Family businesses in Mexico

Empresas familiares en México

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ABSTRACT:
This paper aims to look at family-run enterprises in the Mexican context. It identifies challenges and opportunities, and delineates common issues that appear to confound the growth of these enterprises beyond the basic subsistence level. The paper suggests that Mexican family-run businesses tend to be shaped by the visions and imperatives of the original founder or founders, and do not do an especially good job of optimizing succession planning or adaptations to new realities.

Keywords: Enterprises, patriarchy, succession, taxation

RESUMEN:
El objetivo de este artículo es analizar las empresas familiares en el contexto mexicano. Identifica desafíos y oportunidades y delinea temas comunes que parecen confundir el crecimiento de estas empresas más allá del nivel básico de subsistencia. El artículo sugiere que las empresas familiares mexicanas tienden a ser moldeadas por las visiones e imperativos del fundador o fundadores originales, y no hacen un trabajo especialmente bueno de optimizar la planificación de la sucesión o adaptaciones a nuevas realidades.

Palabras clave: Empresas, patriarcado, sucesión, tributación

1. Introduction

Mexico is a country that relies quite heavily upon family businesses to produce jobs and to invigorate the domestic economy. A systematic review of the situation in that country brings to attention the challenges that these small businesses face, as well as the prospects for a better state of affairs in the future. Indeed, the purpose of this research is to highlight how vital these businesses are, and the extent to which family businesses in Mexico require more state assistance and a regulatory and taxation framework that incentivizes professional management and discourages nepotism and insularity. Ironically, there is some evidence, as will be highlighted in the pages that follow, that individual taxes and payroll taxes are relatively onerous in Mexico. Yet, despite this, the social welfare net remains quite small and practically
encourages an informal economy as people leave jobs to start their own micro-businesses
where, via cash transactions, they can generate income while avoiding the burdens of the
aforementioned tax regime. This cash-based, informal economy definitely facilitates the start-
up of micro-level family businesses, and the initial advantages to be found therein, but it does
place these businesses at some risk of legal jeopardy when they grow too large. In that sense,
a tax approach and regulatory framework that incentivizes formal (as opposed to informal)
business activity should be pursued. This ultimately means aggressively tackling bureaucratic
corruption while also introducing tax inducements and incentives that will help small businesses
flourish.

In any event, this paper is a systematic and rigorous review of the plight of family businesses in
the Mexican context. It explores the present state of affairs, the most notable persistent
challenges, what some possible resolutions might be, and then offers a systematic review of the
literature that focuses attention upon the general constitution of Mexican family businesses and
what viable pathways might spark greater viability and long-term success. As discussed above,
Mexican family-run businesses are products of an indigenous culture that looks to the family for
support and succor; it is also a culture in which fledgling business people are necessarily wary
of outsiders and a domestic bureaucracy that has a lengthy tradition of corruption and avarice.
Finding vehicles that allow the state to champion and to invigorate family-run businesses
(especially smaller ones) should probably be the first thing that the country of Mexico explores
as it strives to bolster its national economy. This might ultimately, at the very least, mean a
reformed and reconstituted national tax policy.

2. Methodology

Specifically, the methodology of the systematic review is a straightforward and unambiguous
one. All of the sources to be used are scholarly sources that are either peer-reviewed or have
been penned by leading experts with some measure of expertise in the area of family-run
enterprises. Additionally, in those instances in which scholarly articles or monographs fail to
illuminate or present evidence that might shed further light upon the subject, government or
institutional websites have been sought out. The chief criteria for any and all literature (both
that still to come, and those sources already previously discussed) is as follows: it must come
from a peer-reviewed or, at a minimum, a source in the mainstream (a newspaper source, or
an institutional website or professional site); it must be a source produced after 2000; and it
must be a source that contains information that can be verified through cross-referencing. The
methodology is inherently aimed at being expeditious, facile, and accessible to other scholars
who might be interested in exploring this area of discussion. The methodology also has the
enviable quality of being quite easily reproduced by scholars who might want to wade through a
paper focused wholly upon regression analysis or statistical assays of the Mexican situation.

