Junior Management Science 9(2) (2024) 1485-1510

Junior Management Science

www.jums.academy
ISSN: 2942-1861

Analysing the Sustainability of Procurement in Family Businesses - A Study of Measurable Investments and Practices Based on ESG Principles

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Abstract

Sustainability has gained considerable prominence in recent decades as the inevitability of change becomes increasingly apparent. Family businesses constitute a significant and influential part of the global economy. Therefore, they are pivotal in addressing the world's sustainability challenges. Despite extensive research on sustainability in corporations and public firms, there remains a dearth of comparable data concerning sustainability in privately owned family businesses. Through qualitative interviews and cross-case analyses, this thesis investigates the procurement practices within family businesses, deriving comparative insights guided by Environmental, Social, and Governance (ESG) criteria. The findings evaluate family businesses based on the ESG framework, visualising the development and integration of sustainable practices into the procurement processes. The research highlights the indirect impact of sustainability on developing competencies that can confer a competitive advantage. Additionally, it sheds light on the potential financial benefits reported by family businesses that have implemented sustainability measures. Overall, the findings contribute to the existing academic research on sustainability in businesses and family business studies.

Keywords: ESG; family business; performance-based assessment; procurement; qualitative interviews; sustainability

1. Introduction

1.1. Problem Relevance

Sustainability is *"(...) meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland & United Nations, 1987, as cited in Keeble, 1988)*. This quote from the United Nations Brundtland Commission describes one of the critical challenges the world is facing today. Because of significant resource depletion caused by the extensive population growth and economic development, planet Earth is at the precipice of irreversible consequences. The two main drivers that are the underlying cause of the environmental problems are the world's population, which has quadrupled over the last 100 years and the global economic output, which has 20-folded, estimates say (Grossman, 2013). On the verge of the problem lies the Earth's depletion of natural resources. The majority of natural and renewable resources have been classified as over-used in the last decades (World Bank & FAO, 2009). Human activities such as industrialisation, deforestation, and mining have also played a significant part in the overuse of resources such as fossil fuels, timber, minerals, and water.

Sustainability is a megatrend for the industry that has become reinforced in recent years, leaving the corporate world with the need to implement new business practices to stay competitive (Sheth et al., 2011). In the past decade, sustainable business practices have significantly increased interest.

I would like to extend my heartfelt gratitude to all individuals who have made valuable contributions to the completion of this academic endeavour. Firstly, I sincerely appreciate my supervisor, Prof. Dr. Nadine Kammerlander, for their invaluable guidance, expertise, and unwavering support throughout the research process. Your dedication and willingness to provide advice and share your knowledge have been instrumental in completing this study. I am also immensely grateful to the family businesses and interviewees who generously dedicated their time and shared their invaluable insights and information. Without their contributions, this paper would not have been possible. Their willingness to participate and provide valuable insights has enriched the findings and added depth to the research.

DOI: https://doi.org/10.5282/jums/v9i2pp1485-1510

Before the financial crises of 2007-08, there was a prevailing belief, as articulated by Milton Friedman, that the primary objective of businesses should be to maximise shareholder returns. However, the subsequent events revealed the inherent unsustainability of this approach. It became clear that specific organisations and individuals had neglected business ethics, resulting in crises encompassing the environment, ethics, and the global economy. These occurrences were a stark reminder of the need to prioritise ethical considerations within business practices (Boons et al., 2013). Especially the rise of public interest in sustainability topics accelerated the pressure on companies worldwide to develop a more socially responsible role (Gutberlet & Kern, 2007).

In 2006, the United Nations report first mentioned ESG as a term (Dai & Tang, 2022). Since then, there has been a notable increase in non-financial reporting. During this period, the emphasis has shifted towards maximising the impact on the organisation's stakeholders and the environment, not just the shareholders (Sandberg et al., 2022). ESG ratings are a set of objectively defined criteria that enable comparing companies based on their sustainable practices, as per Sandberg et al. (2022). These ratings have gained significant momentum in recent years, with ESG-themed investment portfolios estimated to be worth around $40 trillion, which attests to their growing importance in the investment community. Since its inception in 2006, ESG has gained widespread recognition as the only measure of a firm's sustainability and social impact. This is evident in its adoption by businesses and its acceptance among governments worldwide (Dai & Tang, 2022). The COVID-19 pandemic has brought attention to ESG issues in supply chain operations, as the opacity of international supply chains revealed due to significant interruptions.

Consequently, there has been a growing demand for supply chain due diligence and accountability. Thus, the German parliament passed the Supply Chain Due Diligence Act in 2021, the latest directive in Germany concerning the supply chain issues occurring during the COVID-19 pandemic. It mandates that companies assume accountability for any social and environmental problems that may arise during their operations (Dai & Tang, 2022). In addition, on January 5th, 2023, the European Union put the Corporate Sustainability Reporting Directive (CSRD) into effect, representing a recent instance of the enactment of sustainable legislation. This directive is a testament to the EU's commitment to enhancing corporate sustainability reporting and disclosure standards.

Today's world is approaching and, in many cases, already surpassing the limits of the world's natural resources to the extent that immediate action is necessary (Grossman, 2013). The responsibility to act extends to the economy, with businesses playing a crucial role in addressing these challenges. Companies that conform to ESG criteria and allocate resources towards long-term sustainable solutions can secure a sustainable competitive edge (Grossman, 2013). As French President Emmanuel Macron said: *"Let us face it, there is no planet B" (Wentworth, 2018, p. 1)*.

1.2. Objective

As aforementioned, the global population has grown significantly in recent decades, leading to a corresponding increase in demand for food and beverages (Shahjahan et al., 2022). In Europe, the food and drink industry is the largest manufacturing sector in terms of turnover and employment (FoodDrinkEurope, 2020). The industry is responsible for almost 26% of global greenhouse gas emissions and has a high usage of natural resources while facing social and governance issues throughout the supply chain. Moreover, the agricultural system prioritises maximum output, leading to soil quality degradation, water pollution and many other environmental problems (Sandberg et al., 2022). However, research on sustainability in the food and beverages industry has been limited thus far, mainly because of the industry's complexity of regulatory restrictions and supply chain requirements (Sandberg et al., 2022). Recent academic findings have expressed the industry's vulnerability to environmental hazards, like weather crises, as the impact of climate change has already led to a 3% reduction in global crop yield (Fróna et al., 2019). These risks are dangerous to the industry but, on the other hand, offer opportunities to promote social fairness and reduce environmental impact by integrating ESG measures into the supply chain. For instance, food waste is a significant problem in the food and beverages industry. Research has revealed that approximately 16% of all food waste occurs within its supply chain (Shand & Johnson, 2019).

Family businesses are essential to the global economy and have an extended and traditional role in national economies. Globally, they account for about 80% of companies and often contribute a large share of the GDP in many countries (Buchanan et al., 2023). With a concentration of almost 80%, the percentage of family businesses in Germany is significant (Bergfeld & Weber, 2011). In contemporary society, family businesses are frequently referred to as more stable in times of crisis, possessing greater sustainability and maintaining a long-term focus compared to non-family-owned enterprises (Bauer, 2013; Machek et al., 2019). Given the significant role that family businesses play in national economies, research on this subject has been extensive. Despite research on various aspects of family businesses, such as the impact of succession, management, and ownership, sustainability, measured with ESG criteria, remains critically understudied.

Sustainable supply chain management (SSCM) has been a highly productive area of research in recent decades, with a significant output on the topic (Carter & Easton, 2011; Carter & Rogers, 2008; Seuring & Müller, 2008). However, the link between ESG criteria and SSCM has received relatively little attention and is considered an understudied area, especially in family businesses (Dai & Tang, 2022). Furthermore, despite extensive research from academic literature on sustainability in family businesses, the findings do not present a consistent picture (Bauer, 2013; Olson et al., 2003). On the one hand, regarding sustainable business practices, research has found family businesses often exceed regulatory requirements (López-Pérez et al., 2018). In contrast, other studies indicate that family businesses do not outperform non-family firms regarding sustainability (Chen & Hsu, 2009).

As the public interest in sustainability has risen constantly, the urge to stand out in ESG reporting has become vital (Parida & Wincent, 2019). More than ever, sustainable business practices and communication are crucial factors in maintaining customer attractiveness and competitiveness in the economy today (Vătămănescu et al., 2021). As a result, a research gap in sustainable procurement was deemed evident, specifically in measuring sustainability in family businesses using ESG criteria. This paper seeks to establish a rating framework in which sustainable procurement practices are rated based on ESG criteria. The objective is to present a comparative perspective and facilitate the widespread adoption of sustainable practices (Seuring & Müller, 2008). The need to integrate sustainable business practices has been underscored (Ferreira et al., 2021; Le Breton-Miller & Miller, 2016). The degree to which sustainable procurement practices are established holds great significance, especially given the substantial representation of family businesses across various industries.

Germany, predominantly composed of family businesses, provides a conducive environment for conducting research and contributing to the academic landscape of sustainability in family businesses. ESG criteria could be integrated as a measurement tool for assessing and deriving best practices and general assumptions on the sustainability of procurement in the German food and beverages industry, thereby offering a promising avenue for advancing research in the field. Exploration of the sustainable practices of family businesses holds promise for generating valuable insights and establishing a starting point for assessing sustainability in the family business landscape. The proposed research methodology entails qualitative interviews with eight German food and beverage family businesses, employing ESG criteria for meaningful comparisons. The selected industry has been chosen for its economic significance and to facilitate a more focused and comparable analysis. As a result, two research questions were formulated to guide the subsequent paper:

> *(1) To what extent have German family businesses implemented sustainable procurement practices, measured with guidance from ESG principles?*
>
> *(2) What characteristics do family businesses possess that influence the implementation of sustainable procurement measures, and how can these characteristics be integrated into a framework for sustainable procurement?*

The thesis is organised as follows: Section 2 presents a comprehensive review of the relevant literature about the investigated topics. This literature review forms the basis for developing the research propositions. Section 3 describes the methodology employed in this study, with a particular emphasis on constructing the frameworks. In Section 4, the study's findings are analysed, interpreted, and synthesised. Finally, Section 5 provides a detailed discussion of the study's findings, its contribution to academic literature, the limitations of the study, and suggestions for future research.

