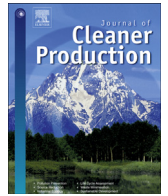




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## Environmental pressure and quality practices in artisanal family businesses: The mediator role of environmental values

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## ABSTRACT

Artisanal family businesses often use inputs from unsustainable sources and endanger many plant and animal species. Based on Sustainable Family Business Theory this study shows that environmental pressure perceived by the owning family leads the business to adopt quality practices because of the synergistic effects this kind of practices have with environmental issues, and that this relationship is fully mediated by the environmental values of the owning family. After addressing validity and reliability of measures based on survey data from artisanal family businesses in Guanajuato and Oaxaca, Mexico, path models are used for hypotheses testing. This research contributes to the literature by analyzing the effect of environmental pressures on the adoption of quality practices in artisanal family businesses, organizations that have no resources to obtain an ISO certification, as well as the mediator role of environmental values in the previous relationship.

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### 1. Introduction

Among restrictions businesses normally have to face, concern for the environment and natural resources has become increasingly important. In the case of family businesses, both family and business are seen as social systems that transform resources and face restrictions in their effort to obtain certain results or achievements. Sustainable Family Business Theory (SFBT) is based on general systems theory; it proposes a business model that interacts with a functional family model which aims to achieve economic, social, and environmental sustainability, and not only short-term financial viability (Stafford et al., 1999).

However, family and business structures develop within an environment that imposes several types of restrictions: sociocultural, resulting from the violation of community-imposed rules and customs; legal, pertaining to government-imposed laws and regulations; economic, imposed by the finite condition of natural resources; and technical, regarding laws of nature and technological development (Zachary, 2011). Furthermore, the constant interaction of the family/business system with its surroundings results in a

multidirectional influence; it includes adoption and diffusion of values from and to the company, family, and society. Family members working in the business transfer their values across system boundaries into the business. These values within the family business determine all of the business's activity, strategy, and methods. At the same time, values strongly affect government policies concerning family businesses. Within the SFBT, values are embedded in all elements: they shape both family and business objectives, influence the selection and use of resources, and determine the way both systems do transactions between one and other and with the external environment (Fitzgerald et al., 2010).

Understanding values as drivers behind business owners' choice of success criteria has an inherent importance in the obtained results (Gorgievski et al., 2011). One of the most significant business results are those caused by the implementation of quality practices, such as reduction of inventory costs and waste, increase in flexibility, productivity improvement, and greater customer satisfaction. These results are drivers of profitability, reputation, and market share, some of the most important indicators of business achievement. Quality is strongly linked to business success; its degree of influence varies depending on several quality dimensions and how they are put into practice (Shea and Howell, 1998). Nonetheless, as argued by Danes et al. (2008a), research on aspects of small business quality is scarce, and the few existing examples

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(Agarwal et al., 2013; Zhu et al., 2013) are more conceptual than empirical. Not much has been written on small business quality practices (Boon and Ram, 1998; Beheshti and Lollar, 2003; Danes et al., 2008a, 2008b), and there is even less on artisanal family businesses. In these businesses, knowledge, learning, and use of techniques are transmitted from generation to generation; beliefs and expectations are based on past experience and are difficult to change. The artisan prefers alternatives that are trusted, clear, and valuable so the family can be confident. Any shift in forms and procedures depends on the artisan's way of thinking, values, and beliefs, as well as on environmental influences (Hernández et al., 2007). The SFBT sees the community as a collective interaction, a social system that solves its problems and creates a psychological state through share ties of its members; a good match between the family business and the community is very important for the business because it gives legitimacy to the business so it can survive. Within this same theory, families establish objectives, select and use resources, and make transactions according to their particular values and needs (Fitzgerald et al., 2010). Artisanal family businesses obtain their identity from the particular products they produce, result of the materials, processes and practices that the family have inherited from their ancestors; however, they cannot compete against manufactured products, neither in quantity nor in price. The business's strengths could reside in its quality practices; quality product is closely related to the reputation of both the artisan and the family within the community.