2.1. Systematic review

A substantial portion of this paper has already delved into the extant literature as it pertains to
Mexican family-run enterprises and their current situation. Time has been devoted to
highlighting the most conspicuous challenges and the most pressing concerns, while offering
broad solutions that should facilitate the creation of a more energetic and viable outlook for the
millions of Mexican family-operated businesses struggling to navigate their way through stern
headwinds. But all of these areas can be investigated in much greater depth, and that is exactly
what the ensuing systematic review of the literature aims to do.

3. The Present Reality of Family Businesses in Mexico

The situation in Mexico is most definitely a challenging one for family businesses. Sometimes
this is because of family tensions and the fact that different family members will have different
ideas about how best to advance the interests of the business – or, more cynically, their own
interests (Grabinsky, 2012). At the same time, smaller family businesses face significant challenges because there exist within Mexico kinship-based or kinship-predicated business groups wherein entrepreneurial families are linked together by business and cohere under the umbrella of large (even massive) holding companies and/or parent companies (Cerutti, 2016). Smaller firms thus face enormous challenges when trying to compete with these huge firms for customers. What makes their challenges even greater, sadly, is that nepotism and cronyism are pervasive in hiring practices (Coria-Sánchez, 2016).

Although it is a challenge for smaller businesses to compete against their larger rivals on the domestic front, and although customary hiring practices do not help, there is some cause for optimism: in Mexico, family business firms may be smaller than those generally found in the rest of the world, but they are also younger – with almost half being first-generation controlled (Baños-Monroy, Ramirez-Solis, & Rodríguez-Aceves, 2017). As it presently stands, family-owned businesses, of all shapes and sizes, are the leading form of business organization in Mexico. Indeed, family businesses are hugely vital all across Latin America: they constitute 60% of Latin America's GDP growth, and employ 70% of all workers (Baños-Monroy, et al., 2017). Unfortunately, as is pressingly obvious from the situation in Mexico, many family-held businesses – particularly those of the first generation – lack strategic planning and centralized decision-making processes (Burgoa, Herrera, & Trevino, 2013; Durán-Encalada & San Martín Reyna, 2013). Nonetheless, nepotism is unlikely to depart the scene any time soon insofar as many Mexicans, like most Latins, are deeply distrustful of outsiders because of their painful experiences dealing with authoritarian governments and corrupt regimes. As a result, the adage, “you trust your blood”, is a predominant saying – even as it is consistently shown that family-owned businesses, relative to publicly-owned businesses, are over-cautious and tend to be destabilized by internecine family squabbles (Moran, Harris, & Moran, 2007). Keeping the business within the family is a long-standing practice in Mexico that will not begin to decline until Mexicans are given reason to trust in institutions outside the family unit (The Economist, 2004).

By this point, it is manifest that family-owned businesses within Mexico are significant staples as far as generating GDP and employment, but they are also wracked by low growth rates and by destabilizing forces that can easily undermine the family enterprise. It is well-established that, however much the state might be criticized for poor policies and for a regulatory framework that does not always protect vulnerable family enterprises, family-owned businesses in the country have habitually and reflexively resisted the kind of professional management and public ownership that might boost profits and secure their long-term viability (Camp, 1989). In many ways, this is understandable in a socio-political context in which the social welfare model popular in Europe and North America is virtually non-existent: with a safety net unavailable to so many, families generally pool their savings and resources so that they can provide for vulnerable members (Malat, 2009). It is family, not outsiders, to whom people turn first in Mexico when seeking work or assistance; absent a strong and efficacious central government, the imperative of trusting in family and loved ones – and viewing with scepticism outsiders – means that family businesses across the country really only get the resources, expertise, insight and support the immediate family can offer. There is a great deal of nobility in this, but it also constrains the ability of family-run concerns to realize their full potential. Of course, Mexican business culture is very much like Japanese business culture in that it places a heavy emphasis upon really knowing business partners and associates before proceeding (Rajagopal, 2012). With this in mind, if one does not know one’s family and inner circle of kin, who does one truly know? This seems to be the intuitive justification for nepotism amongst many Mexican family businesses.