2. Theoretical Background and Proposition Development

Building upon the formulated research questions, the upcoming section offers a theoretical foundation for the topics under investigation. It will present a comprehensive overview of existing scholarly studies about sustainability in family businesses. Beginning with the definition of essential and central terms of this study, the focus will lie on academic research on family businesses in connection with sustainability in the procurement process. Finally, this paper will delve into SSCM, culminating in formulating two propositions to guide the qualitative data analysis and provide the reader with a clear research direction.

2.1. Definition of Terms

The section provides comprehensive insights into the key terms utilized in this paper related to family businesses, the concept of ESG, and the relationship between sustainability, procurement, and family businesses. This section aims to enhance the reader's understanding of the current academic research on the subjects under investigation through clear definitions and explanations.

2.1.1. Definition of the Term Family Business

A century ago, the word *"business"* was equal to *"family business",* as the vast majority of companies were family-owned (Aldrich & Cliff, 2003). According to Sharma (2013), families are two or more individuals related by blood or marriage and residing together while maintaining communication (Sharma, 2013). In this study, the term "*family*" refers to the individuals related by blood, adoption or marriage, following its conventional definition. According to Donaldson and Walsh (2015), a *"business"* is *"(...) a form of cooperation involving the production, exchange and distribution of goods and services for the purpose of achieving collective value" (Donaldson & Walsh, 2015, p. 188)*.

Family businesses play a crucial role in the global economy. They are the world's oldest type of commercial organisation and constitute a substantial portion of businesses worldwide. In Germany, for instance, family businesses make up nearly 80% of all organisations, highlighting their significant presence and importance in the country's economy (Bergfeld & Weber, 2011). One distinguishing feature of family businesses is the inherent risk borne by the family itself. Research indicates that in 1996, family owners put over US$86 trillion of family assets at risk for the survival of their businesses (Olson et al., 2003). There is a lack of consensus and precision in defining the term *"family business"*, and a definitive and universally accepted description has not yet been established (Cano-Rubio et al., 2017). Thus, this paper makes use of the definition by Poza (2013) to describe family businesses. It "*(...) considers family businesses to constitute* *the whole gamut of enterprises in which an entrepreneur or next-generation CEO and one or more family members significantly influence the firm. They influence it via their managerial or board participation, their ownership control, the strategic preferences of shareholders, and the culture and values family shareholders impart to the enterprise" (Poza, 2013, p. 5)*. All definitions of family businesses revolve around the family's role in determining the firm's vision and control mechanisms and creating unique resources and capabilities. The family's involvement is often seen as a competitive advantage (Sharma, 2013). Extensive research has yielded significant findings, highlighting their advantages and disadvantages compared to non-family firms. These findings suggest that family businesses have unique strengths that contribute to their success (Tagiuri & Davis, 1996). One such characteristic are reduced agency costs due to the family's involvement in the executive stage (Habbershon & Williams, 1999). On the other hand, next to creating a competitive advantage, the same characteristics can also pose significant risks to family businesses themselves (Sirmon & Hitt, 2003). Here, family involvement can be the potential for conflict between different groups of family shareholders. Research has shown that agency problems can be severe between controlling and non-controlling shareholders in family businesses (Ali et al., 2007; Le Breton-Miller & Miller, 2016). The distinctive capabilities and resources that family involvement provides to an economic entity were described by Habbershon and Williams (1999) as *"familiness"*. These are best understood through the lens of the resource-based view. This perspective emphasises the strategic significance of a firm's resources and capabilities, which can be difficult for competitors to replicate or substitute. In family businesses, these resources and capabilities are often tied to the family's involvement and control, precisely their human, social and financial capital (Ferreira et al., 2021; Poza, 2013).

Financial Capital

Financial capital has negative as well as positive attributes for family businesses. Since most shareholders in family businesses are family members, this approach fosters a longer-term perspective on achieving financial stability rather than pressure to deliver immediate financial returns or engage in short-term thinking (Le Breton-Miller & Miller, 2016; Sirmon & Hitt, 2003). This prioritisation of financial stability and long-term orientation stems from the goal of creating lasting value for future generations (Machek et al., 2019; Poza, 2013). A characteristic of family businesses is the desire to keep ownership and control without too much influence from external capital providers (Harith & Samujh, 2020). Focusing on long-term development and effective capital management can lead to limited financial resources and risk-averse investment decisions. Due to financial constraints, family businesses might face challenges in funding innovation initiatives, which are critical for staying competitive in today's fast-paced business environment (Clauß et al., 2022). Furthermore, their strong attachment to traditional values and emotional ties to the business can hinder their ability to innovate and embrace change, resulting in negative implications for their long-term financial stability and socio-economic impact (Clauß et al., 2022; Machek et al., 2019). This may result in slower growth or missed investment opportunities for the family business (Machek et al., 2019; Sirmon & Hitt, 2003).

There is, however, also a contradictory view on the financial independence of family businesses. The ownership family may allow them to pursue their vision without being constrained by economic considerations. This includes the ability to make social investments that may not yield immediate financial returns. The overlap of ownership and managerial responsibilities in family businesses can significantly reduce administrative costs and facilitate faster decision-making. Quick decision-making is crucial in the economic world, as missing out on specific investment opportunities can mean a disadvantage in competition (Poza, 2013). Furthermore, emphasising building a business for future generations leads to increased self-analysis, the ability to adapt to changes without losing momentum, and a greater focus on research and development.

Human Capital

Human capital refers to the skills, knowledge, training and relationships of the employees and other individuals involved. This term emphasises the importance of people as a critical resource for the organisation's success (Habbershon & Williams, 1999; Sirmon & Hitt, 2003). Family businesses typically have a trust and value-based culture that stems from the close interpersonal relationships among family members. As a result, family businesses often have a more profound firm-specific understanding and stronger relationships with external stakeholders, providing them with a competitive advantage over non-family firms (Habbershon & Williams, 1999; Poza, 2013; Sirmon & Hitt, 2003). These practices lead to a "win-win" approach, prioritising the interests of all stakeholders, including society and other businesses (Le Breton-Miller & Miller, 2016). Conversely, it can be argued that maintaining strong and long-term relationships may pose a risk and impede the agility of family businesses, as personal relationships with external stakeholders may influence their willingness to embrace change (Donaldson & Walsh, 2015).

Social Capital

Social capital focuses on the relationships between the organisation and individuals. It consists of structural, cognitive and relational components, all of which are embedded in a family (Bingham et al., 2011; Sirmon & Hitt, 2003). Research shows the contrast between family-run and non-family firms, particularly regarding their heightened corporate social responsibilities (Bingham et al., 2011; Block & Wagner, 2014). It contends that family businesses frequently cultivate solid connections and alliances with their local communities and employees, increasing their influence on society and emphasising their social responsibility instead of prioritising profit maximization (Niehm et al., 2008). Family businesses' distinctive features and competitive advantages have contributed to the perception of sustainable and long-lasting economic entities (Bingham et al., 2011; Machek et al., 2019).

2.1.2. Definition of ESG

In previous decades, management executives often prioritised business decisions that focused on maximizing shareholder value while disregarding environmental and social factors (Sandberg et al., 2022). As a result, the concept of ESG was initially introduced through a published report by the United Nations in 2006 (Dai & Tang, 2022). Since then, socially responsible investing has been a principle for decades. Still, the lack of specific performance measurement created a vast difference in approaches, thus creating more confusion and a lack of comparability (Boffo & Patalano, 2020). Bergman et al. (2020) have defined ESG as *"(...) a means by which companies can be evaluated with respect to a broad range of socially desirable ends. ESG describes a set of factors used to measure the non-financial impacts of particular investments and companies" (Bergman et al., 2020, p. 1)*. Over the past two decades, ESG has been widely adopted in the investment industry, as socially responsible investing (ethical or sustainable) has grown significantly (Dorfleitner et al., 2015). ESG ratings are widely recognized as an effective way of evaluating corporate social performance and have gained considerable importance for investors and company management over the past few decades. The ESG framework is predominantly used to assess companies and their potential financial performance, aiming to minimize risk by considering sustainable business practices. This investment philosophy prioritises long-term growth while recognizing the economic significance of creating financial return (Li et al., 2021). In recent decades, the assets under management considering ESG factors have grown exponentially. In the US alone, this represents 20% of all professionally managed assets, equivalent to US$11 trillion (Boffo & Patalano, 2020). Over the last 20 years, specialized rating institutions have developed ESG rating criteria, with ASSET4 being one of the most prominent providers of ESG ratings, owned by Thomson Reuters (Dorfleitner et al., 2015). The criteria have evolved and are not standardized, resulting in rating agencies using varying standards to evaluate companies. Nonetheless, this study is based on the standard criteria used by ESG rating agencies while acknowledging the existence of differences in their rating methodologies (see Table 1) (Boffo & Patalano, 2020; Escrig-Olmedo et al., 2019; Li et al., 2021).

ESG scores are categorized into two main types: one type emphasises ESG reporting and the level of transparency demonstrated by companies in this aspect, while the other assesses the extent to which companies generate social returns in addition to financial returns, thus considering the social impact of potential investments (Boffo & Patalano, 2020).

