates the distances at which countries were joined (with distance being a measure of dissimilarity). Because many distances in the early stages are of similar magnitude, it is difficult to tell the sequence in which some of

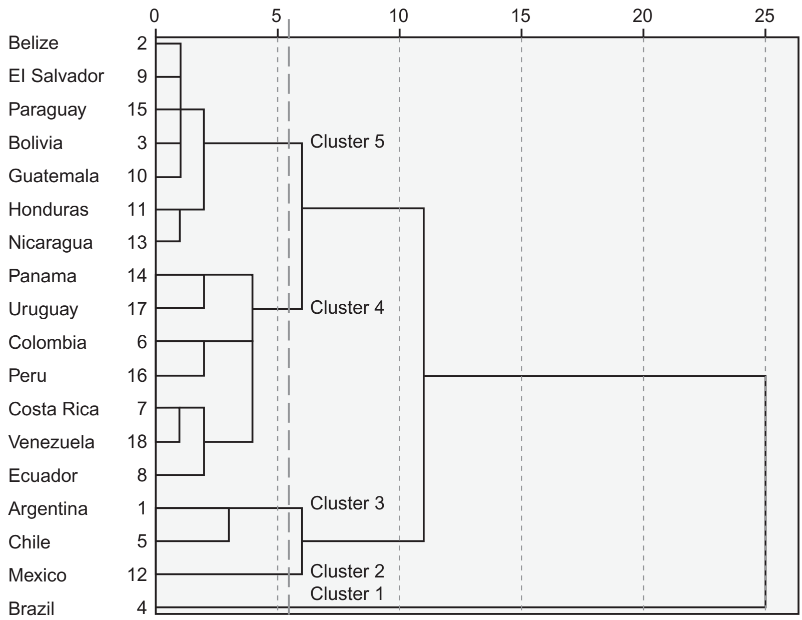

Figure 1.1. Economic Clusters in Latin America Mainland.

the early clusters are formed. It is clear, however, that after the dotted line, the distances at which the clusters are being combined are larger.

The "Strategic Groups" are:

- Cluster 1: Brazil, the largest economy in the region, which currently faces a profound economic and political crisis, as well as high levels of inequality, unemployment, and inflation.
- Cluster 2: Mexico, the second-largest economy in Latin America and one of the most open in the region, is confronting a serious threat to its future economic growth because of the new US government's protectionist agenda. Mexico has become the US second-largest export market and source of imports (US Department of Commerce, 2016).
- Cluster 3: Argentina and Chile are both economies with good growth prospects in the near future and high GDP per capita as well as foreign direct investment.
- Cluster 4: Colombia, Peru, and Venezuela along with Costa Rica, Panama, Uruguay, and Ecuador are medium and small economies with a GDP per capita slightly above the average of the region and most of them with an increasing openness in trade, except for Ecuador and Venezuela.
- Cluster 5: Central America without Costa Rica and Panama and with Bolivia and Paraguay, the smallest and poorest economies in the Latin America mainland.

Culture and Management in the Latin America Region

Shared values and beliefs among Latin American nations as a result of their common historical and cultural past have created particular management and leadership styles that prevail in the region. The correct understanding of national cultural differences in this regard can substantially help to improve how to conduct business with countries of the region.

Hence, this section provides a brief analysis of the scores obtained by Latin American countries in terms of three of the original dimensions of Hofstede's model of national culture and compares them with those obtained by other nations with different cultures. Available scores are displayed in Table 1.7.

Power distance is the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede et al., 2010). High values in

Table 1.7. National Cultures in Latin America.

Country	Power Distance Index	Individualism Index	Masculinity Index
Argentina	49	46	56
Brazil	69	38	49
Chile	63	23	28
Colombia	67	13	64
Costa Rica	35	15	21
Ecuador	78	8	63
El Salvador	66	19	40
Guatemala	95	6	37
Mexico	81	30	69
Panama	95	11	44
Peru	64	16	42
Uruguay	61	36	38
Venezuela	81	12	73

Source: Hofstede, Hofstede, & Minkov (2010).

power distance are associated to hierarchical and status-oriented societies, whereas low values correspond to cultures in which people question authority and try to distribute power.

Overall, Latin American nations score high on power distance, unlike Anglo-Saxon and Germanic countries. In fact, existing literature on cross-cultural management has suggested that countries with a large population that practices Hinduism, Islam, or Catholicism tend to be high on power distance (Carl, Gupta, & Javidan, 2004).

Guatemala and Panama rank among the nations with highest power distance index in the world, akin to Russia, followed by Mexico, Venezuela, and Ecuador, with values similar to China, Indonesia, and India. Costa Rica is the country with the lowest score in the region, comparable to Germany and the UK.

While individualism refers to societies in which the ties between individuals are loose, collectivism relates to societies in which people are integrated into strong, cohesive groups that protect them in exchange for unquestioning loyalty (Hofstede et al., 2010).

In this case, scores above 50 correspond to individualist cultures and scores below to collectivist ones. It is clear that countries in Latin America are mainly collectivist, similar to Indonesia and South Korea, in contrast to individualist countries such as the US or the UK that have scores of 91 and 89, respectively (Hofstede et al., 2010). However, the strength of collectivist values differs among Latin American nations, with Argentina, Brazil, and Uruguay being the least collectivist.

"Masculine" cultures have a preference for achievement, assertiveness and focus on material success, and society at large is more competitive. Conversely, "feminine" cultures have a preference for co-operation, modesty, caring for the weak and quality of life (Hofstede et al., 2010).

Latin American countries show contrasting scores on this dimension. For example, Venezuela and Mexico are relatively high on masculinity, slightly above Germany, the UK and China, whereas Costa Rica and Chile score rather low.

In summary, Latin American nations rate highly on power distance, with roots in the prevalence of Roman Catholicism and inequality on the continent, and operate mostly with collectivist cultures.

These characteristics have a clear influence on values in the workplace and business practices, and need to be integrated into management education programs aiming at effectively training executives from Latin America and other parts of the world who are interested in conducting successful business with and within the region.

Conclusion

Despite their common background in terms of history and cultural elements, the degree of social and economic development among Latin American nations is not homogenous and distinct groups of countries can be identified. The different demographic characteristics, level of technological development, regulatory framework, economic growth, and degree of openness exhibited by these groups have undoubtedly had an impact and influence on how the management education field has developed and the growth opportunities that have occurred.

Nevertheless, the clear importance of the economic variables in the formation of such groups is evidenced by the fact that the output of a "strategic groups" cluster analysis taking together "all" quantitative indicators examined in the present chapter, is virtually identical to the economic clusters or "strategic groups" of the cluster analysis output previously obtained.

Hence, it is imperative to monitor the recovery of the region's economy (which will be fragile as long as the uncertainties of the global economic context and recent protectionist trends continue) in order to develop a clearer view on how the evolution of business education in Latin America should develop in relation to economic growth imperatives.

Taking into account this landscape, Chapter 2 will provide an outline of the evolution of management education in the different Latin American countries over the last 10 years.