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DEVELOPMENTAL ENTREPRENEURSHIP: ADVERSITY, RISK, AND ISOLATION

EDITED BY

CRAIG S. GALBRAITH

University of North Carolina, Wilmington, NC, USA

CURT H. STILES

University of North Carolina, Wilmington, NC, USA

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ACQUIRING THE SKILLS AND LEGITIMACY TO BETTER MANAGE LOCAL ECONOMIC DEVELOPMENT: THE CASE OF JALISCO, MEXICO☆

Nichola Lowe

1. INTRODUCTION

During the past decade, sub-national government agencies in the late industrialized nations have taken on greater responsibilities in the area of economic and industrial planning. This has been especially true in Mexico where fiscal and planning decentralization, shifting local politics, the recent entry into the North American Free Trade Agreement (1995), the peso crisis and resulting job-loss (1995–1997) and the latest wave of investment opportunities (in part an outgrowth of NAFTA) have, to varying degrees,

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facilitated greater intervention in the local economy by state-level planning and development authorities. Since the mid-1990s most state governments in Mexico have substantially increased the number of staff and working budgets of their economic development ministries.

However, expanded bureaucracies and budgets alone cannot prepare state governments for the arduous and complex task of managing industrial growth and development. In addition to making important choices about which tools to use in order to encourage new investment and upgrade existing industries, state planners in Mexico also grapple with the following concerns: how to effectively disperse information about available resources and support services to their local constituency; how to allocate and reallocate resources in ways that are most effective for both short-and long-term development; how to gain the trust of business owners and leaders that have long viewed local government as dormant, ineffective or worse, corrupt; how to convince constituent firms to willingly accept government support, advice and financial assistance; and finally, how to regulate and monitor subsidized firms.

2. ECONOMIC DEVELOPMENT AS SKILL BUILDING

The complex nature of the exercise, both in terms of the high number of tasks involved and the diverse paths available for identifying and completing such tasks, is often overlooked by scholars of contemporary economic development. Instead the current trend includes viewing economic development, especially at a sub-national level, as a simple choice between two distinct tasks and related strategies. Do local authorities take advantage of the latest flows of foreign-capital and seek to lure large-scale foreign-owned and managed operations to their state, what in Mexico is commonly referred to as the "*Maquila* model" (Bair & Gerreffi, 1998, 1999; Buitelaar & Padilla Pérez, 2000)? Or, do they focus their energies on building new industries from the ground-up and supporting pre-existing industries and firms through technical support services, marketing-assistance, employee training programs, technology transfer agreements and subsidized credit, the "entrepreneurial model" (Piore et al., 2001)?

According to this framework, state and local authorities pursuing the Maquila model, use most of their resources, financial and bureaucratic, to attract large, mobile foreign-owned, and export-oriented firms in mature industries, such as garments, especially denim products, textiles, chemicals, consumer electronics, autoparts, and computer and peripheral-assembly. It

is often argued that economic developers employing this strategy are most concerned with immediate job-creation and export promotion (Eisinger, 1988; Buitellaar et al., 2000). In achieving this end, developers use a variety of fiscal incentives, including tax breaks and cash subsidies to compensate firms for their start-up training and infrastructure costs.

In contrast, state developers using an entrepreneurial approach are more interested in generating new capital through the creation of new businesses and efforts to upgrade micro and small-sized businesses. Here, "government's role is to help identify investment opportunities that the private sector may either have overlooked or be reluctant to pursue, including opportunities in new markets, new products and new industries" (Eisinger, 1988, p. 12). This is achieved through business development services and state-managed training programs that focus on supply chain management, increased local sourcing, production upgrading, skill retention and technology acquisition.

Although normatively speaking, the entrepreneurial strategy is favored by development analysts and evaluators, it is often believed that state governments (in both industrialized and less industrialized nations) when given a choice, will prioritize recruitment or luring over entrepreneurial activities. Drawing on conventional theories of political behavior and decision-making in which governors and their appointed staff seek to maximize future votes, it is argued that "given its apparent, immediate gratification and the possibilities for dramatic credit-claiming, capturing a footloose firm is far more satisfying politically than waiting for slower and riskier entrepreneurial programs to mature" (Eisinger, 1995, p. 155). Recruiting outside firms or what is commonly referred to as "supply side" economic development policy is therefore considered "a symbolic act for public consumption than for its economic effect ... Local politicians need to show that they are hustling business for their community" (Gilbert, 1995, p. 17; See also, Bartik, 1991; Schweke, Rist, & Dabson, 1994; Lynch, 1996; Buchholz, 1998).

While this analytical frame has considerable predictive power and helps fuel continued (and, at times, much needed) policy debate, its reliance on simplistic behavioral models and theories obscures the complex learning processes and real constraints faced by state governments as they tinker and experiment with and vary their "strategies of action" in the face of shifting national and international economic pressures (Barzelay, 1991; Sabel, 1994; Tendler, 1997; Lowe, 1999a, b; Perez-Aleman, 2000). More importantly, by separating out activities and tasks and placing normative values on them independent of their function within a broader sub-national policy regime, scholars of economic development tend to ignore dynamic (and often surprising) interactions between activities and models, as well as the important lessons and skills that state governments derive from them. Rather than ask why state governments continue to lure mobile capital when entrepreneurial-related tasks appear to have greater long-term development potential, we should be concerned with addressing the follow questions: *How do state governments acquire the skills and legitimacy needed to better manage the economic and industrial adjustment and growth of their region? What historical legacies and relationships can local authorities build on and further develop in order to help them hone these skills and design more "inclusive" development strategies? What events and actions trigger policy innovation and reform in the area of economic development?*

These questions emerge from and are informed by an extended case study of economic development planning in Jalisco, Mexico. The evidence presented in this paper draws on (a) 130 semi-structured interviews conducted by the author between June 1999 and July 2000 with business leaders, firm owners, government officials, and business consultants from the state of Jalisco and (b) a review of government documents, periodicals and other secondary sources. Interviews were also conducted with state developers and business leaders from the Western-central states of Michoacan and Guanajuato. The statistics used throughout this paper were compiled by the author using data provided by state-level business associations and Jalisco's Secretary of Economic Development and Promotion, SEPROE.

Since 1995, state-level economic developers in Jalisco have significantly altered their approach to development planning in ways that have enabled smaller firms in the state's traditional industries to have greater access to much-needed support services, training programs, and other public resources, both financial and bureaucratic. This assistance comes at a critical juncture as many of these industries face considerable competition resulting from tariff reductions on Asian-made imports. This new planning style represents a major departure from earlier administrations (spanning almost 50 years) in which state-level, public-sector authorities in Jalisco earmarked a substantial share of federal and state resources for those activities (e.g., cash giveaways, tax breaks, and subsidized training and infrastructure) that promoted large-scale investment in and recruitment of more capital-intensive industries, such as chemicals, textiles and, more recently, electronics.