ESG measures are used in the investment industry to evaluate companies and businesses to improve their social, environmental and governance contributions and overall sustainability. Research suggests that considering ESG factors can enhance risk management, resulting in organisations' more sustainable long-term performance (Boffo & Patalano, 2020). Despite this, academic literature has been divided in the past, being unclear about the effect of ESG ratings on the financial performance of businesses. Some suggest that higher ESG ratings are associated with better financial performance and can lead to a competitive advantage (Taliento et al., 2019). Deriving from that, ESG practices cannot only improve the sustainability of one's business but also lead to higher long-term growth, thus, better financial outcomes (Kim & Kim, 2014; Sandberg et al., 2022; van Beurden & Gössling, 2008). In the long term, investments made with ESG criteria have resulted in positive outcomes for shareholders (Barnett & Salomon, 2006). On the contrary, academic literature has found a negative correlation between social responsibility and financial returns. However, sustainable policies and business practices should still be adopted to maintain good relationships with all firm stakeholders (Taliento et al., 2019).

2.2. Overview of the Current State of Research

The ensuing discourse offers a comprehensive overview of the existing literature on sustainability in the context of family businesses. Family businesses possess specific characteristics that contribute to their positive relationship with sustainability (Berrone et al., 2010; Clauß et al., 2022; Ferreira et al., 2021; Le Breton-Miller & Miller, 2016). Furthermore, an overview of SSCM is provided.

2.2.1. Sustainability in Family Businesses

Le Breton-Miller and Miller (2016) have identified specific unique characteristics of family businesses that contribute to their positive relationship with sustainability.

As noted above, a notable characteristic of family businesses is their long-term orientation, emphasising their continuity for future generations. This long-term perspective fosters robust relationships with external stakeholders, which can be attributed to the historical resilience of family businesses (Berrone et al., 2010; Miller & Le Breton-Miller, 2005). Le Breton-Miller and Miller (2016) family businesses are considered responsible corporate citizens. This reinforces their commitment to sustainability, as they maintain a vital connection with their external stakeholders and a vested interest in preserving the environment (Niehm et al., 2008). The interest in the environment is caused as family businesses focus on creating a sustainable future for the firm (Berrone et al., 2013). Furthermore, it has been discovered that family businesses rely on their human, social, and financial capital to improve their sustainable contribution (Ferreira et al., 2021).

According to Cui et al. (2018), family members serving as CEOs exhibit stronger corporate social responsibility performance than non-family CEOs. To mitigate rising agency costs, recommendations are to implement long-term incentives to align non-family CEOs with the values of the family business and foster sustainable investments. Additionally,

Table 1: ESG Framework (Source: Li et al. (2021))

Dimension	Factors	Definition
Environmental (E)	• GHG emissions • Energy consumption and efficiency • Air pollutants	Environmental matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign, or individual.
Social (S)	• Workforce freedom of association • Child labor • Forced and compulsory labor • Workplace health and safety • Customer health and safety • Discrimination, diversity, and equal • Opportunity • Poverty and community impact • Supply chain management • Training and education • Customer privacy • Community impacts	Social matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign, or individual.
Governance (G)	• Codes of conduct and business principles • Accountability • Transparency and disclosure • Executive pay • Board diversity and structure • Bribery and corruption • Stakeholder engagement • Shareholder rights	Governance matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign, or individual.

Anderson and Reeb (2004) highlight that family firms' monitoring capabilities allow them to manage agency costs that arise from non-family CEOs effectively. The strong sense of ownership and commitment enables family businesses to enforce their vision for sustainability throughout the organisation.

However, despite the positive associations between family businesses and sustainability found in academic research, there are potential drawbacks. One significant challenge is the potential conflict among family members within the company (De Vries, 1996). De Vries (1996) highlights that many owners can create distractions at the management level, leading to inadequate leadership and potentially harming stakeholders and sustainability-oriented business decisions (Eddleston & Kellermanns, 2007). The greater the ownership dispersion among family members, the more challenging it becomes to maintain a long-term orientation for the business. Some family members may prioritise short-term financial gains over long-term survival, leading to potential conflicts that hinder the organisation's long-term vision and sustainable behaviour (Eddleston & Kellermanns, 2007).

Furthermore, the socio-emotional wealth perspective, as highlighted by Berrone et al. (2010) and Le Breton-Miller and Miller (2016), can serve as a limiting factor for the sustainability performance of family businesses. Owners often perceive their family business as a source of social and emotional well-being for their families, leading to a hyper-conservative approach and reluctance to invest in business renewal or growth because of the risk perspective (Patel & Chrisman, 2014). In support of this, Harith and Samujh (2020) found that owning families prioritise protecting their socio-emotional wealth by minimizing reliance on external capital providers. This reliance can impede investments and hinder the implementation of sustainable business practices because of pressure from external shareholders. It is worth noting that family businesses also have the potential to protect their socio-emotional wealth by demonstrating better sustainable performance compared to non-family counterparts, as argued by Berrone et al. (2010). This counters the aforementioned challenges associated with socio-emotional wealth that Harith and Samujh (2020) describe.

2.2.2. Sustainable Supply Chain Management

For decades, globalization and the increasing complexity of supply chains have sparked a growing body of research into environmental and social issues within the supply chain (Seuring & Müller, 2008). Exploring the possibilities and advancements in SSCM to identify areas for improvement and derive conceptual frameworks have only been a few of the numerous topics of research (Brandenburg et al., 2014; Carter & Easton, 2011; Carter & Rogers, 2008; Seuring & Müller, 2008). Over the past decades, managerial decision-making has been marked by a notable shift towards integrating social and environmental considerations, particularly within supply chain management. This trend underscores an increasing recognition of sustainable practices and responsible business conduct in the contemporary company landscape (Brandenburg et al., 2014). Supply chain management, according to Seuring and Müller (2008), *"(...) is the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development into account, which are derived from customer and stakeholder requirements" (Seuring & Müller, 2008, p. 1700).* To provide various perspectives from academic literature on SSCM, commonalities and divergent opinions across crucial publications have been identified.

According to the analysis of 191 academic papers by Seuring and Müller (2008), a lack of clarity and focus on the social dimension of sustainability is evident. Only 20 papers adequately addressed social issues along the supply chain, while 140 articles emphasised environmental dimensions. Supporting those findings, Carter and Easton (2011) also demonstrated a predominant focus on ecological aspects of sustainability. On the contrary, they found a shift in recent years, evolving from focusing on environmental issues to a broader consideration, including social and economic factors. Supporting the implications, Brandenburg et al. (2014) state the existing models' main foci lie on a single sustainability aspect or a limited set of sustainability indicators, thus arguing for a lack of integration among them. Suggestions and implications are that while sustainability research has placed significant emphasis on the environmental aspect, there has been comparatively less attention regarding social dimensions in existing literature (Seuring & Müller, 2008).

Furthermore, as per Carter and Rogers (2008) and Beske et al. (2014), an essential factor for success in the future will be the collaboration between the companies across the supply chain. As per Beske et al. (2014), partner development plays a critical role in ensuring the overall performance and efficiency of the supply chain. They argue that the weakest link in the supply chain can be strengthened through practical guidance and the development of partners. Focal companies can collaborate with suppliers to establish sustainable processes and implement effective governance structures. This can be accomplished by proactively encouraging suppliers to engage in environmental and social activities and assisting them with guidance and collaborative development. This approach fosters strong supplier relationships and creates strategic value for focal companies (Sanchez-Flores et al., 2020). Supporting that, findings have shown that the collaboration and close assessment of one's supply chain positively influences adopting sustainable business practices (Macdonald, 2007; Matos & Hall, 2007). Without effective partnerships and comparative evaluation, adopting sustainable business practices can be severely impeded (Sancha et al., 2016; Soundararajan & Brown, 2016).

SSCM's impact on financial performance has been a highly debated topic in academic research. Although some opinions vary, authors generally view sustainable purchasing as having a positive economic impact (Carter et al., 2000; Govindan et al., 2020; Wolf, 2014). However, Feng et al. (2018) argue that SSCM only, in some cases, increases financial performance, depending on the practices and investments taken. It is important to note that those measures must be considered long-term investments, and businesses cannot expect a direct payoff. While Carter and Rogers (2008) suggest the focus of focal companies should be on environmental purchasing, Wang and Sarkis (2013) and Koberg and Longoni (2019) extend those findings by proposing to pay attention to social and governance practices as well. Overall, sustainable supply chain practices are widely recognized as positively impacting financial performance in the long term by enhancing firms' resilience to crises and enabling them to operate effectively through challenging circumstances (Govindan et al., 2020).

While prior studies have highlighted the distinctive sustainability approach of family businesses, scholars have emphasised the importance of analysing individual firms instead of relying on aggregated data to gain a thorough understanding (Habbershon & Williams, 1999). Based on the preceding literature review, it is proposed that family businesses demonstrate a well-developed sustainability focus in their procurement practices due to their strong relationships with external stakeholders.

> *P1: Family businesses exhibit high sustainability levels attributed to their focus on long-term perspectives, commitment to communities and external stakeholders, and facilitating the adoption and implementation of sustainable practices.*

Academic research indicates that the close relationships typically maintained by family businesses with external stakeholders can result in a reluctance to change suppliers regarding unsustainable production practices.

> *P2: Close relationships and the absence of external shareholder capital in family businesses do not hinder the implementation of sustainability practices in procurement and facilitate supplier switching if necessary. These relationships foster collaborative development processes and joint establishment of sustainability objectives, while family ownership strengthens the long-term emphasis on sustainability.*

3. Methodology

The subsequent section describes the methodology employed in this study to address the research questions. The process of conducting academic research to aggregate data for this study can be seen in Figure 1.