Yet, rather interestingly, there is scholarship that contests the idea that the ongoing Mexican practice of championing insular family ownership of business concerns is a debilitating weakness. For example, a regression analysis carried out by Espinoza Aguiló and Espinoza Aguiló (2012) finds that, when reviewing a large number of Mexican businesses from the years
2000 to 2010, the family-owned variable had a surprisingly positive impact upon performance. The authors suggest that ownership concentration within the family actually offers closer supervision, greater proprietary concern and responsiveness, and ultimately leads to better performance (Espinoza Aguiló & Espinoza Aguiló, 2012). The incongruity within the scholarship is curious, but it leaves open the possibility that other issues, besides family ownership, explain why so many Mexican firms face steep challenges.

There is much implicit criticism when it comes to the Mexican government and its inability to create an environment that might invigorate domestic businesses and make them more internationally competitive. Not least of all, employee or labor taxes do tend to be rather high in Mexico, and this relatively high tax burden has not manifested itself in credible healthcare or social services. On the other hand, the lack of bureaucratic expertise on the part of the Mexican government fairly encourages micro-scale entrepreneurship as many Mexicans can voluntarily quit their jobs and start their own individual or family businesses and reasonably trust that the state will lack the means to track them down for back taxes or other levies (Jones, 2012; Maloney, 2002). The informal economy in Mexico seemingly makes it easy for small family firms to start up, but the very informality of such a domestic economy can also place those firms at legal risk should they grow too large and conspicuous (Jones, 2012).

Finally, to bring to a close the discussion of the present state of family businesses in Mexico, it is now well-reported that small and mid-sized enterprises in Mexico accessing bank loans can expect to shoulder higher interest rates than larger firms. And the vast majority of small and medium-sized enterprises in Mexico (as of 2014) were not sufficiently formal to even obtain formal credit. With credit not readily available through formal channels, many small businesses turn to loan sharks and to dubious private financiers who commonly act in an exploitative and illicit manner (The Economist, 2014). Suffice it to say, family businesses deserve, and need, more reliable lenders. This, along with the bureaucratic and tax collection issues discussed above, may well be the chief problem facing family businesses in Mexico at the present time.

3.1. Persistent Challenges

Having offered a brief overview of the present reality for family businesses in Mexico as of 2017, it is now necessary to look at the persistent challenges that confront these enterprises. Some concerns and hurdles have already been discussed above, but a more searching and expansive discussion is in order.

Notably, the tax collection structure in Mexico is marred by poor enforcement and by a failure to broaden the tax base (Cotis, 2003) – which are both perceived as key reasons why tax revenues remain relatively meager and unreliable even as many Mexicans eschew formal work for informal work because they wish to escape the yoke of high taxes on employees (Cotis, 2003; Jones, 2012). The Mexican state encourages people to leave formal employment for something better insofar as the public goods presented by the state do not appear to equal the cost burdens shouldered by the masses. Yet, informal employment presents its own issues inasmuch as too much growth places a family-run enterprise in the crosshairs of the state bureaucracy after a while. In light of all of this, tax collection does appear to be one considerable problem that brings much difficulty to family run concerns across the land.

Another issue is that the family-run enterprises of the country remain deeply committed to patriarchal and insular hiring practices. However, research conducted over the past decade suggests that there is a growing resistance to the long-held practice of nepotism in hiring and more and more university-educated employees and young managers are calling for – and implementing – merit-based hiring practices (Boutilier, 2009). More work remains to be done, but recent trends do suggest that some progress is at last being made to ensure that Mexican family-run concerns will integrate themselves more fully into the progressive and cutting-edge practices bring success and wealth in other places. While the final chapter remains to be written, perhaps this is one challenge that may yet be surmounted.
The persistent challenge of dubious financing options and pathways has been discussed already, but a matter that has not been reviewed is the role of the business founder upon the strategic activities and ultimate vision of family-run enterprises in Mexico. As scholarship does make clear, the founder does exercise an undeniable influence upon how the family business approaches growth issues, challenges, and operational imperatives. They are the ones who establish the critical vision – and often skills – that make the enterprise a practical reality (Lozano Carrillo, & Niebla Zatarain, 2011). This individual also, through the lines of fidelity, obligation and observances he (or she) creates, also plays an unquestionable role in the long-term performance of the firm (Athanassiou, Crittenden, Kelley, & Marquez, 2002). Clearly, the vitality of a founding individual is made even more potent with the admixture of familial obligations and fealty. Seen in this light, breaking down antiquated business practices in favor of merit-based hiring is heavily contingent upon having the courage to resist the customary organizational practices put into place by the founding member. Since family-run businesses remain predominant in Mexico by some measure, perhaps the greatest challenge of all will be creating a business culture that respects the past without being irretrievably wedded to it.

