

DOLOR DE CABEZA? MAL DE TETE? A HEADACHE IN ANY LANGUAGE

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Things are tense at Topal de Mexicali (TDM), a maquiladora in Mexicali, Baja California, Mexico. The French plant manager, Armand Valenzuela, has been struggling to make the major improvements needed at TDM. His boss, Jean Luc Julian, is pressuring him. Meeting between the Mexican operations manager, Avelardo Galvez, and Valenzuela are filled with Valenzuela's high volume verbal abuse. The TDM human resource manager, Mario De Leon, has been requested by Julian to write an evaluation of Valenzuela. De Leon tries to shift through the reasons in order to write a true and fair evaluation.

INTRODUCTION

“You idiot, this is the same problem we had last week! Why hasn't it been fixed, is everybody in your department stupid?”

Mario De Leon cringed as he heard the French Plant Director Armand Valenzuela scream at Avelardo Galvez a production manager during the weekly meeting. Even after a year of this, it was hard to listen to, and even harder to be at the receiving end, of one of Valenzuela's usual rants and rages. Fortunately for Mario De Leon, the Human Resources department rarely was the focus of these weekly production meetings at Topal de Mexicali (TDM). As Mario sat there, trying to stay out of the line of fire, he looked at the red faced, slight, bespectacled, French man, and wondered how this type of management was ever going to benefit the plant. This style did not seem to be a good match with the plant here in Mexicali. Luckily Valenzuela only had a two-year work visa, and that first week of February 2012 was the half way mark.

Two weeks before, the meeting had been quite different. Jean Luc Julian, Valenzuela's boss, had been at TDM for one of his quarterly visits. That day they had presented Mr. Julian with the usual weekly production numbers as well as a review of 2011. At that meeting Valenzuela had been polite and positive, he had not screamed at any of the managers. Even when Julian had intensely questioned the slow progress and the problems that the plant had that year Valenzuela remained calm. He had asked each manager to explain themselves and inquired the reasons

for the problems and the changes that had been made to repair those problems. All through the discussion Valenzuela had been very positive. Even when Julian, in his cool and somewhat regal demeanor, had seemed to get upset at Valenzuela, Valenzuela had stayed calm.

After that meeting was over, De Leon waited next door to the executive meeting room in Valenzuela's office to talk to him. As he waited, he heard Julian talk to Valenzuela. "Do I need to remind you that the performance of TDM reflects on you and the possibilities you have for your future at headquarters. You have been here a year already and this plant is not even close to meeting the goals we set. You have one more year here to get the plant running at full capacity."

De Leon pictured Valenzuela looking uncomfortable in his seldom used suit and tie as he replied, "Jean Luc, I assure you that I have been working very hard to get the plant running smoothly, we've had many problems, but I feel things are improving. I'm here for 12 hours most days and often weekends. Working here has been very frustrating and more difficult than I expected. I've been doing the same things I have before in other plants, but I have not been able to get the same results. I don't understand why I have not gotten the same response here in Mexicali."

"Are you saying that the personnel here at this plant are not qualified enough?" Julian asked.

"That is not what I mean" Valenzuela responded. "The staff is competent. Things here in Mexico just seem to take longer, and I never get the exact results I expect. But I assure you that the results for this year will be better than you predict."

"For your sake Armand, and for the sake of the plant, this year's results have to be better" Julian said, ending the conversation.

Before Julian went back to France, he asked De Leon to evaluate Valenzuela's running of the plant. The report had to evaluate his effectiveness as plant manager at Topal de Mexicali. The report had to be emailed in two weeks. At that first weekly meeting in February, De Leon had not yet finished his report which was due in a couple of days. As he sat there and listened to the usual screams, he considered what he would write.

As they walked to their offices after the meeting, he listened to Avelardo, the baby-faced Mexican production manager, "I can't believe the way Valenzuela yelled at me! He always yells such rude things so loudly they are heard all over the building. He is just so formal, so arrogant, and exacting. Have you noticed he hardly ever speaks to anyone that isn't a manager, and then he expects everyone to be at his

immediate disposal? He is so condescending especially to us from here. What do you think is his biggest problem? Is it just his personality? That he's French? Maybe he just does not like Mexico. Or do you think it could just be the stress from all the problems here at TDM?"