3.1. Research Context

The research context of this study focuses on the food and beverages industry in Germany. Several factors support the research context of the German food and beverages industry.

To begin with, the industry's significant annual revenue of €185.3 billion underscores its economic importance. With

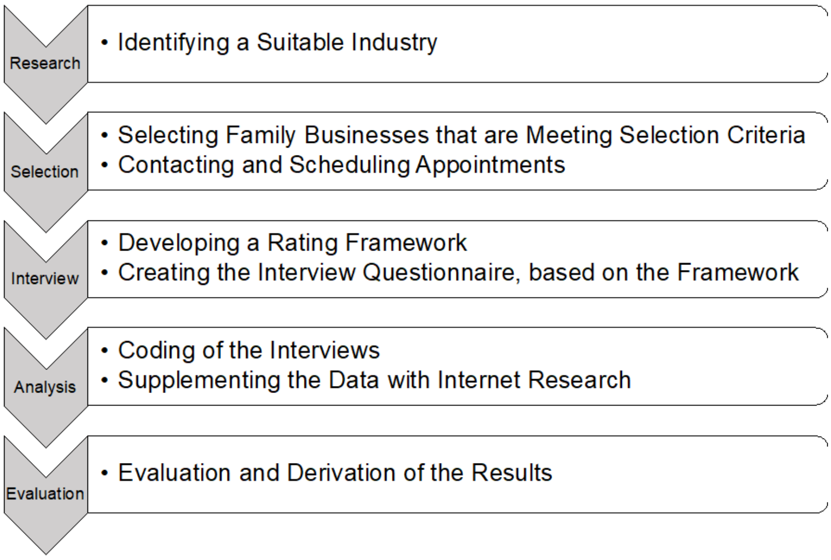

Figure 1: Research Approach (Source: Own Creation)

a substantial workforce of 614,000 employees, the industry holds a crucial position in the German labour market. The sector has gained an exceptional global reputation for its stringent sourcing standards and policies guaranteeing excellent quality. The notable presence of numerous family businesses within the industry makes it a representative and influential component of the broader German family business landscape (BMWK, n.d.).

Globalisation and recent crisis events, like the COVID-19 pandemic, have raised concerns regarding the sustainability of global supply chains. Given the food and beverages industry's heavy reliance on agricultural inputs, ensuring sustainability within the sector becomes paramount (Beske et al., 2014). The industry is dynamic and driven by changing customer demands (Vlajic et al., 2012). Consumers are increasingly concerned about the products they consume, paying attention to factors such as product origin and social practices, including labour standards (Beske et al., 2014). The complexities of mass production and the industry's dynamics necessitate agility and close collaboration within the supply chain, primarily due to the involvement of perishable food products (Beske et al., 2014; Matopoulos et al., 2007). The reliance of the food and beverages industry on agricultural sourcing further underscores the imperative for sustainability. Overall, the interconnectedness of supply chains within the food and beverages industry and the significant presence of family businesses make this industry a suitable research focus.

3.2. Research Design and Sample

This study seeks to comprehensively understand the existing state of sustainability in procurement in German family businesses. Orienting on the case study approach made by Yin (1994), this paper uses a cross-case-analysis system to derive findings and gain insights. This method is well-suited as the aim is to examine the state of heterogeneity across the industry's family businesses regarding sustainability (Yin, 1994). For each case study, the selected research methodology is the exploratory qualitative research approach (Ward et al., 2018). This approach is well-suited for this study as it allows for in-depth exploration and interpretation of the collected data. The nature of the research questions and the complexity of the subject matter make quantitative measures less applicable, as open questions and individual answers given by the interviewees are essential. Alongside developing a rating framework to assess the sustainability of the procurement process, this study aims to draw insights from the data, offering practical implications and recommendations to address the challenges family businesses face.

An investigation was conducted on their official websites to identify prospective companies in the food and beverages industry that were potentially family-owned, supplemented by direct inquiries through telephone calls. The research specifically targeted indicators suggesting the businesses' familial ownership structure. To encompass a diverse range of family businesses, those with a workforce of up to 3,000 employees were selected for inclusion in this study. In this research, family businesses are defined as aforementioned. Thus, family ownership had to be present, regardless of whether they were family managed. This criterion is in line with the existing literature, which suggests that family businesses are more adept at monitoring and reducing higher agency costs compared to non-family firms. Hence, the prevailing assumption is that non-family executives have a limited impact on sustainability, either negatively or positively (Anderson & Reeb, 2004). One of the family businesses in this study was no longer majority-owned by the family but still led and managed by the second-generation members who remained involved. In total, eight interviews were conducted to facilitate the research process.

Table 2: ESG Rating Criteria (Source: Based on Escrig-Olmedo et al. (2019))

Environmental			Social			Governance	
Responsible Investments	Renewable Energy / Water Management and Usage	(Food) Waste Reduction	Supplier Labour Standards	Local Sourcing	Community Relations	Compliance with non-binding Regulations	Brand Communications
CO_2 Emissions in Supply Chain	Biodiversity Preservation	Water and Land Pollution	Transparency of Supply Chain	Raw Material Sourcing		Audits	Business Ethics

3.3. Interview Questionnaire

This study had two main objectives: first, to develop an ESG-based rating framework for assessing the sustainability of family businesses in procurement; second, to create a framework that establishes a connection between measures and characteristics of family businesses that improve sustainability. To initiate the process, a set of rating criteria was established to provide a foundation for evaluating sustainability (see Table 2). The requirements in Table 2 were derived based on Escrig-Olmedo et al. (2019) and other academic literature (Beske et al., 2014; Dai & Tang, 2022; Zhu et al., 2008).

Each criterion is shortly explained in Appendix 2. The questionnaire was designed based on the rating criteria to enable a comparable and measurable assessment of the family businesses. It comprises 20 open-ended questions crafted to gather valid information. The questionnaire is structured into four sections: introduction, environmental, social, and governance. Each section includes questions that aim to contribute to assessing sustainability in procurement and gather detailed insights into the challenges and solutions encountered by family businesses. The introductory segment helps set the context for further exploration (see Appendix 1).

3.3.1. Environmental Section

The environmental section of the interview comprised five questions (see Table 3). These questions aimed to collect information on different aspects pertaining to the environmental dimension of sustainable procurement, with a specific focus on addressing the typical challenges faced by the food and beverages industry. The questions sought specific examples, metrics, and actions implemented by the family businesses concerning these areas.

3.3.2. Social Section

The social section of the interview consisted of six questions (see Table 4). The topic focused on the social aspects of sustainability in procurement. The questions covered areas regarding supplier selection criteria, engagement with suppliers and more.

3.3.3. Governance Section

The concluding section of the study comprised five questions that specifically addressed the governance dimension of sustainability, with a particular emphasis on the interviewees' oversight of supply chains and relationships with suppliers (see Table 5). The interviewees' perspectives on sustainable practices, including their adherence to legal regulations, were explored. The interview ended with a comprehensive summary of the topics (see Appendix 1). Appendix 1 is divided into various sections, with the introduction and conclusion indicated in light red, while a distinctive colour represents each of the three pillars.

3.4. Interview Analysis

The interview ended with a comprehensive summary of the topics (see Appendix 1). Appendix 1 is divided into various sections, with the introduction and conclusion indicated in light red, while a distinctive colour represents each of the three pillars.

The data from the questionnaire were analysed in a two-step process. The initial step involved analysing each family business interviewed and examining the collected data. The interviews were transcribed and coded during this phase to extract valuable information. The primary objective was to obtain data and establish a fair evaluation process to facilitate the comparison of sustainability in procurement among family businesses. As previously mentioned, a set of 15 rating criteria was developed to assess the procurement process, categorised under three main pillars: Environmental (E), Social (S) and Governance (G). These criteria serve as a framework for evaluating the sustainability performance of the procurement process (see Table 2). Among them, six pertain to environmental factors, five focus on social factors and four on governance. The weight of each pillar was calculated by dividing the number of criteria within the pillar by the total number of criteria (15). Consequently, the environmental pillar accounts for 0.4 of the overall rating, the social pillar for 0.33, and the governance pillar for 0.27. This weighting scheme reflects the relative importance of each factor in the procurement process. The rating scale for each criterion ranges from -3 to 3, following the Likert scale, enabling a more objective assessment. Based on the compiled data, information was documented for all eight family businesses regarding each criterion. After gathering data for each criterion, comparing the best and worst outcomes was conducted to establish ratings. Finally, each criterion was assessed based on the collected measures to determine the corresponding

Table 3: Questionnaire Environmental Section (Source: Own Creation)

1. How does "Business X" prioritize and address CO_2 emissions in the procurement process? Please provide any specific examples or metrics used to measure and mitigate these emissions?	3. Do You agree with the statement that 16% of products are lost in the supply chain due to overproduction and other factors, is this an issue at "Business X"? Why or why not?	5. Are issues in agriculture, such as wastewater pollution, pesticide use, deforestation, monocultures, ecosystem destruction and more a significant problem for "Business X"? Why or why not? What actions are taken with suppliers to address these issues?
2. Are sustainable investments in procurement taken? Why or why not? What specific sustainable investments did "Business X" make, and when?	4. What measures does "Business X" have in place to contribute to waste reduction? Have any measures and processes been implemented with suppliers to reduce waste and minimize wastewater production?	