3.2. The Literature

The literature does suggest that the continuing education of senior management, coupled with a coherent family strategy for growth, are integral components when striving to create a public or outside perception of unity and harmony within a family-owned business enterprise (Gómez Betancourt, Betancourt Ramírez, Lagos Cortés, & Aparicio Castillo, 2016). Thus, if comity is desired – or at least the appearance of comity – then the key is to create a learning culture that encourages senior management to learn constantly, and to have in place an internal culture that recognizes the value of internal consistency and coherence of vision. In light of what has previously been discussed, it is not manifest that many patriarchal and insular Mexican family businesses are fully capable of achieving the desired consistency because founding members may be resistant to change, to learning new approaches, and to reshaping an organizational vision so that it accommodates leaders and family members of more recent vintage. The insights in the paragraph above give rise to a discussion about succession planning and how best to realize it. Put simply, many family-owned businesses in Mexico are defined by entrepreneurial family members focusing first upon business growth and establishment, with only a belated interest in succession planning. Because of this, it is argued in the scholarly literature that successors need to become involved in administrative proceedings long before the need for succession arises, and that external parties should be sought out to delineate and design the implementation of strategies that will bolster the entrepreneurial project (Salgado Patiño, & Sumaya Tostado, 2016). A family business dominated by a forceful founding member might be ill-prepared or ill-positioned for genuine succession planning. Nonetheless, more Mexican businesses need to have the courage to establish a clear succession line so that gains made in one generation are not lost in the next. The need is even more pressing when companies are faced with a lack of readily identifiable talent, or with the presence and threat of crime (Downer, 2014). That being noted, there is evidence that the performance of the firm is inextricably linked to the key success factors and competencies of the family members assuming decisional roles (Alvendano-Alcaraz, Kelly, Trevinyo-Rodriguez, & Gómez, 2009). Because of family dynamics, the tensions occasioned by senior members declining to bequeath power or authority as they age can be aggravating factors that exacerbate poor decisions, poor strategies, and antiquated approaches to a changing business context. The sentiment in at least some quarters is that inertia in family businesses is shaped very much by the entrepreneurial orientation and, more significantly, the paternalism implicit and explicit throughout the organization (Ramírez Solís, Baños Monroy, & Malpica Romero, 2013). If the founding member of the business is intransigent, then familial ties will surely make an already difficult situation even more nettlesome. Thus, even a family with what might be called strong or considerable intellectual capital (Treyvino-Rodríguez & Bontis, 2007) can be brought low by dysfunctional
The challenges of operating family-run businesses in Mexico call attention to issues of financing, cultural conceits and sensibilities, and tax and governance issues that both encourage – and ultimately discourage – the growth of family businesses. Indeed, many micro-scale business enterprises in Mexico never grow sufficiently to allow the family to find a way out of grinding poverty (Hollingsworth & Ray, 2006). However, Mexico is not a monolith, and there are inherent paradoxes that can allow for greater space and purchase than might otherwise be the case. For instance, while Mexican society is comparatively patriarchal, it is also a society wherein women have historically enjoyed strong roles and dominant positions within family-run enterprises (Zabludovsky, 2002). Thus, while patriarchy can be an obviating factor in some regards, being a woman is not necessarily an impediment to wielding power within the family business.

Indeed, to the extent that a woman is a foundational or founding member of the business, her status as the shaper of organizational objectives and goals can be every bit as formidable as any man who might otherwise hold that position. It is more accurate, when assessing Mexico, to conclude that what really prevents merit-based hiring or advancement is insularity and a fear of outsiders – as opposed to an explicit fear or distaste towards women that resists their rise to power.