While many local analysts, including high-level officials within the state government, see this shift as an expected outcome of the state's changing political leadership and the new administration's initial awareness of the benefits of entrepreneurial rather than recruitment-based activities, closer analysis reveals a much more complex, discursive and negotiated process of

reform. After presenting more details on the scope and scale of this planning reform, I will examine the factors that helped to facilitate and inspire this shift in development praxis and that have enabled the state government in Jalisco to acquire the skills and legitimacy needed to both identify and follow out their desired and shifting goals.

3. TRADITIONAL SECTOR SUPPORT IN JALISCO: PROGRAM DEVELOPMENT AND DESIGN

Jalisco's industrial profile and growth trajectory is quite different to that found in other industrialized states in Mexico (see Table 1). Starting in the late 1920s, the State's industrial development, particularly in Guadalajara, the state's densely populated urban capital, was fueled primarily by the growth of firms in labor-intensive, traditional industries, such as footwear, garments, metal-mechanics, furniture, jewelry and artisan goods (Arias, 1983; Arias, 1992; Zamora, Diester, de Leon Arias, & Alejandre, 1988). In contrast to other states which have tended to specialize in one or two of these traditional, labor-intensive industries, total production and employment in these industries is more evenly balanced in Jalisco (see Tables 2 and 3). In most of these industries, Jalisco ranks second through fourth in the nation in total annual output (value in pesos) (see Tables 4 and 5). Most of the firms in these industries are 100 percent locally owned and operated. The state has few traditional sector maquila or export-processing assembly operations (e.g., garments).

A second distinction relates to the state's large share of micro and small-sized manufacturing establishments. In 1996, Mexico City, Mexico State,

Table 1. Total Industrial Output in Millions of Pesos.

State/Region	Gross Output in 1996 (1996 Pesos)
Mexico city	98
Mexico state	81
Nuevo Leon	43
Jalisco	35
Coahuila	27
Veracruz	23
Chihuahua	21

Source: INEGI. Producto Interno Bruto 1999.

Table 2. Traditional Industries in Jalisco (1998 Figures).

Industry	No. of Firms or Workshops	No. of Employees (Formal)
Artisan goods	3,315	NA
Graphic design	1,500	12,750
Shoes	1,063	20,000
Garments and textiles	1,436	27,000
Jewelry	800	9,300
Furniture	1,405	10,600
Total	9,519	79,650*

Source: Seijal.
*90,000 if we include estimates on total employment in the artisan goods industry.

Table 3. Jalisco's Industrial Sector Employment and Registered Owners by Industry, October 1998.

Sector	Employment	Registered Owners
Machinery & equipment	70,732	2,887
Food processing	68,227	2,854
Plastics & rubber	26,216	662
Shoes & leather	21,123	1,156
Apparel	20,398	1,283
Chemical	18,197	432
Furniture & wood	16,465	1,389
Minerals & metals	14,900	779
Textiles	9,840	265
Publishing & graphic design	7,815	796
Construction	6,689	168
Paper products	4,714	91
Petrochemical	1,011	17
Other industries	12,519	607
Total	298,846	13,386

Source: Seijal, IMSS.

and Nuevo Leon – the top three regions in the country in terms of total industrial output – had a greater share of large-sized, modern capital-intensive establishments and traditional sector firms when compared to Jalisco (ranked fourth in total industrial output) (Arias, 1983; Pozas, 1993; Spener & Pozos, 1996; Alba Vega, 1998). In Coahuila, Veracruz, and Chihuahua – fifth, sixth and seventh, respectively, in total manufacturing output – industrial jobs are mostly concentrated in medium and large-sized

Table 4. National Shoe Production, by State.

State	Value of Production (1993) %	No. of Firms (1997) %	Employment (1997) %	Specialty
Guanajuato	36.8	49.4	51.3	Men, Child
Jalisco	24.1	19.4	16.2	Women
DF	19.5	8.1	4.8	Men
Mexico state	7.7	5.4	5.6	Men
Nuevo Leon	3.1	2.4	3.6	Men, Child
Subtotal	91.2	84.7	81.5	
Others	8.9	15.3	18.5	

Source: Grupo Financiero Bancomer. Economic Report. June–July 1998. p. 53. Using data from INEGI. Column 4, UNAM study.

Table 5. National Apparel Production, by State.

State	Share of Total Value (1995)[1]
Mexico city	48
Mexico state	12
Puebla	5
Jalisco	4
Guanajuato	3
Others	28

Source: Seijal, 1995.
[1]Total national apparel employment was 712,523 in 1998, Jalisco accounted for 4.2% of total employment and 7.02% of national production.

maquila plants. The exception is Veracruz, which depends heavily on petroleum-related industrial operations. The historical presence of small-sized establishments in Jalisco's capital city, Guadalajara, has earned it the nickname "the big city of small industry" (Arias, 1983). In the late 1980s, formal sector, small-sized businesses accounted for over 90 percent of all manufacturing operations in the city (Spener & Pozos, 1996).

The contemporary industrial policy regime of the state government reflects this industrial structure. SEPROE channels a considerable share of its financial (approximately 65 percent of the agency's annual budget) and bureaucratic resources to programs and policy innovations that target micro-, small- and medium-sized businesses in the state's core traditional industries, including footwear, garments, metal-mechanics, furniture, artisan goods, graphic arts, and jewelry. SEPROE's professional core and top-level management consider traditional sector firms to be a key industrial asset and resource for the state. They often justify program and policy interventions in terms of the state's long-term industrial competitiveness and capital (and skill) formation. Small firms in traditional sectors not only provide much needed jobs for the state (35–40% of all manufacturing jobs, depending on estimates), but are expected to (a) improve the quality of local jobs as they build on and further develop a rich and locally rooted skill base and (b) expose the state to (and localize) higher-value added processes and support services with the development of their own design capacity and the implementation of new technologies and manufacturing systems. State economic developers in Jalisco are also aware of the vulnerability of firms in these industries. Focused and well-designed interventions are seen as a means to stabilize these industries, as well as increase chances of firm survivability.

SEPROE's dedication to small-firm, traditional-sector upgrading is best represented through its direct involvement in four interconnected technical support and business training programs. These programs are designed, administered, and financed by SEPROE (using state and federal funds), the state's sectoral trade associations (see Table 6) and, in the case of the Agrupamiento Empresarial and FOJAL, the state's main Jesuit University, ITESO. The largest program in terms of allocated public resources, both financial and bureaucratic (e.g., number of staff and personnel assigned to this program) is the *Agrupamiento Empresarial* or AGREM program. AGREM is a "group consulting" program that facilitates joint problem solving among local manufacturers and suppliers through a mix of classroom training, factory visits and group critiques. Each AGREM consists of 15 to 25 micro-, small- and medium-sized firms, runs for approximately six months and is financed through state and federal grants and fees collected from participating firms. Government approved consultants run the programs with the administrative guidance and institutional support of the sectoral trade associations. Officials from SEPROE are responsible for determining program costs (see Table 7), negotiating the fees paid by participating firms, lobbying state and federal authorities for additional program funding, promoting the program to other industries and evaluating the program's progress. They also act as the key intermediary between the business consultants (trainers) and associations (participating firms).