Table 4: Questionnaire Social Section (Source: Own Creation)

1. How does the supplier selection take place? How is trade-off between lower prices and more sustainable/local suppliers handled?	3. Does "Business X" conduct audits, has codes of conduct and closely engage with its suppliers regarding sustainability practices? How would You describe the relationship with Your suppliers?	5. When choosing suppliers, how important are labour standards to Your organization? Does "Business X" have specific guidelines, compliance requirements and other criteria for suppliers?
2. To what extent do You consider environmental and social aspects, when purchasing raw materials, packaging materials and other items?	4. How important is the development and collaboration with Your suppliers? What experiences and challenges has "Business X" encountered in this regard? Are there any lessons learned or advantages that You perceived because of being a family business?	6. How has the COVID-19 crisis impacted Your operations, such as supply chain disruptions? Have you identified areas for improvement within Your supply chain and made any sustainable changes to enhance resilience in the long-term?

Table 5: Questionnaire Governance Section (Source: Own Creation)

1. Do you perceive sustainability as an opportunity for "Business X" to establish a long-term competitive advantage or do the associated costs outweigh the benefits in terms of financial performance?	3. Could You summarize the key points that distinguish your company's sustainable performance in procurement?	5. How transparent is your supply chain, and to what extent do You control Your suppliers? How would You describe the relationships with Your suppliers?
2. How has the implementation of the Supply Chain Act in 2021 impacted "Business X," and how prepared is the company to comply with its requirements? Have the new legal regulations posed any challenges to the organization?	4. What would You say sets "Business X" apart in terms of sustainability in procurement, even when it is not legally required? If applicable, why and since when have You been implementing these practices?	

scores. These ratings are later transformed to a scale of 0 to 6 for further calculations, with 0 being the worst and six the highest possible rating (see Table 6).

All the data is coded and examined for findings related to each rating criterion. The final evaluation is presented in the form of a spider chart that displays the scores of each family business in each criterion. Additionally, a diagram was created to provide a comparable representation of the ratings (see Figure 2). Here the ratings are evaluated as follows (see Table 7): The example calculation in Table 7 is based

Table 6: Rating Scale (Source: Own Creation)

Likert Scale rating in Analysis	-3	-2	-1	0	1	2	3
Rating for official score determination	0	1	2	3	4	5	6

Table 7: Comparable ESG Rating Score (Source: Own Creation)

Pillar	E	S	G
Total Number of Rating Criteria	6	5	4
Weight of Pillar	0.4	0.33	0.27
Total Score	36	30	24
Base Score	6	6	6
ESG Rating for Pillar	2.4	1.98	1.62
ESG Rating "FB X"		6	

on the highest possible score that each family business could receive:

$$\text{Total Number of Rating Criteria} \times 6 = \text{Total Score}$$

Afterwards, the rating is divided by the total number of rating criteria to calculate the base score:

$$\text{Total Score} / \text{Total Number of Rating Criteria} = \text{Base Score}$$

In the final step of the calculation, the base score is multiplied by the weight of its pillar:

$$\text{Base Score} \times \text{Weight of Pillar} = \text{ESG Rating for Pillar}$$

In the end, the ESG ratings of each pillar are aggregated, resulting in a maximum possible rating of 6, as seen in the ESG Rating “Family Business X” (FBX) (see Figure 2).

The second and final step entailed conducting a comprehensive cross-case-analysis of the family businesses. It aimed to identify potential challenges and examine measures implemented to enhance sustainability in procurement while recognising the specific challenges faced by family businesses in this context. The primary objective was to uncover meaningful patterns and derive actionable recommendations to help family businesses improve their sustainability/ESG rating in procurement. Furthermore, the aim was to provide valuable suggestions to other family businesses on overcoming challenges and enhancing sustainability. As a result, a framework was developed to visually represent these recommendations and offer a comprehensive overview of the findings.

Various analytical tools were employed throughout the analysis to identify patterns and manage the substantial volume of data. The subsequent section will present and explain the findings obtained from the data analysis.

4. Findings

The following section presents the findings and will be divided into two parts. The first part aims to answer the initial research question, deriving a comparable ESG rating based on the gathered interview data. In the second part, cross-case analysis will be conducted to provide further insights into current research, assess specific claims and evaluate the propositions. To ensure the anonymity of the interviews and the data collected, each family business has been assigned a numerical identifier representing them in the study, ranging from FB1 to FB8.

4.1. ESG Rating Analysis

Figure 2 presents the aggregated overall scores for each family business, providing a comparable rating across the eight interviewed companies. Due to the extensive nature of analysing each rating, this paper will highlight the key findings for each criterion and the underlying assumptions. The evaluations in this study are derived from the data collected through interviews and website research. An objective rating system was developed by comparing the performance of all family businesses and assigning points accordingly. As seen in Appendix 3, a spider chart displays the combined results of all family businesses, while Appendix 4 provides an overview of all criterion scores for each company. Appendices 5 to 12 also show individual spider charts of each family business, offering a comprehensive view of their respective ratings. Figure 2 presents the overall scores for each pillar, providing an overview of the family businesses’ performance.

FB5 achieved the highest rating with 4.9 out of 6 points, demonstrating its strong position relative to the other businesses. The interviewee highlighted that FB5’s motivation for founding the company was the limited availability of organic products. Sustainability and promoting healthy nutrition have always been fundamental to FB5’s business philosophy, as evidenced by the statement: "*Sustainability has always been ingrained in the DNA of our family business*". FB5 demonstrated exceptional performance across all pillars, outperforming other family businesses. In the environmental pillar, FB1 achieved an equal rating. FB1 earned the second-highest rating with 4.3 points, reflecting a 12% lower score than FB5. This was primarily due to weaker performance in the social and governance pillar. On the contrary, FB2 received the lowest score, with 3.1 points, indicating a significant performance gap of 37% compared to FB5.

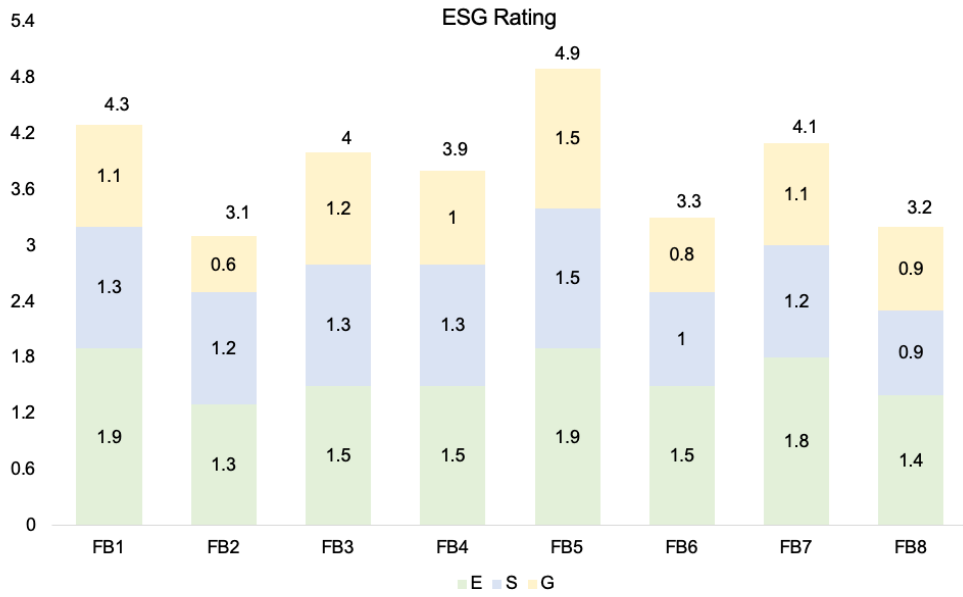

Figure 2: ESG Rating (Source: Own Creation)

The criterion with the highest aggregated rating is Responsible Investments, with 36 points, indicating that all family businesses have made commendable efforts to enhance sustainability in their procurement processes. On the other hand, the criterion of Transparency of the Supply Chain received the lowest aggregated score with 25 points, confirming the observations of scholars who highlighted the weaker social dimension as a general issue (Seuring & Müller, 2008). The following sections will provide a detailed analysis of each pillar.

4.1.1. Environmental Pillar Analysis

As previously mentioned, this pillar focuses on evaluating the environmental practices implemented by family businesses to promote sustainability and preserve natural resources. It also examines the measures taken to reduce carbon dioxide (CO_2) emissions within the procurement value chain. The individual ratings for each family business can be found in the Appendices.

One notable standout in the responsible investments criterion is FB7. This family business has developed expertise in measuring Scope 1, 2, and 3 emissions, setting them apart (see Appendix 11).

Furthermore, FB6 has made significant strides in reducing CO_2 emissions in their procurement process by opting for train transportation of their sourced goods, stating *"(...) that definitely has positive effects, that's quite a big lever"*. This change has resulted in substantial benefits, with a remarkable reduction of 16,000 tons of CO_2 emissions since the implementation (see Appendix 10). Although FB2 and FB3 have the lowest ratings, it is essential to note that they are not detrimental. Both companies have implemented measures to prioritise regional sourcing, with FB2 focusing on a radius of 150km and FB3 primarily sourcing from Germany or northern Europe. However, unlike the other family businesses, they have not implemented specific measures to reduce the environmental impact of transportation.

Regarding the use of renewable energy, FB7 has demonstrated commendable efforts by obtaining certification in one of the world's leading sustainable building standards. This certification underscores their commitment to sustainable business practices and efficient energy usage (see Appendix 11). Additionally, FB4 has made significant strides in developing core competencies in water-saving agriculture compared to other family businesses. According to the interview conducted with FB4, the interviewee mentioned, *"(...) in certain regions, we actively implement water-efficient agricultural methods to reduce water usage" (see Appendix 8)*.