He continued saying, "It can't be that he doesn't like Mexicans; his girlfriend is from here. When he first got here, he wasn't this bad. Valenzuela is just strange, when he talks to you one-on-one, he is nice and polite but in meetings he is just so rude. I just can't understand him."

BACKGROUND

Topal

Topal was a French multinational electronic equipment manufacturer. The firm provided a wide range of products and services to consumers and professionals. Topal had four principal divisions: Content and Networks, Consumer Products, Components, and Licensing. The company distributed its products under several well-known brand names.

Topal de México

To strengthen its worldwide presence, Topal increased its manufacturing capacity with the addition of a factory in Mexicali, Mexico. The group signed an agreement to purchase land for the construction of Topal De México SA de CV, which began operation in Mexicali in 2011. Serving primarily the North American market, the state-of-the-art facility manufactured electronic subassemblies for use in other Topal products as well as for other manufacturers. Production capacity for the subassemblies was expected to exceed 4,000 units per day once the plant was fully operational. "Market demand for our products is strong and projected to increase in the next several years," said the Executive Vice President of Topal's Displays and Components division. "The added value of a modern, cost-effective facility which will focus on this important product segment is an obvious step toward strengthening our business and continuing our growth in the next decade."

Building for the Topal de Mexicali plant began in Mexicali in 2010. The plant was built to accommodate three lines of production. Only one line was installed at the start of operations, the installation of the other two lines was scheduled for the year after that. The plant was basically a production and salvage operation, without even a local sales department.

The first plant director, David Lopez, was from central Mexico. He was in charge of the plant during its construction and for the first 6 months of production. After his retirement he was replaced with Valenzuela who was handpicked to lead the plant and improve its output.

Armand Valenzuela is a French national with Spanish parents. Well educated, he speaks over 4 languages (including Spanish and English). He moved to Mexicali at the beginning of 2012 by himself, leaving his school-aged children and wife back in France. He had worked at Topal in France before taking over TDM.

Current Situation

Before Valenzuela, the plant had been producing about a quarter of the projected capacity of 4000 units per day and with a great deal more scrap. Since he arrived, a year before, the plant had been improving slowly. It was still not meeting the projected goals but was heading in the right direction. Production was around 2200 to 2600 units per day, though the goal was to be over 3000 units per day by now. The great amount of scrap generated was still a problem. Even with the in-plant salvage facility the amount of scrap was greater than its capacity. Due to this there was a storage problem in the plant. Most of the space that was to be used for the third and second production lines was being used to store all the material that was waiting to go through the salvage process.

Most of the employee population was from Mexicali. All the line workers were locals. Around 80% of the administrative and engineering staff were Mexican. The other 15% were mostly Americans that worked at one of Topal's Midwest US plants, which had recently closed. The rest of the foreigners were Italian or Polish Topal employees. Almost all the Mexican administrative and engineering staff had a college level education. That was not the case with the American employees; they had experience in manufacturing this subassembly, but few had degrees of any type. Even if they were doing equal or similar jobs the American ex-pats received a much bigger paycheck and benefits that the Mexican workers had no way of getting. Due to the production problems and the management issues the work environment was poor. Everyone was very tense, and the plant director seemed to make it worse.

Recently Alvelardo Galvez, a Mexican native, had taken the position of production manager. He is an engineering graduate at a top Mexican university. When doing graduate work in France, he was hired by Topal and has worked for them ever since. He was transferred from a Topal plant in Anagni, Italy, and has many years of experience in this type of manufacturing plant. He seemed to be fitting in well, his employees were responding very well. Production output had improved, and Galvez was generally well liked. Before Galvez's arrival, Valenzuela had been acting production manager besides being plant manager.