Eight AGREMs have been initiated in four industries, footwear, garments, metal-mechanics and artisan goods, since 1997 (see Tables 7 and 8). SEPROE and local trade associations have also partnered to create CEJALDI, a multi-industry design center that opened last year in order

Table 6. Key Sectoral Business Associations in Jalisco.

Name	Industry	Year Established	Independent or Regional Office of National Organization
Camara de la industria Del Calzado de Jalisco	Footwear	1940s	Independent
Camara regional de la industria de Transformacion del Estado de Jalisco	Industries not represented by other chambers	1940s	Independent
Camara de la industria Alimenticia de Jalisco	Food processing	1940s	Independent
Camara textil de occidente	Textiles	1960s	Regional
Camara nacional de la industria del Vestido Delegacion Jalisco	Apparel	1960s	Regional
Camara regional de la industria de Joyeria y Plateria del Estado de Jalisco	Jewelry	1968	Independent
Consejo de Camaras industriales (before 1979, known as Junta de presidentes de las Camaras industriales)	Federation of all industrial business associations in Jalisco	1965/1979 (formal)	Independent
Asociacion de fabricantes de Muebles de Jalisco and Camara de Fabricantes de Muebles de Jalisco	Furniture	1979/1999	Independent
Camara nacional de las Artes Graficas delegacion Jalisco	Graphic arts and design	NA	Regional
Camara regional de La industria de Curtiduria	Leather goods/ tannery	NA	Independent
Camara nacional de Comercio, Tlaquepaque and Tonola delegacion (artisan division)	Artisan goods	NA	Regional
Camara nacional de la industria electronica y de telecomunicaciones e informatica delegacion Regional Occidente	Electronics	1991	Regional

Source: Camara de la Industria del Calzado del Estado de Jalisco, Camara Nacional de la Industria del Vestido Delegacion Jalisco and SEPROE.

to provide manufacturers and designers in Jalisco with the skills, resources and technology needed to develop a *linea propia*, or contemporary regional style or "look." CEJALDI's mission is to help smaller firms realize the full design potential embodied in their existing machinery and equipment.

Table 7. Agrupamiento Empresarial Program Costs (6 Months, US Dollars).

	Shoe Industry[1]	Garment Industry[2]
SEPROE-state government	21,055	2,631.5
CIMO-federal government	15,790	2,631.5
Participants share	26,315	2,631.5
ITESO	0	2,631.5
Total program costs	63,160	10,526
Total program costs, per firm	2,526	877

Source: 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 international trip to observe production processes overseas.
[2]Based on costs for the first garment Agrupamiento, with 12 participants. Costs are significantly lower for the garment industry agrupamientos as ITESO provides much of the services and overhead costs free of charge in addition to covering 25% of direct costs.

Table 8. Overview of the Agrupamiento Program, Shoe and Garment Industry.

	Industry	Date Started	No. of Firms	Core Focus	Administrators
Group 1	Footwear	March-1998	22	Marketing	Chamber/ IPADEM/ ITESO
Group 2	Footwear	December-1998	16	supply chain management	Chamber/ IPADEM
Group 3	Footwear	June-1999	25	Labor force development	Chamber/ IPADEM
Group 4	Garment	October-1998	12	Marketing	Chamber/ITESO
Group 5	Garment	May-1999	18	Supply chain management	Chamber/ITESO
Group 6	Metalmechanics	December-1999	16	Marketing	Chamber/ITESO
Group 7	Garment	June-2000	15	Marketing collective	Chamber/ITESO
Group 8	Artisan goods	May-2000	14	Marketing/ quality control	Artisan institute/ ITESO

Source: Camara de la Industria del Calzado del Estado de Jalisco, Camara Nacional de la Industria del Vestido Delegacion Jalisco, IPADEM (private business consultant) and ITESO.

Design studies have been completed in the region's footwear, garments and artisan goods industries.

SEPROE's Division of Trade and Commerce (JALTRADE) has worked with officials from traditional sector business associations in order to facilitate the development of export alliances and marketing collectives. Two collectives, one in footwear and one in garments, have been created in order to expose medium-, small- and micro-sized firms to more demanding consumer markets and buyers in the United States and, eventually, in Europe. Finally, in recent years, SEPROE has contributed money and personnel to the garment industries *Camino de Vestido*-, a week long, promotional campaign that takes prospective investors, manufacturers, and suppliers to existing industrial complexes and small-firm clusters located outside of the metropolitan zone. By endorsing this project, public authorities hope to inspire other industries that currently face severe labor shortages (e.g., shoe and furniture manufacturers) to consider locating certain production processes in less urbanized regions of the state. In addition to these more formal efforts, SEPROE has offered assistance with local trade shows, international trade missions and industry-specific vocational training centers. The agency has also administered low-interest loans to small-sized, pre-existing firms using money allocated to them through federal temporary employment and job-creation programs, such as FOJAL and GEMICRO.

Early evaluations of the AGREM program show considerable, post-program improvements in the area of product design, international marketing, logistics and supply chain management (see Tables 9 and 10). Anecdotal evidence suggests that as a result of this program, participating firms are also learning how to identify, locate and apply new and appropriate technologies, improve work conditions in order to attract and retain semi-skilled and skilled employees, and collaborate with new and existing suppliers and partner firms on process and product improvements. A significant share of participating firms in the first three AGREMs have been able to draw on the

Table 9. Agrupamiento Empresarial Program Post-Group Evaluation, Summary Statistics, Group 1, Shoe Industry.

	Pre-Group	Post-Group	Total Change (%)
Installed capacity	83,750	89,790	7.2
Actual production	49,665	56,550	13.9
Total utilized capacity (%)	59	63	

Source: Instituto Para la Alta Direccion de Empresas. Resultados E Informacion Relevante del Pimer Programa de Agrupaminento Empresariel de la Industria del Calzado, September 1998.

Table 10. Agrupamiento Empresarial Program Post-Group Evaluation, Various Indicators, Group 1, Shoe Industry (Six Month Period).