Preserving biodiversity is a crucial criterion within the food and beverage industry, given the impact of agricultural practices on land and ecosystems. The expansion of agricultural land has led to deforestation and the proliferation of monocultures, resulting in a decline in biodiversity over the past decades. FB5 has received the highest rating for their extensive efforts in this area. They have implemented reforestation measures and only source from ecological agriculture, which adheres to strict regulations enforced by ecocontrol bodies (see Appendix 9). Moreover, they have made commendable efforts to address the issue of palm monocultures, as asserted by the statement, "*(...) sustainable palm oil cultivation is possible without deforestation"*.

In the context of waste reduction, all family businesses have demonstrated expertise in implementing circular economy practices, utilizing recycled packaging materials, and repurposing food and production waste as animal feed. FB1 stands out by recycling its bottles and caps and actively working on innovations to make its labels recyclable (see Appendix 5). The interviewee from FB1 emphasised the significance of the circular economy to their business, highlighting that *"(. . .) even their purchased single-use bottles are made of 100% rPatt material".*

FB1 and FB5 have implemented commendable measures to reduce water and land pollution. At the same time, the other family businesses have shown limited progress, making this criterion the least developed within the environmental pillar. FB1's efforts demonstrate their strong commitment to and close connection with the local environment. They collaborate closely with farmers to promote and incentivize adopting ecological farming practices and jointly develop measures to reduce pesticide usage. The interviewee from FB1 characterized this relationship as a "*(. . .) cooperative partnership, rather than a traditional supplier relationship (. . .)"*, underscoring the company's exceptional commitment to allocating resources and compensating their partner's potential reduced agricultural yields. Indeed, the absence of a traditional supplier relationship makes FB1's commitment to environmental sustainability particularly remarkable.

Summarising the environmental pillar, evidence showed the need to prioritise and strengthen efforts towards addressing water and land pollution. This is essential to safeguard the fertility and cleanliness of agricultural land and ensure clean water availability for future generations well-being.

4.1.2. Social Pillar Analysis

The social pillar received the fewest total points compared to the number of criteria being evaluated. However, except for FB2, all family businesses had a code of conduct in place, which included requirements for social standards for their suppliers' employees. Notably, FB3, FB4, and FB5 made extraordinary efforts by implementing a supplier evaluation system and assessing factors such as the origin countries and political situations (see Appendix 7, 8, 9). By conducting annual evaluations of suppliers, family businesses can effectively monitor and address social deficiencies and risks across different countries. If a supplier's rating falls below predetermined thresholds, it prompts the consideration of transitioning to alternative suppliers. This proactive approach allows businesses to maintain control and ensure their sourcing practices align with sustainability goals and values. "*From an international perspective, GlobalG.A.P. is available, (. . .) where the audit results can be accessed in the GlobalG.A.P. database (. . .)",* stated the interviewee of FB4. While not all family businesses have a fully developed code of conduct in place, progress has been made, as stated by the interviewee from FB1, who mentioned that they *"(...) are just in the development of creating a new code of conduct as much has changed in recent years".*

The issue of supply chain transparency remains a challenge for certain family businesses, as they rely on wholesalers to source goods without having complete visibility into the origins of these goods. Despite EU regulations requiring the traceability of goods, a comprehensive overview is often lacking. Companies may not know the production companies where the sourced goods were produced, except for FB5, FB7, and FB8. While laws and compliance regulations primarily focus on the quality and cleanliness of goods, there is less emphasis on social laws that demand responsibility for the supply chain from a social perspective. Consequently, transparency gaps persist, particularly regarding understanding the social impact and labour conditions.

In terms of raw material sourcing, FB2 demonstrated commendable efforts, stating that *"(. . .) the majority of sourced goods come from within the region" (see Appendix 6).* On the other hand, FB5 has made commendable efforts in material sourcing by specializing in using paper packaging across its entire product portfolio. As a result, they have reduced 7,000 kilograms of plastic film waste, demonstrating their commitment to minimizing their environmental impact.

FB2 primarily sources locally within a 50-kilometre radius of their production facility, whereas other businesses, such as FB1 and FB3, focus on local and regional sourcing. While FB5 may not be able to source all its products locally, they demonstrate a strong commitment to sourcing from local small businesses in the region of origin. They aim to support and strengthen local farmers through collaborative partnerships. The interviewee from FB5 emphasised, "*(...) it is important for us to support suppliers and empower small farmers through cooperation.*"

All family businesses prioritise strong community relations and actively engage in supporting local projects through sponsorships and positive interactions with external stakeholders. They take pride in their role as employers and strive to impact their communities positively. FB2, for instance, strongly focuses on integrating physically and mentally disabled individuals *"(. . .) not because we want to avoid disability contributions, but because we firmly believe that everybody deserves a chance".* Additionally, FB3 highlights their commitment to local sourcing, stated: "*When it comes to repairs in our production facilities, we always try to engage local businesses".*

4.1.3. Governance Pillar Analysis

In the governance pillar, the compliance criterion with non-binding standards evaluated the voluntary efforts made by family businesses that are not legally required. FB5 stood out with their extraordinary efforts, implementing a program that pays a fee to certain suppliers, allowing them to make sustainable investments. Additionally, the interviewee of FB5 stated that *"(. . .) annually, approximately € 160,000 is donated from the earnings of the products purchased with this program. (. . .) since October, we have had a program that donates 1 cent of every product sold to a foundation, which makes an additional € 800,000 a year".* Instead of paying out the sum as profits for the ownership family, it is invested in environmental and social projects such as *"(. . .) organic farming, women's empowerment, and climate protection".* FB1, FB4, and FB7 also demonstrated significant efforts in this criterion, having implemented projects and working groups to develop their suppliers and implement other projects.

Audits are crucial in ensuring compliance with guidelines, laws, and the code of conduct. Although there were instances where certain family businesses demonstrated inadequate efforts, FB5, FB3, FB4 and FB7 stood out for their strong supplier auditing practices. FB3, FB4 and FB7 go the extra mile by involving a third party to audit their suppliers yearly or as needed. Additionally, FB5 conducts risk assessments to determine the necessity of on-site audits. All family businesses emphasised their close and collaborative relationships with suppliers, built over years of partnership. However, they fall behind despite FB2, FB6, and FB8 requiring social and environmental compliance from their suppliers.

The last criterion examined the moral principles and values that guide decision-making in family businesses. Whereas all family businesses focused on sustaining the business for future generations, FB5 expressed the most extraordinary business ethic. According to the interviewee, their founding principle roots in the desire *"(. . .) to make the world a better place, piece by piece"*.

After summarising the ratings, it can be concluded that the concept of sustainability is deeply rooted in the philosophy of most of the companies interviewed. However, there has been a greater emphasis on environmental aspects in recent years, while the social perspective of sustainability has lagged. Nevertheless, in recent years a notable shift happened, as the family businesses are revising their code of conduct and placing greater attention on social norms and human rights. As the interviewee of FB5 emphasised: *"The ethical question in family businesses has been strongly followed when it comes to the social aspect, and I can imagine that it has always been better, compared to large corporates"*. Progress has been made, and new laws like the German government's supply chain act pressure businesses to enhance transparency in their supply chains. However, challenges persist, especially in regions where issues are prevalent. There is still a long way to go, but considering the various developments and investments, the family businesses are on a positive trajectory. The average score of 3.9 indicates a good average, heading in the right direction, although specific areas still require further development. As the interviewee of FB1 noted, *"(...) sustainability is not a short-term trend. It will continue to rise significantly and then remain of very, very high importance in the long term"*.

4.2. Cross-Case-Study Analysis

In this section, a cross-case analysis examines common characteristics that influence sustainability in family businesses. The interview findings are compared to academic literature and translated into a framework. The cross-case analysis of all eight interviews revealed specific advantageous characteristics and challenges that family businesses face that do not align with existing scholarly literature. The qualitative analysis identified six essential areas related to sustainability in the procurement process of family businesses (see Table 8). The identified statements are presented and compared to academic literature, ending in the development of the "Sustainability Process Model" (see Figure 3).

4.2.1. Sustainability: Cost or Benefit

While implementing sustainable business practices brings undeniable environmental and social benefits, it entails investment costs and requires substantial resource allocation. Among most interviewed family businesses, there was a consensus that the benefits surpass the expenditures (FB1, FB3, FB5, FB6, and FB7). Furthermore, FB4 acknowledged the potential for more significant benefits by comprehensively analysing their procurement process, revealing existing inefficiencies and identifying opportunities for sustainable investments. The interviewee from FB1 pointed out: *"With many investments, there is medium- to long-term cost advantages, and it starts with efficiency gains"*. Moreover, FB5 is an excellent example, as they have focused on sustainable business practices for decades. The Interviewee of FB5 stated, *"(. . .) showing other companies that sustainable procurement practices can have a pay-off demonstrates that such practices can be rewarding for other companies"*. FB7 emphasised the non-financial benefits of sustainable practices, highlighting their importance for the ownership family.

Nonetheless, all participants acknowledged that the short-term costs are significant. FB2 and FB8 perceived the expenses of sustainability to outweigh the benefits. FB8 explained this by emphasising: "*(...) the regulations imposed by the government result in high bureaucratic costs because even the purchase of 100 pencils has to be reported*". In recent years, the political landscape has undergone significant changes, introducing numerous laws and regulations. These changes have resulted in heightened bureaucratic costs, particularly for family businesses and other medium-sized companies.

Overall, most interviewed family businesses confirmed the academic findings of Carter et al. (2000) and Feng et al. (2018) that sustainable business practices indeed have a positive financial payoff. However, this is contingent upon making suitable investments and considering the long-term perspective, as sustainable practices contribute to more crisis-resistant business operations.

