Humanistic leadership: Lessons from Latin America

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The "paternalistic" style of leadership is giving rise to a flourishing cooperative-based system of labor relations and community-centered CSR practices.

Latin Americans tend to score high on personal authority and collective or group-related cultural dimensions and values relative to people in the United States or Europe.

This cultural trend has given rise to a "paternalistic" leadership style in which personal and social relationships are key to working and leading employees effectively.

In their paper, "Humanistic Leadership: Lessons From Latin America," published in the *Journal of World Business*, Anabella Davila of EGADE Business School, Mexico, and IESE Prof. Marta M. Elvira review the psychological, sociological and historical factors behind this leadership style.

They also introduce alternative theoretical frameworks, providing fruitful avenues for further research in this area.

A paternalistic model

From a historical perspective, the roots of this leadership style can be traced back to the old *hacienda* — or privately owned agricultural estate — in which the *patrón* — or owner/boss — besides paying wages, took care of the workers by providing housing and food for them and their families.

The community living on the *hacienda* developed strong familial bonds, which crystallized into specific social structures, such as the *jeitinho* in Brazil or *compadrazgo* in Chile and in Mexico.

Jeitinho refers to a Brazilian cultural trait used as an adaptive strategy for problem solving. It facilitates action via emotional mechanisms and avoids confrontation.

Similarly, the *compadrazgo* is a social relationship based on a dyadic informal contract among relatives or friends identified among the Chilean urban middle class.

Both types of relationships rely on a continuous exchange of favors based primarily on friendship, and work well under a paternalistic leadership style because they include the required emotional tie to the in-group.

After the wars of independence in the 19th century, labor markets functioned under a "debt peonage" system. This meant that workers were assigned to the owner of a *hacienda* for an unlimited period of time, and part of their wages was retained to pay for shelter or other needs.

Sometimes workers were paid so little that they needed to borrow from owners who, in turn, tried to ensure that workers would not be able to pay back their loans and thus remained on the *hacienda*.

Reciprocity and stakeholder management

Haciendas offered resident housing, medical care and, in some cases, education for the children. Although the work environment was often coercive and favored the owner's interests, workers were still free to make certain choices, and owners had to offer them incentives that included salaries and other additional payments.

This system generated a reciprocal relationship that developed into mutual responsibilities and loyalties. Both owner and workers had social obligations, such as incentives for job performance, protection during downturns and participation in family events.

Taking a stakeholder perspective of management, the authors draw on previous research to identify three essential features of this uniquely Latin American brand of leadership:

- Investment in employees, including salary, benefits, education, training and development
- Cooperative efforts in labor relations
- Community-centered CSR practices

Workers' rights are generally unprotected by labor institutions, but derive instead from psychological contracts with employers, who, besides providing their employees with salaries and benefits, also offer them extensive long-term training.

New humanism in leadership

The authors believe this quid-pro-quo approach could underscore a new brand of humanistic leadership. Prior research suggests that in Latin America, management practices place the individual at the center of the organization and society.

Such an approach represents a radical departure from today's dominant economic view of leadership, which depicts leaders as conducting constant negotiations to clarify goals and outcomes with their subordinates, who tend to be viewed as mere resources rather than individual human beings.

The value placed on community development in Latin America increasingly challenges organizations to integrate their business goals with those of the wider community through CSR programs.

Combining a paternalistic leadership style with a community-focused approach helps to foster institutional arrangements that legitimize the social contract between individuals and organizations.

Case studies have shown that leadership effectiveness in the region is further bolstered when managers develop horizontal relationships with employees in contrast to a vertical relationship of subordination.

Leaders need to acknowledge the role of each individual within the workgroup and the organization within its community and society at large.

This style of leadership requires showing genuine concern for workers, including in such areas as their quality of life, family and community welfare — in effect, viewing employees as full stakeholders in the management process.

When this happens, workers generally respond with high levels of productivity and commitment to the organization.

Diversity is key

Diversity is deeply embedded in the Latin American region, where the early colonizers encountered a diverse land, both in terms of geography and ethnicity.

However, the model of colonization they implemented favored a tiny minority of elites, resulting in pervasive social and economic inequality that has remained to this day.

Regional leaders acknowledge the distinctive characteristics of a diverse workforce and how these can translate into broadly diverse aspirations and demands.

As economic forces and pressures take their toll, companies must be mindful of the unique social and cultural norms of the regions in which they are operating.

For example, recent changes in Mexican society — particularly in terms of its growing internationalization and evolving education and technology-based training — are demanding new work skills that, in turn, could allow Mexicans to exert greater control over their lives.

Similar trends have been identified in Chile. The more educated the workers, the more independent and self-confident they are, and the more focused they are likely to be on workplace productivity and performance.

To understand the human dimension and individual roles in the context of leadership studies in Latin America, the authors propose disciplinary approaches that go beyond limited cross-cultural business theories.

For managers, this synthesis of paternalism as a leadership style in Latin America highlights the value of developing personal and social bonds with employees.

However, one must remember that these bonds have grown out of relationships within unique cultural contexts.

For example, many traditional values that may have lost ground in other parts of the world, such as hierarchy and paternalism, are still a major influence in Latin American organizations. Ultimately, for leaders to be effective, such cultural norms should be respected.

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