Participant (Asterisk Indicates Firm that Exports[1])	Starting Employment (Asterisk Indicates a Post-Group Increase in Employment)	Starting Productivity (Pairs Per Person Per Day)	Ending Productivity (Pairs Per Person Per Day)	Percentage Change (Values in Bold Indicate Increase)	Order to Delivery Time, No. of Days, Pre-Group	Order to Delivery Time, No. of Days, Post-Group	Change in Order to Delivery Time, No. of Days
1	59	5.51	4.23	(0.23)	15	15	0
2	145*	4.83	6.4	**0.33**	30	17	−13
3	52*	6.73	8.00	**0.19**	5	4	−1
4	30*	6.67	6.11	(0.08)	22	8	−14
5	34	7.35	7.35	0.00	5	4	−1
6	180	8.33	8.33	0.00	NA	NA	NA
7*	198	6.06	6.06	0.00	NA	NA	NA
8*	66	5.76	7.30	**0.27**	22	10	−12
9	54	9.26	10.00	**0.08**	20	6	−14
10	40	3.75	7.35	**0.96**	28	21	−7
11	16*	6.25	6.67	**0.07**	30	15	−15
12	37*	9.81	10.00	**0.02**	7	5	−2
13	99	6.06	8.59	**0.42**	40	22	−18
14	27*	5.56	8.73	**0.57**	30	20	−10
15	18	4.44	6.67	**0.5**	22	7	−15
16*	55*	5.45	6.33	**0.16**	20	10	−10
17	23	6.96	7.83	**0.13**	60	30	−30
18	25	10.40	10.48	**0.01**	40	20	−20
19	44	5.45	6.14	**0.13**	60	12	−48
20*	41	36.59	38.05	**0.04**	22	15	−7
21	86*	4.65	4.44	(0.05)	22	9	−13
22	30	8.00	8.00	0.00	NA	NA	NA

Source: Instituto Para la Alta Direccion de Empresas. Resultados E Informacion Relevante del Pimer Programa de Agrupaminento Empresariel de la Industria del Calzado, September 1998.
[1] 4 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. 92% of the groups exports go to the U.S., 8% to Central and South America.

skills learned during the programs in order to secure a place in higher-end, more quality-conscious segments of the national footwear and clothing market.

JALTRADE's export alliance program has faced more difficulties. The first alliance, a collective of 25 manufacturers and suppliers selling women's shoes under the trademark Andiamo, performed well during its first two years in operation. In one season, Andiamo secured orders for over 35,000 pairs of shoes from top US retailers, including Nordstroms, Bloomingdales and Spiegels. However, due to unresolved disputes, the cooperative's governing board decided to liquidate the corporation in May 2000.

Interestingly, the major source of conflict was over the cooperatives targeted market, the United States. While a handful of participating firms in Andiamo, particularly medium-sized firms with more available working capital, continued to value the US market and see access to it as a key part of their own learning process, a significant share of Andiamo's firms felt vulnerable vis-à-vis large US buyers – e.g., orders and prices are often changed at the last minute; determinants of quality (and thus rejected shipments) were not always clearly specified. Furthermore, smaller sized firms have complained about payment schedules in the United States. Whereas domestic and regional buyers in Latin America guarantee payment in 10–20 business days, Andiamo's average was usually 95 days.

Andiamo's struggles have not gone unnoticed. Under the direction of JALTRADE (and thus, SEPROE), the second alliance known as Cactus West (15 garment firms) has proceeded more cautiously. The initial financial investment required from each firm has been much lower, thereby freeing up working capital for smaller-sized firms. Potential US clients are drawn from a list of buyers that participating firms have prior experience selling to and working with (i.e., Cactus West is in a better bargaining position vis-à-vis its US clients). Finally, project leaders have been more strict in their selection and evaluation criteria of both participating firms and US buyers. In contrast to Andiamo, firms wishing to join Cactus West were not required to have prior export experience – rather during group interviews firms were asked to clearly demonstrate their ability and willingness to work with, listen to and trust other firms. Project leaders, in making the final cut, also looked for shared experiences and characteristics across firms. It is not surprising therefore that many of the short-listed firms have also participated in garment industry AGREMs.

There are key differences between JALTRADE's export alliance program and the AGREM program that might also help explain why the former has faced greater obstacles. The primary concern of AGREM program designers is to first break traditional patterns of interaction between local firms and create a "culture" of trust and collective identity that will last beyond the confines of the AGREM. The formation of formal alliances and collectives, until recently, has been a lower priority item. This is reflected in initial program evaluations which examine individual, rather than collective metrics. In contrast, program administrators of the export alliance program are responsible for creating active, functioning marketing cooperatives or corporations by grouping together small businesses. While the foundations of collective action and cooperation are laid during the AGREM program, foundational cracks and weaknesses only become visible when a formal structure is in place. With time, this division of labor is becoming less pronounced.

Taken together these initiatives and on-going improvements to them reflect considerable forward thinking on the part of Jalisco's state government. This is true not only in terms of the types of industries targeted by SEPROE, but also the institutional arrangements the agency has developed (and strengthened) in order to better define and direct its core industrial policies and practices. Although many of the initiatives described above were first developed by the state's sectoral business associations, SEPROE played a key role in identifying and reinforcing, through public presentations, press releases and continued financial and administrative support, those initiatives that are most representative of a broader set of regional concerns. Through their actions, SEPROE has not only been able to scale-up local training programs by promoting them to other industry associations, but they have also been able to encourage elected officials and administrators of the associations to continuously upgrade and make improvements to their training programs and support services. They have also persuaded the board members of these associations to consider region-wide and multi-industry concerns and constraints, especially those affecting smaller-sized firms, when designing and developing new initiatives.

4. SHIFTING FRAMES AND PRIORITIES

Interestingly, even though Jalisco historically has had a large share of small firms in traditional sectors, the state government and development agency has not always concentrated its energies and resources here. While public-sector assistance at the state level was available to traditional-sector firms during earlier administrations, a greater share of the state's economic development budget, between 1940 and the mid-1990s, was reserved for subsidizing large-sized, export-oriented firms and new investments in more capital-intensive sectors (Arias, 1983; Rabellotti, 1995, 1999; Spener & Pozas, 1996). Resources that were channeled to the state's traditional sectors went disproportionately to larger-sized firms. This bias was often reinforced through SEPROE's day-to-day operations and routines; business owners of larger sized firms were able to secure meetings with higher-ranking bureaucrats and those most active in shaping state level industrial policy; the concerns of smaller firms were typically assigned to lower-ranking bureaucrats and assistants. Assistance that targeted smaller firms in the state's traditional industries – when available during earlier administrations – tended to be classified under the heading of rural industrialization and poverty alleviation or remained the responsibility of federal development authorities and agencies.

How do we explain this recent shift in planning praxis and resource allocation on the part of Jalisco's state government? Why are smaller sized firms in traditional industries now considered a key asset for the state and its future growth and development? Finally, what can development scholars and practitioners take from this case in light of on-going debates about the nature of the state and the institutional determinants of "good governance"?