The situation confronting Mexican family-run businesses is a mixed assemblage of items. Dubious financing is clearly a concern insofar as it has the potential to place families in the thrall of organized criminal elements or unsavory loan sharks: extortion is a common problem in Mexico, and it has proved debilitating for many family-run enterprises (Cave & Malkin, 2012). At the same time, however, the reality is that many family-run enterprises in Mexico are not eager to grow explosively – at least if doing so means leveraging their position through the acquisition of debt – and the avoidance of debt is a common feature of a substantial number of family-run businesses in the country. It seems as though an instinctive need to maintain control, as well as assuaging fears of socio-economic reversal, at least partly explains why so many enterprises resist taking on large amounts of external debt (San Martin Reyna & Duran-Encalada, 2015). Another point to be raised, though it is not used to explain the aforementioned reluctance to embrace debt loads, is that there is considerable intermingling of familial and business financial resources in Mexico – at least when compared to more conservative groups in this regard such as Korean-Americans (Haynes, Danes, & Haynes, 2008). Latina-run businesses seem to be particularly reliant upon family and pseudo-kin resources and loans to initiate their business operations (Robles, 2004). All in all, it is arguable that, in addition to the undesirable loan actors available for many small businesses, Mexican families are reluctant to take out loans because they are using family funds, as well as business funds, to make the operation run.

Mexican small businesses can expect to pay a corporate tax rate of 30 percent, which is a marked increase from the 28 percent rate of 2007 (Trading Economics, 2017). Mexico’s corporate is well above the European and Asian regional average, and slightly above the Latin American corporate tax rate. Incidentally, its 2017 tax rate is marginally below the average for North American jurisdictions (KPMG, 2017). This can certainly explain why many Mexican family businesses prefer to stay small and “off the radar” so as not to attract the unwanted attention of the Mexican government – however inefficient its tax collection practices may be.

Furthermore, it is advisable to note that Mexican tax laws demand that monthly payments of single-rate corporate taxes and Value-Added Taxes (VATs) – as well as any withholding taxes – must be collected and paid on each 17th business day of the month (Freyssinier & Vazquez, 2012). It is burdensome and even daunting to constantly be compiling tax records and making payments each month – especially for smaller, less-sophisticated family operations – and this is another hurdle that small Mexican businesses must surmount in their pursuit of solvency.

Of course, another cause for concern is that recent discussions about bolstering Mexico’s tax collection processes – indubitably necessary for broadening the tax base – will create a policy framework that targets informal family businesses for punitive tax burdens. As it stands at
present, it is estimated that perhaps as many as 6 out of 10 workers in Mexico are employed in
the informal sector, while a World Bank study from 2010 estimated that the informal shadow
economy in Mexico reached 30 percent of GDP in the years between 1999-2006 (Quinn, 2013).
To target these firms, which are generally modest in nature, heightens financial burdens for
those involved while, from the perspective of the state, it constitutes a substantial investment
of finite resources and energy (Quinn, 2013). In that sense, while a broader tax base would
undeniably benefit everyone, and would potentially lessen the burden shouldered by mid-sized
and large family-run businesses in Mexico, the tangible demerits of any such initiative likely
means that the situation will remain stuck in the same uneasy place it currently occupies.

For what it is worth, the fact that Mexico is so hamstrung in terms of tax collection, and that it
should suffer such an inefficient bureaucracy, is surprising (to some extent) inasmuch as many
of its senior bureaucrats have long held advanced degrees from top US schools and are
generally perceived as being quite competent (Thacker, 2000). But there is no substitute for
national wealth and resources, and even a skilled and capable bureaucrat, or government
office, is greatly limited by the actual domestic resources at his or her, or its, beck and call.
Mexico is not a wealthy nation, with nearly half of its population residing in poverty as of 2014
(Reuters, 2015), and with an average real income per person of only one-third that of Canada
and the United States as of 2010 (Polèse, 2010). Small family businesses in Mexico can
probably breathe easy in the sense that they do not have to endure comprehensive tax
collection practices, but that also means that those which grow larger, and which deign to enter
into the formal economy of the nation, can expect to shoulder a corporate tax rate (and
cumbersome reporting processes and procedures) that might otherwise be somewhat allayed
were the country’s tax collection measures more efficacious. There is no easy solution for
resolving the challenge Mexico faces in this regard, and the current state of affairs offers both
opportunities for Mexican family businesses, and also constraining challenges.