As Mario De Leon sat at his computer, he thought about what he was going to include in his evaluation of Valenzuela. Should he just include all the complaints the employees had about Valenzuela? He was also worried that what he put into the

report would get back to Valenzuela. There were some positive points he could include. Things at the plant were looking a bit better; the installation of the second line was starting and more people were being hired, also the work environment seemed to be a little bit better than in the past months. Should he take into consideration the conversation he overheard between him and Julian and how much pressure they are putting on him? Should he put everything in the report, or try and make things seem better for Valenzuela's benefit and possibly his own? Venezuela was in a foreign country and had lots of pressure on him. He hadn't even taken his two weeks of home leave this past year. Whatever De Leon's decision was, he had to finish quickly because the report was due in two days. As he had come to learn in the last year the French expected all orders to be followed exactly.

Side Bar: Maquiladoras

The word "maquiladora" comes from the word maquilar, which means "to submit something to the action of a machine." The word is also applied to the production facility that processes or assembles components into finished products. The total number of maquiladoras in Mexico at the end at the time of the case was about 3000.

The beginning of the maquiladora program was in 1965 after the US Bracero Program was terminated. The end of this program left many unemployed field workers along the Mexico US border. The maquiladora program was designed to help solve this unemployment problem. In 1969 companies employed around 17,000 workers; by 2001 the employment had increased by 300% and maquiladora exports were about half of Mexico's total exports.

A maquiladora assembly or manufacturing operation can be partly or entirely owned and managed by non-Mexicans. Mexican law allows operations to bring in most capital equipment and machinery from abroad. These plants are involved in manufacturing a large variety of products. Maquiladora plants produce electronic components, clothes, machinery, and other products. There are exceptions to what can be manufactured. Under Mexican law, industries that produce items which contain radioactive elements are prohibited from being manufactured in maquiladoras.

Usually all a maquiladora's products are exported, either directly, or indirectly. The type of production may be the simple assembly of temporarily imported parts, the manufacture from start to finish of a product using materials from various countries,

or any combination of the various phases involved in manufacturing, or even non-industrial operations.

Companies are permitted to bring whatever professional or personnel for positions of trust they need to serve as managers, technicians and in other fields requiring specialization. These foreigners may bring their families with them. However, foreigners must obtain the proper visas from the General Bureau of Immigration Services. The visas are non-immigrant visas known as FM-3's and are renewable as often as may be necessary.

A maquiladora uses competitively priced Mexican labor to assemble, process, or perform manufacturing operations. Labor laws are the same for a maquiladora as for any other Mexican corporation. The Federal Labor Law, which implements the constitutional guarantees, is a comprehensive statute that attempts to regulate all aspects of a labor relationship. It is applicable to all Mexican companies, whether foreign or Mexican owned, with or without a maquiladora program.

The basic provisions of Mexican labor laws include the following. Every hourly and salaried employee must have a written employment contract. The permissible obligatory work week is 48 hours, or six 8 hour shifts; wages are based on a daily rate. Many companies, however, work a five-day week based on shifts of more than 8 hours, permitting two days off per week. Employees must be enrolled with Social Security, and companies must contribute to the National Workers Housing Fund. Pregnant women are granted leave of absence during pregnancy. Annual statutory benefits due to all workers include vacation pay, overtime pay, a defined vacation period, Christmas bonus, and employees profit-sharing. Employees cannot be fired except for cause; if dismissed without cause, an employee is entitled to certain severance benefits. The right to unionize is constitutionally guaranteed, though the interest in unionization varies from region to region.

Current Issues

Currently there has been an assault on human rights, including labor rights, in the maquiladora industry, which is not only intensifying old problems, but damaging the gains in health and safety that have been achieved over the years. This intensification is directly related to increased global competition and the importance of the bottom line. The downward spiral in working conditions is overriding all other considerations, including the maintenance of minimal standards of workplace health and safety.

The drive to reduce costs has reached an exaggerated level. Benefits have been cut back, which in means that workers' overall compensation has been reduced. The

obsession of the maquiladora firms with reducing costs translates into an intensive use of every minute of the workday, which places the workers under extreme stress.

Maquiladoras face issues with competition from China and Central American countries with lower pay requirements than Mexico. Lately strained US-Mexico relations due to illegal immigration has chipped away that the popularity of this type of manufacturing.