As with other cases of public-sector reform, especially those deemed a success, it is easy to identify a rich, local narrative in Jalisco that is used to explain and understand these recent events. The shift in planning praxis on the part of SEPROE is typically attributed to the 1995 electoral victory of Alberto Cardenas, then gubernatorial candidate for *Partido Acción Nacional* (PAN). Reversing over 60 years of *Partido Revolucionario Institucional* (PRI) rule at the state level, the PAN and Cardenas claimed victory promising to dismantle PRI-style corporatist structures that disproportionately benefited a handful of large-sized producers in the state. The growing commitment to small firm, traditional sector development and upgrading is considered proof that the PAN is making good on its earlier campaign promises to support small business owners.

As will be discussed in more detail below, the PAN's victory in Jalisco has, without a doubt, helped to shape and redirect the state's contemporary industrial policy regime. However, the conventional narrative and its fixation with changing local politics, overlooks a critical irregularity in state-level politics and industrial policy making in Mexico. Specifically, local analysts, in attributing reform to the PAN and its broader mission to assist small businesses, fail to recognize considerable variation in development policy and practice across PAN-governed states even though each governor entered public life touting the same pro-small-business rhetoric.

In the northern state of Chihuahua, under the direction of the PAN (1992–1997) industrial policies continued to disproportionately target foreign-owned maquilas and a small number of traditional sector firms that have a direct stake in the rapid growth of these firms, including the state's construction-based industrial groups and families (Mizrahi, 1995). Interviews with development practitioners from the state of Guanajuato, where president Vicente Fox governed between 1989 and 2000, suggest that a large share of the state's economic development budget has been used to finance programs that support new investment in capital-intensive industries, particularly chemicals and autoparts. Resources available for the state's historically-rooted shoe industry, the largest traditional sector industry in the state, appear to have disproportionately benefited large- and medium-sized operations even though approximately 90% of all shoe manufacturers in the state are micro- or small-sized.

5. BUSINESS-OWNERS AS BUREAUCRATS

A more compelling argument relates to the PAN's explicit and conscious strategy of turning to and building on pre-existing industrial structures and systems within the state. In contrast to the PRI, the PAN, thus far, has not reserved its top cabinet posts for career politicians, top-ranking party members or those most active in managing the gubernatorial campaign. Instead, top-level bureaucrats and state cabinet secretaries of economic development are normally selected from the surrounding business community. Chosen candidates tend to be active and vocal members of well-established and highly reputable business associations or related organizations. Furthermore, under the direction of PAN-appointed personnel, reforms to the organizational structure of the secretary often reflect and reinforce the dominant industrial structures and representative business organizations in the state.

In Chihuahua, for example, the state's post-1992 Secretary of Economic Development was quick to adopt a structural form similar to that found in the states largest and most vocal business association. A large share of the secretary's professional core had direct links to this association, either as prior board members or high-ranking administrators (Mizrahi, 1995). Similar patterns exist in Guanajuato, where top-level bureaucrats in the state's Secretary of Economic Development are typically drawn from a handful of powerful industrial think tanks and manufacturing technology research centers in the state. In Jalisco, economic development officials from SEPROE have adopted an institutional structure somewhat similar to that used by CCIJ, the state's federation of industrial associations. Similar to CCIJ, in 2001 SEPROE has a single administrative body that determined the broad development policies and goals of the agencies and eight decentralized, thematic or sectoral divisions that were responsible for defining program procedure and protocol.

The strategy of consciously blurring the boundaries between the state and active business community, in part, reflects initial political constraints. The PAN, in an attempt to distinguish itself from the long-ruling PRI, adopted a much stricter membership process -- extensive background checks and lengthy waiting periods of up to 5 years were initially the norm and were used to limit the type of inter and intra-party "corruption" often associated with the PRI. This has meant that as a political entity, the PAN had fewer card carrying members to draw from when selecting cabinet officials and top level bureaucrats during early state-level victories, such as those in Guanajuato and Jalisco. Some scholars of Mexican political reform have taken the argument further suggesting that this strategy, given its non-partisan nature, also enabled the PAN to gain much needed, earlier support from PRI-led federal agencies and PRI-affiliated state legislators. Ultimately, this translated into less resistance and struggle in the area of local policy innovation and budgetary discretion (Mizrahi, 1995). The nature of this strategy, insofar as the boundaries between business and the state bureaucracy have become more fluid, suggests the need for a richer and more nuanced understanding of Jalisco's existing business institutions and industrial structures.

The remaining sections of this paper look at the historical and institutional evolution of the state's key business associations, as well as how recent changes to these organizations have affected state–business relations in Jalisco. Close attention is paid to associations that have been most influential in shaping the direction of policies and the type of programs adopted by the state development agency after 1995. However, as will be illustrated below, the state government, while composed of individuals from these associations, is not just an expression or extension of the state's changing business community. Rather, as business owners-turned-government officials, especially those now responding to the needs of smaller-sized firms, SEPROE agents are often forced to grapple with, take on and understand greater bureaucratic challenges than those presented to them by vocal business associations and their constituencies. In turn, they are learning how to become more sophisticated agents of change. Informal links and networks to the local business community (and more recently, to a group of university extension agents and local business consultants) are not only used to shape the direction of policy but also provide government agents with important channels for monitoring, evaluating and influencing the progress and dispersion of the state's business support programs.

6. "SHOW ME THE MONEY": CRISIS, UNEMPLOYMENT AND, EVENTUALLY, LEGISLATIVE LEGITIMACY

Governor Alberto Cardenas entered office at the height of the national banking and fiscal crisis of 1995/1996. Not surprisingly, SEPROE and the state's local economy were in a severe state of shock when Sergio Garcia de Alba took charge of SEPROE in 1995. Official unemployment in Guadalajara, the state's capital city, and its surrounding urban counties was close to 7 percent. In 1994, unemployment in the Guadalajara Metropolitan Zone had been 3.1 percent, slightly higher than the 10-year average. Between December 1994 and 1995, the state lost 51,949 or 8 percent of all manufacturing jobs; the majority of job losses were due to plant closings in the state's traditional industries. Underemployment was an even greater concern. Approximately 3000 or 6 percent of all registered manufacturing establishments, the majority of which were traditional sector firms, closed shop or pulled out of the formal market during this same period.

While SEPROE's directors seemed to be genuinely interested in assisting the state's traditional sector firms, they were limited in what they could do given initial budget constraints, the extent of the crisis and their own lack of experience with development and crisis planning. In 1995, the agency had an annual working budget of less than US$80,000 to cover agency overhead, payroll and supplies. Given the states rising unemployment, SEPROE had little choice but to look to industries that would guarantee immediate and secure jobs. Traditional sector firms, at least those seeking public-sector support during this time, were often more interested in learning how to "reengineer" their plants so as to shed, rather than absorb, local labor. Micro and small-sized operations in the state's traditional industries often fluctuated between informal and formal markets and therefore were either not eligible for or avoided public-sector assistance altogether.