4.2.2. (Dis-) advantages of Relationship with Suppliers

The interviewees recognized the significance of their relationships with suppliers as a critical distinguishing factor contributing to their operational success. They highlighted the substantial competitive advantages derived from their close and personal connections with their suppliers. For instance, the interviewee of FB4 stated: *"Our primary focus is on building enduring and sustainable relationships with our suppliers, which facilitates seamless collaboration"*. FB5 and FB6 further endorsed this perspective by emphasising that such partnerships enhance resilience through close collaboration, fair pricing, and personal connections. They underscored that these strong ties with suppliers enable them to navigate crises because of their loyalty and personal connection to their family businesses. FB7 highlighted that personal relationships enhance transparency and simplify gathering environmental, social, and governance data. Additionally, FB4 and FB5 emphasised the importance of high-quality relationships in driving change, developing sustainable prac-

Table 8: Impact of Sustainability on Family Businesses (Source: Own Creation)

Topic FB	Sustainability: Cost or Benefit	(Dis-) advantages of Relationship with Suppliers in regard to Sustainability in Family Businesses	Financial Situation of Family Business in regard to Sustainable Investments	Impact of Sustainability and Family Businesses on Agility and Resilience	Impact of Family Ownership on Sustainability	Other (Challenges)
FB1	Long-term cost advantages	Strong positive benefits derived from close supplier and community relationships	High investments are needed, but no financial constraints due to less external capital	Family ownership enhances organizational agility, while sustainability practices contribute to increased resilience during crisis situations	Family ownership entails a high sense of responsibility driven by an intrinsic interest in the well-being of the community and future generations, exemplifying a commitment to caring for external stakeholders	Risks of Sustainability are High costs
FB2	Higher costs outweighing advantages	Decades-long partnerships providing a cooperative advantage and not impeding change if necessary	The robust capital structure and positive relationships with banks allow for investments without being hindered by financial limitations	Family ownership enhances organizational agility sustainability enhances resilience	The strong and enduring relationships between the firm and its external/internal stakeholders result in low fluctuation and foster mutual trust and cooperation	High costs and bureaucratic burdens arise as a result of the increasing number of laws and regulations that have been implemented and are expected to be
FB3	Brand image as a benefit and long-term cost advantages	Close personal relationships, while potentially subjective, are mitigated through established practices, offering advantages in supplier relationships and collaborative sustainable development	No financial constraints	Flat hierarchies facilitate expedited agility, prioritizing factors beyond mere financial payoffs and sustainability leads to crisis preparedness	Family businesses possess deep knowledge of the firm due to their longstanding history, allowing for close relationships with suppliers and facilitating sustainable practices while considering the welfare of external stakeholders	Long-term perspective as an advantage

(Continued)

Table 8 – continued

Topic / FB	Sustainability: Cost or Benefit	(Dis-) advantages of Relationship with Suppliers in regard to Sustainability in Family Businesses	Financial Situation of Family Business in regard to Sustainable Investments	Impact of Sustainability and Family Businesses on Agility and Resilience	Impact of Family Ownership on Sustainability	Other (Challenges)
FB4	Chance to look and improve operations leading to potential improvements and benefits	Long-term partnerships and collaborations foster mutual growth and are highly advantageous, highlighting the importance of close relationships and sustainable collaboration	Capital is not a concern due to a healthy capital structure and cooperations with banks, eliminating any issues related to financial constraints	Flat hierarchies enable higher agility and sustainability increases enhanced crisis resilience	Family businesses have the ability to understand and empathize with the challenges faced by its suppliers, particularly smaller businesses and can provide financial support while maintaining a long-term perspective	High costs and bureaucratic burdens arise as a result of the increasing number of laws and regulations that have been implemented and are expected to be
FB5	Benefit from firm's long-standing commitment to sustainability since inception	Strong personal relationships facilitate the development of sustainable practices in the supply chain and enhance resilience during crises	Financial independence provides a significant advantage for making decisions that prioritize non-monetary goals	Sustainability and close supplier relations enhance resilience in crisis situations	With no obligation to external shareholders, family businesses have the autonomy to make decisions and investments that may not prioritize immediate financial gains but contribute to long-term sustainability	Fast decision-making processes and the pursuit of non-monetary interests, even when financial gains are not evident, are inherent advantages of family businesses
FB6	Enhanced financial performance through sustainability in the long run	Good relationships have proven to be a source of resilience during challenging times	No significant differences are observed in capital structures between family businesses and non-family businesses	Sustainability and close supplier relations enhance resilience in crisis situations	Long-term perspective is given in family businesses and that enhances sustainability	High costs and bureaucratic burdens arise as a result of the increasing number of laws and regulations that have been implemented and are expected to be

(Continued)

Table 8 – continued

Topic FB	Sustainability: Cost or Benefit	(Dis-) advantages of Relationship with Suppliers in regard to Sustainability in Family Businesses	Financial Situation of Family Business in regard to Sustainable Investments	Impact of Sustainability and Family Businesses on Agility and Resilience	Impact of Family Ownership on Sustainability	Other (Challenges)
FB7	High costs, but significant non-financial benefits and chances for pay-off in the long-term perspective	Personal contact offers significant advantages in areas such as transparency, honesty, and collaborative consultation	The company maintains a healthy capital structure and faces no issues in working alongside banks	Sustainability and close supplier relations enhance resilience in crisis situations	The long-term perspective ingrained in family businesses promotes sustainability and fosters independence in decision-making processes	
FB8	Predominance of high costs over benefits	Close relationships are equally valuable in both non-family and family businesses	No significant differences are observed in capital structures between family businesses and non-family businesses		Due to the family ownership, a decreased employee turnover is at hand, giving an advantage to family businesses	High costs and bureaucratic burdens arise as a result of the increasing number of laws and regulations that have been implemented and are expected to be

tices, and fostering collective competencies. They also highlighted that due to stringent regulations and compliance rules in Germany, cooperation cannot be sustained if products fail to meet the required quality standards. However, FB3 acknowledged the potential issue of subjectivity by establishing personal connections. To ensure objectivity in supplier evaluation, they have implemented specific processes that involve multiple individuals in the assessment. As stated by the interviewee of FB3: "*We have two people looking at the supplier's evaluation to ensure objectivity*". These measures aim to minimize subjective biases and enhance the accuracy of supplier evaluations. Furthermore, FB8 expressed a different viewpoint, stating that there were no discernible differences between family and non-family firms regarding their relationships with external stakeholders.

Berrone et al. (2010) and Le Breton-Miller and Miller (2016) researched the high-quality relationships that family businesses tend to develop with internal and external stakeholders. They found that these mutually benefit both the suppliers and the firm, aligning with this study's findings. Furthermore, the results of this study support the research by Carter and Rogers (2008) and Beske et al. (2014), highlighting the importance of collaboration and supply chain support in adopting sustainability practices and building competencies. The family businesses recognized the benefits of collaborative partnerships and the development of sustainable practices within the procurement process. Contradicting the findings of Donaldson and Walsh (2015), who suggest that such relationships may hinder agility and the firm's willingness to change, most family businesses emphasised the positive impact of close relationships on their sustainability efforts. Overall, the findings indicate that personal relationships are advantageous regarding sustainability and economic aspects. Consistent with Beske et al. (2014), family businesses considered the support of their supply chain to be beneficial, as it fosters loyalty and resilience, particularly in crises.

4.2.3. Financial Impact of Sustainability

None of the family businesses confirmed that financial constraints were imposed by their family ownership. FB2 highlighted the significance of maintaining a healthy capital structure, stated, "*(...) one particular effort we made is that we have achieved a robust equity structure (...)*", while FB4 added, "*(. . .) we have a solid capital structure, which enables us to support suppliers financially or provide backing for their loans at banks*". The interviewee from FB5 further reinforced these statements: "*As a result of our financial independence, we have a great deal of freedom in decision-making and can implement sustainability strategies that we deem appropriate*". In summary, the findings suggest that family businesses, with their financial control and absence of external shareholders, are not restricted by financial constraints when making sustainability investments in the procurement process. Many companies expressed that family ownership enhanced their access to capital and allowed them to prioritise their vision and values over purely financial considerations. The interviewee of FB5 stated the absence of external shareholders as advantageous in making investments that did not pay off financially but instead focused on social and environmental value creation.

On the other hand, the interviewee from FB8 stated, that "(. . .) *it is not important if the business is a family business or not, but what is important is the product and market the business operates in*". A sentiment supported by the interviewee from FB6.

The findings of this study contradict the existing literature, particularly the arguments put forth by Clauß et al. (2022) and other scholars regarding the limited financial resources and risk aversion of family businesses. None of the family businesses, except for FB8, reported having financial constraints. Academic literature suggests that focusing on safeguarding the company leads to reduced innovation and potential missed investment opportunities (Machek et al., 2019). The study findings unveil that none of the family businesses interviewed encountered financial limitations or inadequate capital for essential investments. Furthermore, FB2, FB4, FB5, and FB7 specifically emphasised the strength of their capital structure, enabling substantial investments without relying on external funding. These findings disrupt the prevailing understanding and underscore the necessity for additional research in this domain, expanding upon the current literature.

In addition, the perspectives of Harith and Samujh (2020) and Patel and Chrisman (2014) regarding social-emotional wealth highlight conservative investment behaviour and aversion to risk. In contradiction to this view, the family businesses interviewed in this study diverged from such a perspective. They underscored that family ownership amplified their commitments to sustainable investments. Although they did not explicitly mention an inclination towards higher risk-taking, they expressed heightened liberty to invest in projects that might not yield financial returns. This finding reinforces that the socio-emotional wealth perspective underscores the non-financial aspects cherished by family businesses, culminating in enhanced sustainability performance. (Berrone et al., 2010).