Mexican family businesses, as per the literature, are dangerous financial undertakings for
anyone who is of an entrepreneurial bent. As discussed previously, loan sharks persist in Mexico
despite the fact that domestic credit institutions, such as the National Ejido Credit Bank, have
emerged (Brachet-Márquez, 2014). To draw monies from such individuals almost invariably
means enduring significant interest charges and other actions that obviate efforts to pay back
the original loan. Because of the relative lack of business credit within the country, many
Mexican entrepreneurs are compelled to look at personal savings and at family savings to kick-
start their initiatives. The problem here, regrettably, is that low levels of wealth make business
formation a daunting task for many (Fairlie & Lofstrom, 2015). To add to the discomfiture that
many fledgling entrepreneurs feel, it is worthwhile to mention that Mexican banks are
historically parsimonious when it comes to handing out loans to individuals for small business
start-ups or for large-ticket purchases such as homes and vehicles – a practice rooted in the
paroxysms occasioned in the banking sector by the country’s 1994 economic collapse
(Hamilton, 2003). The literature clearly suggests that institutional lending practices, coupled
with the comparative impoverishment of so many Mexicans, mean a great many cannot pursue
their dreams of owning and operating a successful – and formal sector – business. The grim
reality that presents itself to many Mexicans undoubtedly explains, in part, why so many
Mexicans head to the United States so as to work and send remittances back home to Mexico:
doing so, as it turns out, is a way of creating capital that can spark business formation
(Parrado, 2004; Malkin, 2007). Those who return from time spent in the US also come back
with new ideas and insights that can be quite productive and progressive (Arce, Alfaro, & Mora,
2011). And, suffice it to say, those that stay in the US also have shown a business aptitude that
is finally being recognized (Tolkoff, 2008).

When assessing the business situation in Mexico, one cannot fail to remark upon the fact that
Mexico is a nation that does not yield great wealth easily: even foreign corporations,
historically, had to invest enormous amounts of money into their ventures in order to see a
return on investment – which is a reality occasionally used to counter charges that foreign-
owned enterprises exploited Mexico and its people (Wasserman, 2015). Small family businesses cannot expect substantial windfall profits – assuming they even want the bureaucratic and tax headache that accompanies them – and modest profit margins surely explain why so many family business jobs do not come with benefits of any kind (Parker & Wong, 2001). Although Parker and Wong (2001) wish to intimate that women are especially likely to labor in unremunerative jobs within the family business, other scholarship suggests that young men and boys are actually at least as likely to be saddled with unpaid labouring positions within family-run enterprises in Mexico (McKenzie & Rapoport, 2006). However, the disposition of duties and responsibilities, case studies of the Mexican situation make it abundantly clear that all members of the family are intimately involved in the bringing of the product or service to market (Bach, 2005).

While frequently the objects of ridicule, family businesses in Mexico – particularly in the tourist sector – actually distinguish themselves by the creative and assertive way by which they differentiate their products and services from competitors (Esparza Aguilar & García Pérez de Lema, 2011). As a rule, Mexican small ticket service providers (in other words, many modest family firms that offer services of one kind or another) are perceived as quite good at providing exemplary service and care (Chowdhary & Saraswat, 2003). And Mexican family-run agro-alimentary enterprises are gaining an international reputation for being impressively innovative in maintaining a competitive foothold in the face of fierce international competition (Arce Castro, & Martínez Delgado, 2007). The above does give hope that some of the administrative and managerial issues that confound family-run businesses in the country can, in fact, be resolved because there does exist a fairly significant amount of expertise and creativity amongst many family-operated businesses. Family values also tend to insinuate their way into the culture of the family business enterprise (de la Garza Ramos et al., 2011), so a change in familial attitudes can spark positive changes within the family enterprise that invite greater professionalism and meritocratic practices. Such changes are desperately needed, for research into the Mexican hotel sector suggest that Mexican family-run businesses dearly need more professional managerial practices if they want to compete with foreign competitors for tourist dollars (Carmona Olmos, 2012).