By the end of 1995, SEPROE began to embark on an ambitious campaign of recruiting second tier, original equipment electronics manufacturers and their suppliers from the United States and Asia. In this it had the help of a handful of electronics industry giants already present in the state, including IBM, Motorola and Hewlett Packard, all of which had assembly operations in Jalisco since the late 1970s. Key firms and regions had already been identified and targeted through extensive research done by a group of active business owners in the state, known as the Jalisco Investment Board (JIB). This organization was created, managed and financed by 10 wealthy business owners and investors from the state. Given financial troubles related to the banking crisis, the organization was eventually disbanded in the first months of 1996. SEPROE, however, was able to benefit from the group's prior knowledge and experience by absorbing key administrative personnel into its ranks. Investment missions to the United States and Asia, while attended by top-level officials from SEPROE, were typically financed by the regional electronics association and larger electronics assemblers. Financial

incentives offered to new investors in the electronics industry came from state tax breaks, discounts from municipal utilities and the public-works and planning department and federal funds available for employee training. SEPROE's total financial bill was therefore minimal.

Local content rules and other conditions set under the NAFTA in the mid-1990s meant that Mexico, given its lower wages relative to the United States and Canada, was already considered a strategic location for Asian electronics firms and their second and third tier suppliers. Armed with financial incentives and detailed information on logistics and the local labor market, SEPROE helped ensure that Jalisco would benefit from this geographic shift West. In the mid-1990s, the bulk of fiscal incentives granted by SEPROE went to large-sized electronics firms employing upwards of 400 workers.

The figures speak for themselves: between 1994 and 1996, state employment in the electronics industry rose from 12,000 to 29,000, an increase of 134 percent. By 1999, 80,000 workers were employed in this industry, an increase of over 540 percent (see Table 11). Between 1995 and 1997, Jalisco received US$1.6 billion in new investment in this industry. Large original equipment manufacturers, including Flextronics, Jabil Circuit, Nat Steel, SCI Systems, Lucent, and Selectron, opened manufacturing facilities in the state during this period. Between 1994 and 1996, exports of electronic goods from Jalisco rose by 120 percent. During this same period, non-electronics exports rose by less than 10 percent. Unemployment in all manufacturing industries in Guadalajara dropped from a high of 7 percent in 1995 to 4.3 percent in 1996 and 3 percent in 1997. By 2001, the city's unemployment rate, 1.8 percent, was one of the lowest in the nation.

Not surprisingly, due to their aggressive and much publicized luring strategy and resulting job-creation, SEPROE gained much-needed legislative support and recognition. During his first days in office, Governor

Table 11. Electronics Industry, Total Employment, Jalisco.

Year	Employees	% Change	Share of Employment
1994	12,360		
1995	17,250	40	
1996	29,000	68	3.55
1997	50,000	72	5.29
1998	60,000	20	6.03
1999	80,000	33	7.89

Source: CANIETI, SEPROE.

Cardenas had promised the agency greater financial support and autonomy. However, in order to achieve this goal, he first needed to convince state-level congressional representatives of the relative importance of SEPROE, its responsibilities and capabilities. The rapid expansion of the electronics industry, the reduction in the state's unemployment rate and the overwhelming public support of these efforts was proof enough. In 1996, the state legislature substantially increased SEPROE's budget. Using this money, SEPROE was able to hire an additional 50 researchers and technical service experts. The agency's growth has continued throughout the current administration. Between 1995 and 2000 (July), the agency more than doubled its permanent staff, raised employee salaries by over 75 percent, moved into its own 10-store modern glass building that towers high above other government and commercial offices in the area and increased its annual budget to over US$20 million, a 250-fold increase from 1995 (Ocho Columnas 9-15-2000, 1-E; Mural 9-15-2000, 3-A).

7. "SON, STEP RIGHT UP!": TEACHING SMALL BUSINESSES HOW TO ASK FOR AND ACCEPT GOVERNMENT SUPPORT

Although the majority of SEPROE's financial resources between 1995 and 1997 went to recruitment-type activities that disproportionately benefited firms in the electronics industry, the state development agency devoted a considerable amount of time and personnel to developing a long-term strategic plan with the state's traditional industries in mind. The idea for the plan came from the governing board of the state's shoe association, CICEJ. The association got its inspiration from the bi-annual meeting of CONCAMIN, a national federation of all industrial associations, during which business owners from all parts of Mexico discussed ways to better influence and shape post-Salinas, national industrial policy. Arturo Marcel, a shoe manufacturer in Jalisco, then president of the state's shoe association, the president of CCIJ (the state's federation of industrial associations) and a vice-president of CONCAMIN was present at this meeting.

In 1996, CCIJ formally adopted the idea and created twelve sectoral research commissions. With the institutional backing and support of SEPROE and using advisors from the Guadalajara campus of Tec de Monterrey, CCIJ completed a detailed six month study of the state's core industries. Each commission, made up of 10 business owners from the sector and directed by a strategic analyst, was responsible for locating, analyzing and compiling sectoral statistics (e.g., changes in number of firms and employees overtime, average industry wage, workforce profile and skills mix, geographic location, local content rates, export history and national and international market focus); identifying key weaknesses in the industry; and recommending possible directions and future markets given national and global industrial trends. The final report and 30 slide presentation, "Vision Jalisco" was made public by officials from SEPROE and CCIJ in the first months of 1997. The findings of this report had a significant influence on the types of initiatives adopted by SEPROE between 1997 and 2000.

7.1. The State's Contribution

The dialog between SEPROE and the state's traditional sector associations (and CCIJ, the federation which represents them) has not always been so fluid. Instead, trade associations in Jalisco, like those elsewhere in Mexico, tended to devote most of their time and resources to federal government lobbying. During Mexico's import-substitution-industrialization (ISI) period (1950–1985), associations lobbied the federal government for greater tariff protections. Decisions were often made on an industry-by-industry basis and were renegotiated annually (CITATION). Association presidents and governing board members spent, on average, three days per week in Mexico City. CCIJ, formalized in 1979, helped relieve some of this travel burden; CCIJ coordinators and representatives took turns traveling to Mexico City in order to voice concerns related to a wide array of local and traditional industries. Such patterns continued into the post-ISI period, as traditional sector industries lobbied federal authorities to investigate and respond to charges of unfair trade practices on the part of the Chinese. The shoe, garment and plastics industries were most successful in their efforts.

As secretary of SEPROE, Sergio Garcia de Alba, also a local business owner from the plastics industry, a former president of the local business association CAREINTRA (1990–1992) and former vice president of CCIJ (1993–1994), helped establish a stronger link to the local business associations and create the conditions that would lead to the "co-production" arrangements (i.e., business–state partnering) visible today. Interestingly, Governor Cardenas selected Garcia de Alba based on advice given to him by CCIJ's governing board. At the time, Sergio Garcia de Alba, also a vice president of CONCAMIN, was considered to be one of Jalisco's most vocal and visible critics of President Salinas and his industrial policy record. Once appointed secretary, Garcia de Alba quickly reached out to CCIJ, its member organizations and the wider business community; the presidents of all state trade associations were given the phone number to Garcia de Alba's private line. He maintained an open door policy and met with any business owner and business association representative who stopped by his office, even when unannounced.