This research proposes that environmental pressure, as an environmental restriction, could prove beneficial in achieving family business goals. Environmental pressure modifies the values and behavior of artisanal family businesses, triggering actions that can be seen as an implicit corporate social responsibility (CSR) to the community (Matten and Moon, 2008), and lead to several practices that are closely related to those of quality, such as waste reduction, and improvement of flexibility, and productivity (Bandehnezhad et al., 2012). Although small businesses such as artisanal family businesses do actually adopt environmental and quality practices, they hardly get engaged into either formal environmental management systems such as ISO 14001 or formal quality management systems such as ISO 9000 because these types of certification are costly and require considerable documentation, time, and skills, and the priority of small businesses is usually surviving (Johnson and Shaltegger, 2015; McKeiver and Gadenne, 2005).

The SFBT proposes that family values are transferred into the family business culture, and that they can lead to community social responsibility (Fitzgerald et al., 2010). The community is of significant importance; business success depends to a large degree on whether or not it is managed according to local community culture. The community takes on certain values from the family business owners, and also the family obtains some values from the community, in this case, environmental values. Using factor analysis and path modeling, this research analyzes data obtained by surveying artisanal business owners in Guanajuato and Oaxaca, Mexico.

This study seeks to answer the following question: Do the environmental values of artisanal business owners mediate the relationship between their perceived environmental pressure and the adoption of quality practices in artisanal family businesses?

The importance of answering this question lies in the following aspects: 1) Even though the effect of environmental pressure on business results has been widely studied, (Liu, 2009; Colwell and Joshi, 2013; Zhu et al., 2012, 2013; Qi et al., 2013), many of these papers consider the adoption of quality systems only through ISO 9000 and ISO 14001 certifications (Zhu et al., 2012, 2013; Qi et al., 2013) — certifications that go beyond the technical and economic

possibilities of artisanal family businesses. 2) There is some evidence of the study of managerial values between environmental pressure and environmental logistic activities (González-Benito and González-Benito, 2006), but none of these studies have focused on environmental values and how they intervene in the environmental pressure - quality practices relationship.

The gaps in the literature this research addresses are, thus, the effect of environmental pressures on the adoption of quality practices in artisanal family businesses that have no resources to obtain an ISO certification, and the mediating role of environmental values in the previous relationship.

Our study provides evidence regarding two important themes in the context of artisanal family businesses: 1) the environmental problems that affect these businesses when endangered plants or animals are used as inputs in their manufacturing processes; and 2) the adoption of quality practices in Mexican artisanal family businesses. This is a sector lacking in-depth research in these matters; it is thought that quality presupposes industrialization, a process that would remove artisan originality. Furthermore, there exists the perception that small businesses, such as artisanal family businesses, do not have enough resources to implement efficiently quality initiatives.

The rest of the paper proceeds as follows: Section 2 presents the theoretical development and hypotheses; Section 3 focuses on the method, measures, and data treatment; Section 4 explains the research findings; Section 5 includes the discussion; Section 6 presents the conclusions and; finally, Section 7 includes limitations and implications of the research.

## 2. Theoretical development and hypotheses

The following section discusses SFBT. This research analyzes in detail the study variables, and describes the role values play as mediators between environmental pressure and the adoption of quality practices in artisanal family businesses.

### 2.1. Sustainable family businesses theory

The SFBT is based on general systems theory. It proposes a model that combines a profitable family business with a functional family, and the interaction between both to achieve sustainability (Stafford et al., 1999). The theory emphasizes sustainability of profits.

SFBT was first introduced by Stafford et al. (1999), who argued that both family and business are intentional and rational social systems that transform available resources and face restrictions. They operate through interpersonal or resource transactions in order to achieve goals later classified by Olson et al. (2003) as either of objective or subjective nature. Danes (2006) suggested family and business are affected by structural and environmental changes; this theory identifies them as disturbances that are either normative or non-normative (see Fig. 1).

To clarify the principles of SFBT, several changes were introduced in 2008 which resulted in SFBT II, a more complete sustainable family business theory (Danes et al., 2008b, 2009). Specific changes introduced include: 1) inclusion of family and business structure; 2) separation between resources and restrictions; 3) detailed obtained output; 4) distinction between short term viability and long term sustainability; and 5) community integration (see Fig. 2).

The SFBT II model suggests families and businesses provide resources to the business activities of family members in the form of social capital, human capital, and financial capital. Social capital refers to interrelations between family members; human capital includes personal attributes of family members; and financial

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