It should be emphasized that family-run businesses in Mexico are prized and cossetted (to some extent) because they pick up the employment slack when maquiladoras close their doors. They are seen, in short, as contributing mightily to local social cohesion and are appreciated as such (Canto-Saenz, 2011). In fact, the scholarship is quick to note that family-run enterprises can also become part of the collective memory of the community in instances when they have survived through rebellion, upheaval, and consequential social events over time (Collado, 2012).

4. Results

The results of the literature review above make it abundantly noticeable that Mexican family businesses tend to avoid robust growth because of the perceived benefits of the informal economy. The Mexican government lacks the tools to adequately account for all of these enterprises, but even if it could do so, it is not clear the state is especially eager to tax or penalize an informal economy that does provide jobs for millions of Mexicans and does contribute to social cohesion and to the formation of a veritable social safety net. Nonetheless, many challenges do impact the Mexican family business enterprise: there is a general lack of accessible credit; succession planning and a movement towards more contemporary practices can be confounded by patriarchal constructions and stubborn fidelity to old ways of doing business; the corporate tax rate is relatively high, and the onerous burden of announcing revenue streams for tax reasons creates a context in which many small businesses eschew formality for the margins; and, finally, spillover from family cultures and value structures to the organizational culture and value structure can easily mean that elemental dysfunctions in the one can imperil the health and wellbeing of the other. Mexican family businesses are substantial
5. Discussion
The discussion above segues into a broader discussion: where should Mexico go in 2017 if it wants to make its family-run businesses successful and productive – and, most of all, viable in the long-term? Since many such firms do struggle financially and never rise to such a degree that they can drag the family out of poverty, it seems as though the government should consider more appropriate funding and credit mechanisms for these enterprises. Declining to penalize those firms that have operated on the margins and failed to pay taxes in the past is another way by which family-run businesses can be encouraged to grow. And the literature has much to say about the rule of tradition and patriarchy in shaping the direction of these firms: educating future generations of Mexican entrepreneurs to trust in meritocracy and modern business practices can lead the family enterprise away from self-destructive nepotism and outdated business practices that do not acknowledge modern-day realities. The literature suggest that Mexican businesses have much that commends them, but they need to combine their excellent customer service and creativity with modern business structures and approaches.

5.1. Possible Resolutions
A revision of the tax system of Mexico (one which improves tax collection practices so as to broaden the tax base and thereby relieve the burden upon the formally employed, as well as a tax system that correspondingly incentivizes small business growth and development) is certainly one area that warrants attention. Another is to gradually nudge Mexico away from a patriarchal and insular approach to family-run enterprises towards one that stresses meritocracy and professional management practices. Still another area that invites exploration is the institution of more accessible micro-financing practices on the part of banks and credit institutions so as to steer small and mid-sized enterprises away from unreliable or even criminal lenders. Finally, something must be done to steer Mexican family businesses towards public offerings and away from insular privatization. Opening up the firm as a public offering can invite transparency and will facilitate a movement towards modern management practices. Although it must be orchestrated with great care, public offerings have the added benefit of diluting the power of founding management figures who must now contend with outside investors and stakeholders. Of course, this is precisely why so many Mexican firms are unwilling to go public. In any case, the areas above seem to be prominent areas of concern that do have ready-made (if not easily realized) solutions.

6. Conclusions
It is manifest that many informal small family businesses are reluctant to come forward for tax purposes. Thus, the Mexican government should look at how it can streamline the reporting process while also creating tax breaks for small businesses that offset any corporate tax rate burdens. Furthermore, a culture change seems in order, one that will privilege meritocracy and accountability so that mediocre family members do not end up devastating the firm and undoing all of the good work produced by others. Challenges do remain, and the problems are nettlesome, but nothing is beyond possibility or hope. All it takes, in the end, is some will and imagination on the part of both the Mexican government and small business owners.

Bibliographic references