Garcia de Alba and his core advisors set up weekly brainstorming meetings with officials from CCIJ and representatives from the state's association of commerce. Key individuals from the state's universities, financial institutions, business consulting firms and related federal agencies were often invited to join in the discussion. Initially, he drew from the ranks of existing business associations in order to staff the agency and select key advisors. Garcia de Alba, like many other business owners active in the state's business associations, had been extremely critical of SEPROE and the state government during earlier administrations. Now as secretary, he and his staff were learning that the credibility of the agency and its developmental record and reach, depended on the agency's local rootedness.

7.2. *The Role of the Associations*

The associations, and recent changes to their own internal structure, helped to strengthen the link with the state government and SEPROE. These changes also help explain SEPROE's shift in praxis, including recent efforts to target and support smaller sized firms. By 1995, leaders of the state's traditional sector trade associations, especially CAREINTRA and the footwear, metal mechanics, garments and jewelry industry associations had started (or in some cases, were just ending) a process of organizational reform. Between 1988 and 1995, most of the associations represented by CCIJ had lost almost 50 percent of their member firms. In the early 1990s, the state's shoe industry association, for example, had only 280 members or less than 40 percent of all registered footwear establishments – in the late 1980s, membership had fluctuated between 500 and 600 firms. Similar patterns appeared in other traditional sectors in the state.

The drop in association membership in the state can be traced back to the following events: First, a large number of medium-sized businesses in the state's traditional sector were, as a result of their growing debt burden, forced out of their respective industries between 1990 and 1996. Others shed a substantial share of their existing workforce and therefore were reclassified as small-sized. The influx of Chinese-made goods in the late 1980s and the shock of the banking crisis in 1995 only compounded the problem. Imports of cheaply priced Asian goods also motivated a large share of the state's micro-sized and very small firms, many of whom were formally registered in the 1980s, to seek refuge in the state's growing informal markets.

The shakeout of the traditional sector in Jalisco was far from uniform. While medium-sized firms, especially those that relied heavily on bank credit, and micro-sized establishments in Jalisco were most vulnerable and continued to suffer into the mid-1990s, small-sized firms employing between 30 and 80 workers actually grew substantially during the national banking crisis in 1995, in some cases doubling their total weekly production. Smaller firms, particularly those in the shoe, garment, metal mechanic and furniture industries, were able to fill market voids and niches in the regional and national market that resulted from the closure of medium-sized producers. They were also able to absorb skilled labor quickly and cheaply. Finally, smaller firms were in a better bargaining position vis-à-vis local raw materials, parts and equipment suppliers that now depended on them for their own survival. By 1996, most supplier firms in Jalisco gave their clients as long as 90 days to settle outstanding bills. This provided firms with much needed expansionary capital and low-interest credit. Tewari (1999) and Tendler and Amorim (1996) have found similar arrangements and patterns in India and Brazil.

Interestingly, the economic crisis and the need by business associations to increase membership rates, raise more revenue and fill vacant seats of governing boards presented smaller firms in the state's traditional industries with a unique opportunity to become more active in the political institutions and structures of their representative associations. Prior to the late 1980s, the core political elite of Jalisco's business associations was made up of owners of medium-sized establishments (101–300 employees). This stands in contrast to the norm elsewhere in Mexico, where business associations, including those representing firms in traditional industries, continue to be dominated by the interests of large firms. In Jalisco, however, there were few large-sized traditional sector firms. By the early 1980s, only one shoe manufacturer, Calzado Canada, employed more than 300 workers. The state's three large-sized garment producers, owned by Lebanese and Jewish families who emigrated to the state in the 1930s, went out of business in the mid-1980s.

By 1996, 50–75 percent of the governing boards of all traditional sector business associations were made up of small business owners. Three of four last presidents of the shoe industry association have all owned businesses employing less than 100 workers. Similar trends have emerged in CARE-INTRA and the state's jewelry, metal mechanics, garment and furniture associations. In some cases, the sons, daughters, nephews, nieces and grandchildren of traditional sector manufacturers, many of whom worked for medium-sized, family-owned operations in the 1980s and received professional degrees and training after they closed, reentered the industry, started their own small-sized establishments and became more active in associational life and politics.

Under the direction of smaller sized firms, traditional sector trade associations have focused less on federal government lobbying and more on developing training and support services with the help of SEPROE and local business consultants. Part of this shift can be explained by changes in national and international institutions – as a member of GATT, the federal government is limited in its ability to protect domestic industries. While negotiations with federal authorities continue, they tend to deal with issues like the smuggling of contraband goods and national transportation safety.

Interestingly, trade association staff and representatives often attribute this shift to events related to the growth of the state's electronics industry. The visible and much-publicized growth of this sector and SEPROE's role in it provided an important signal to local trade associations and their industrial constituency – namely, that state government was "open for business" and was available and willing to subsidize and support firms within its jurisdiction. Through their discussions with Sergio Garcia de Alba and others at SEPROE, trade association officials are learning how to ask for public-sector assistance, how to encourage member firms to participate in government-supported programs and finally, how to use these new programs and initiatives in order to encourage greater firm participation and increase membership rates.

Similarly, through their initial exposure to and experience with this narrow set of activities and tasks (i.e., luring new investors and firms in the electronics industry) and exposure to large-sized foreign-owned and export-oriented operations, SEPROE also developed a set of skills that they continue to draw on for designing policies and programs that target existing, traditional sector industries and firms. In addition to teaching firms and associations to ask for and accept their support, SEPROE has learned how to identify shifting trends in global markets, sourcing and production systems, how to identify, rank and address related weaknesses in local firms and industries, and how to detect and correct for major gaps in the state's physical and institutional infrastructure, gaps that can ultimately hinder

the adjustment and development of locally rooted firms. They have also learned how to collect, analyze and present statistical data on the state's local industrial mix, workforce development and current and future consumer markets.

7.3. Discursive Planning

The dialog between SEPROE and the state's business associations is best characterized as a series of on-going "conversations" (Piore et al., 2001). Interestingly, as the conversation between the public-sector and mediating agencies continues to evolve in Jalisco, so too does the institutional connections between industries, organizations and activities. Three inter-related trends have emerged. First, people and ideas appear to flow freely between SEPROE, manufacturing extension agencies and the state's business associations. Second, the relationship between the formation of the state's policy agenda and the administration of individual programs is itself becoming more fluid and dynamic. Finally, as the state continues to take a more active role in the adjustment process of traditional sector firms, it is also in a better position to identify and respond to broader social and economic concerns. A pressing concern in recent years, for example, has been competition for semi-skilled labor between firms in the electronics industry and traditional sector. SEPROE has used this as leverage to pressure traditional sector associations and their constituent firms to focus on improving work conditions and employee benefits in order to attract and retain skilled and semi-skilled workers.

SEPROE's participation in the *Agrupamientos Empresariales* (AGREM) program is illustrative of these broad trends. In 1996, the footwear association worked with a private consultant and manufacturing extension staff from ITESO, Jalisco's main Jesuit university, to design the AGREM program. The program's methodology builds on an older federal program that ended in the late 1980s. In exchange for financial assistance, planners from SEPROE were invited to participate in and observe the first training session. Twenty five shoe manufacturers and suppliers participated in the six month course. In 1998, SEPROE, with the help of officials from ITESO extended the program to the garment and metal working industries. At the same time, SEPROE sought to institutionalize the program by hiring staff from ITESO University on both a permanent and temporary basis. In 2001, SEPROE's head regional planner, for example, retained formal links to ITESO's small business extension program. As a state planner, he coordinated weekly AGREM meetings between extension experts from ITESO and associations representing footwear, leather goods, garments, textiles and metal mechanic industries. Other examples of this sort exist. The general directors of CADELEC, a supplier development initiative in the electronics and telecommunications industries and CEJALDI, a multi-sector design center, were also former researchers and planners at SEPROE; the latter directed SEPROE's AGREM program for one year.

This flow of people across organizations and activities has helped create an environment of continuous reflection and improvement both in the implementation of existing technical support programs and the formation of broad-based, strategic planning initiatives. As a result of their active participation in the AGREM program, SEPROE agents have grown increasingly aware of the larger constraints of and limitations to joint-consultation and collaboration across associations and other policy-shaping organizations. They have been able to draw on their knowledge of inter-firm collaboration gained through the exposure to the AGREM program in order to effectively identify and respond to rising tensions between and within some of the local trade associations. In the case of CEJALDI, the state's design center, tensions did eventually emerge between the center's board members and those of the trade associations they are expected to represent. While solutions were often task-specific and thus customized at the program level, SEPROE was able to build on processes and experiences that cut across tasks in order to identify, analyze and isolate problem areas and concerns.

Through this process, the state government in Jalisco has not only grown more effective in policy formation and planning practice but has started to craft a new approach to local economic development planning. This style of planning involves the simultaneous adoption of a wide range of subjects, tasks and objectives. Planners seek out and identify connections between sets of activities; coordination and learning across tasks and agencies is prioritized; and finally, the identification of problem areas and constraints emerges out of earlier planning struggles and shifts with additional examination and policy exploration (Schön, 1983; Piore et al., 2001). This style differs from traditional technical problem solving, in which planners approach tasks in a more routinized and scientific manner. Through this frame, planners optimize strategies with the resources available to them. Well-defined and pre-tested causal models help direct the course of action taken by these agencies. Program efficiency is given priority over long-range learning and skill development on the part of local decision makers (Piore et al., 2001).

8. CONCLUSION: RETHINKING THE CONDITIONS OF GOOD GOVERNANCE IN LIGHT OF THE JALISCO CASE

> "The analysis moves further up the causal chain to consider the threats and vulnerabilities that encourage state and business elites to invest in cooperation and in institutions that diminish incentives for 'opportunism with guile.' These threats differ across actors; business usually responds to economic competition and state actors to political threats to their survival."
>
> (Schneider and Maxfield, 1997, p. 5.)

This quote captures the standard thinking on good governments in late industrialized nations. Meritocratic and Weberian bureaucracies (Amsden, 1989; Evans, 1995), hard budget constraints (Doner & Ramsay, 1997) and highly visible intra-government tensions and hostilities (Schneider & Maxfield, 1997) are considered to be the underlying causes (and prerequisites) of growth-enhancing interventions on the part of public-sector authorities. Each of these factors also ensures greater distance between the state and business community, thereby limiting opportunities for growth-diminishing clientalism and corruption.

Similar assumptions pattern the literature on the role of business associations in shaping industrial policy. It is often argued that business associations need to be "all-encompassing" or representative of a wide-spectrum of firms and industries (e.g., multi-sectoral) in order to behave "developmentally" in their lobbying and service-creating activities. In contrast, business associations that represent a narrow set of interests – i.e., single sectors or industries – will be more likely to engage in "directly unproductive" and "rent-seeking" activities with public officials (Bennett, 1998; Schneider & Maxfield, 1997; Moore & Hamalai, 1993). The same logic applies to "captive" government agencies. This approach to analyzing state–business interactions draws heavily on Mancur Olson's theory of collective action. It is also influenced by the wide-spread acceptance and application of rational choice theory in development studies in the 1980s.

The dynamic and evolving relationship between SEPROE, local business and their representative agencies in Jalisco, however, underscores the limits of this analytical approach to understanding and identifying cases of good governance. None of the standard explanatory variables outlined above seem to hold in this case. The state bureaucracy cannot be easily categorized as Weberian, in fact, the current administration often relies on loose social contacts and hiring practices when filling higher-level planning and research posts; there are no civil service exams or standard testing procedures; local budget constraints are easily softened through private contributions, changing fiscal policies and subtle changes in program design and protocol that generate additional federal resources and support; intra-government tensions, while evident, do not appear to be permanent and fixed; intra-governmental territoriality continue to change as the current administration takes on new tasks and responsibilities, and this has only been compounded by federal efforts to decentralize authority and decision-making; participating trade associations, while forming part of a broader multi-industry, multi-agency coalition, still identify with particular sectors and industries; finally, there are few visible boundaries between the state and wider business community.

Yet in simply refuting each of these proposed variables, we miss a more fundamental limitation to conventional explanations of good governance, the inability to account for and recognize complex learning processes and on-going institutional shifts, not only within government agencies, but also across public-sector agencies, quasi-public organizations (e.g., manufacturing extension services) and representative business groups. While fixed organizational and structural attributes may help to explain developmental interventions at a particular moment in time, they fail to adequately explain improved performance over time and the circumstances under and processes by which states and associations learn to work together in more growth-enhancing ways.

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BUILDING HUMAN CAPITAL IN DIFFICULT ENVIRONMENTS: AN EMPIRICAL STUDY OF ENTREPRENEURSHIP EDUCATION, SELF-ESTEEM, AND ACHIEVEMENT IN SOUTH AFRIC

Christian Friedrich and Kobus Visser

1. INTRODUCTION

The lack of traditional employment opportunities for many students and tl oft-repeated cry for South Africa to invest in developing black entrepreneu prompted the University of Western Cape's Department of Management introduce an Enterprise Management stream at graduate level and Entr preneurship as a subject at 2nd and 3rd year levels in recent years. All the initiatives are based on a strong capability in entrepreneurship and sm business that has been developed in the department since the introduction the Enterprise Development Unit in 1997.

The originators of the concept developed and implemented a year-lo entrepreneurship major for 2nd year management students. This modu was realised in the Department of Management during the 2001 academ

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