4.2.4. Agility and Resilience in Family Businesses

Agility and resilience are critical concepts in today's business environment, as organisations need to make prompt decisions in challenging situations. Demonstrating resilience is particularly important within the supply chain to ensure uninterrupted production. An important finding from the interviews is that family businesses possess greater agility than large corporations. This perception is attributed to their family ownership structure, flat hierarchies, and the owning family's active participation in the business's daily operations. (FB1, FB2, FB3, FB4, FB5, FB7). The Interviewee of FB4 stated: "*We have a cooperative with which we collaborate closely, and being a family business gives us the advantage of being more agile*".

Moreover, it became apparent that sustainability acts as a catalyst for enhancing the resilience of family businesses, particularly amidst recent disruptions to supply chains caused by various crises. The establishment of close and enduring partnerships with suppliers, along with the adoption of sustainable business practices, was found to be instrumental in bolstering this resilience. As the interviewee from FB2 articulated: "*We have implemented a CO_2 recovery system, thereby eliminating the need to procure carbon dioxide for our production processes*". Corroborating this perspective, the interviewee from FB5 affirmed the operationalisation of the procurement, even during times of crisis, because "*(...) the suppliers are loyal to us as we invest in the relationship*". Furthermore, attaining self-sufficiency in electricity can further strengthen resilience and diminish reliance on external sources, as evidenced by the practices of FB2 and FB7.

Academic literature, as well as the findings of this study, demonstrate that sustainability practices contribute to enhancing resilience (Govindan et al., 2020). Family ownership and management also fostered agility through flat hierarchies and low agency costs, facilitating fast decision-making processes (FB1, FB2, FB3, FB4).

4.2.5. Impact of Family Ownership on Sustainability

The influence of family ownership on sustainability can be a double-edged sword, as it depends on the vision of the owning family and the management of the business. Given the introduction of new laws in recent years and the resulting demands for commitment to sustainable practices of the public, there is no distinction between family and non-family firms, as these laws apply to all.

Nonetheless, when the owning family embraces the traditional mindset of dedication, family ownership can be perceived as advantageous. The interviews unveiled that all respondents viewed family ownership as a strength for sustainability, as family businesses commonly demonstrate a profound commitment to their communities and the enduring sustainability of their enterprises. Family businesses often adopt a long-term outlook, prioritising generational objectives over short-term or medium-term gains. As emphasised by FB1: "*Family businesses tend to have a strong sense of responsibility due to their close connection to their communities*". Extending on that interviewee of FB2 mentioned: *"(...) family businesses think sustainable because they do not focus on quarterly reports or executive terms, but instead on generations"*, a sentiment echoed by FB6 and FB7. FB4 emphasised that most of their suppliers are small- or medium-sized family businesses, allowing for a deeper understanding of their challenges and the opportunity to develop sustainable measures collaboratively. Furthermore, FB5 illustrated the independence of family ownership enables the possibility of making investments that may not yield financial returns. The interviewee stated: *"The moral aspect becomes crucial, particularly in the realm of social sustainability. I believe that family businesses have historically outperformed large corporations in this regard"*.

Le Breton-Miller and Miller (2016) have observed that family businesses exhibit a long-term orientation and prioritise sustainability over short-term gains, which aligns with the findings of this study. The interviewees expressed their commitment to ensuring the business's longevity for future generations and their interest in environmental and social sustainability (Machek et al., 2019). Finally, this study further supports the findings of Habbershon and Williams (1999) regarding the strong commitment of family businesses to their communities and external stakeholders.

4.2.6. Challenges of Sustainability for Family Businesses

During the interviews, several challenges were expressed by the interviewees, particularly regarding the high costs associated with the increasing need for sustainable investments (FB1, FB2, FB4, FB6, FB8). Additionally, FB2, FB4, FB6, and FB8 highlighted the escalating bureaucracy costs resulting from new laws and compliance regulations imposed by the government. As illustrated by the interviewee of FB2: "*When I have to go through the same process for a pen, which is just a merchandising item, as for all other products in the procurement process, it becomes nothing but bureaucracy*". Building on that, the interviewee of FB4 stated: "*In our case, the heterogeneity of family businesses comes into play, as we don't have a unified inventory management system, (...), thought should be given to the structure of different types of businesses, rather than only large corporates. This escalates the resources spent on bureaucratic processes*". In this context, the interviewee emphasises that the issue lies not in the essence of sustainability itself but in the tendency of governmental policies to predominantly cater to corporations with a standardized structure, disregarding the distinct characteristics of family businesses. This challenge has the potential to lead to inefficient utilization of resources in the future, particularly in the upcoming decade, and may pose a substantial competitive disadvantage for family businesses. Appropriate measures must be implemented to address these challenges, either by the government or family businesses. These measures should bridge the gap between regulatory requirements and family businesses' specific needs and capabilities, fostering a more favourable and supportive environment for sustainable practices.

4.3. Propositions and Framework

The findings derived from the interviews conducted with family businesses provide evidence to support Proposition 1. It showed apparent that all the family businesses demonstrated a certain level of sustainability and showcased strengths in one or more pillars. Notably, all the interviewed family businesses emphasised the significance of maintaining high-quality relationships with suppliers and other external stakeholders, attributing this as an advantageous factor in implementing sustainable business practices. Furthermore, most family businesses underscored their long-term focus and unwavering commitment to their communities. This confirms the proposition that having a long-term vision facilitates sustainable investments, as it allows for a focus on non-immediate financial pay-offs.

The study's findings support Proposition 2, as all interviewed family businesses affirmed the advantages of close relationships with suppliers in adhering to and advancing sustainable business practices. While one family business expressed concerns about potential subjectivity in supplier selection, they had implemented business processes to mitigate this issue (FB3). It is noteworthy that all family businesses emphasised the strict compliance regulations in Germany, which compelled them to change suppliers if any quality or social issues arose. Their decision-making process was free from any form of personal favoritism. They actively sought solutions and collaboration with suppliers to maintain the business relationship, but if improvements were not feasible, they were forced to switch suppliers. Additionally, seven of eight family businesses acknowledged that family ownership heightened their focus on sustainability. It gives them the autonomy to pursue their visions without pressure from external shareholders. The strong connection of the owning family with external stakeholders, driven by motives beyond financial gain, further facilitated the implementation of sustainable business practices.

To summarise, the findings of this study indicate that specific characteristics inherent to family businesses positively influence sustainability in the procurement process. These characteristics include the ownership structure, a long-term vision, agility, and a genuine interest in supporting communities and regions. Furthermore, the absence of external shareholders and the ability to access local banks' capital based on a favourable brand image provide additional support for sustainability initiatives. Based on these findings, a framework has been developed to emphasise the significance of family business characteristics in enhancing sustainability in procurement (see Figure 3).

Figure 3 showcases the key findings, emphasising the potential of family businesses, to drive sustainability in procurement. The study uncovers that family businesses derive advantages from their ownership structure and streamlined decision-making processes, which are facilitated by their flat hierarchies. These advantageous characteristics of family businesses are further elaborated in Figure 3. These attributes, coupled with the preferred measures listed, can improve sustainability in procurement and the overall supply chain, consequently leading to a higher ESG rating. Furthermore, the study highlights the long-term advantages of enhanced sustainability, indirectly contributing to the competitive edge of family businesses. The following concise definitions offer a comprehensive overview of the indirect impact that enhanced sustainability can exert on family businesses, illustrating the potential for these measures to yield significant competitive-, as well as cost advantages.

- Resource usage pertains to reducing resources utilized in production through implementing circular economy practices. This ultimately generates long-term cost advantages and has a positive environmental impact.
- Sustainability bolsters resilience by ensuring an agile procurement and supply chain process. Strong supplier relationships enhance loyalty, enabling consistent delivery to family businesses even during shortages.
- Effectively utilizing an improved brand image can serve as a powerful tool for employer branding and customer attraction. Furthermore, it has the potential to enhance long-term brand image, customer retention rates, and foster customer loyalty.
- Investments can enhance supply chain independence by utilizing by-products and developing in-house capabilities to produce essential items like energy and gas. This reduces reliance on external sources and mitigates the impact of cost increases and crises.
- Centralizing data management facilitates streamlined communication with entities such as the government and aids in compliance with regulations, as all pertinent data is readily accessible, leading to decreased resource intensity. This decreases the resource intensity of sustainability reporting.

Integrating sustainable procurement practices can improve risk management by identifying and mitigating potential environmental, social, and governance risks. This highlights the overall advantage of sustainability in the procurement process.

5. Discussion

In recent years, there has been a significant increase in academic literature focusing on sustainability, indicating a growing interest in these topics. However, the connection between sustainability and family businesses has been largely overlooked. This study aims to bridge that research gap by measuring privately held family businesses' sustainability ratings on the procurement process. The following section summarises the study's findings, outlines the implications, and finally presents the limitations of this study and future research avenues.

5.1. Summary of the Findings

5.1.1. Research Question 1

Based on the cross-case analysis, several noteworthy findings emerged, shedding light on sustainability in procurement within family businesses. The formulation of the first research question aimed to conduct a comparative analysis of sustainability, based on ESG principles, in the procurement process of family businesses.

The ESG rating assessment revealed that all family businesses allocated resources to sustainable initiatives. This demonstrates their growing commitment for sustainable practices in the procurement process, highlighting the business sector's role in this regard. Furthermore, the results indicated that family businesses firmly focused on sustainable investments and process implementations in the environmental pillar. However, there was a lag in the social pillar, particularly in areas related to transparency of the supply chain. A noteworthy observation is that family businesses that implemented sustainability measures years ago have

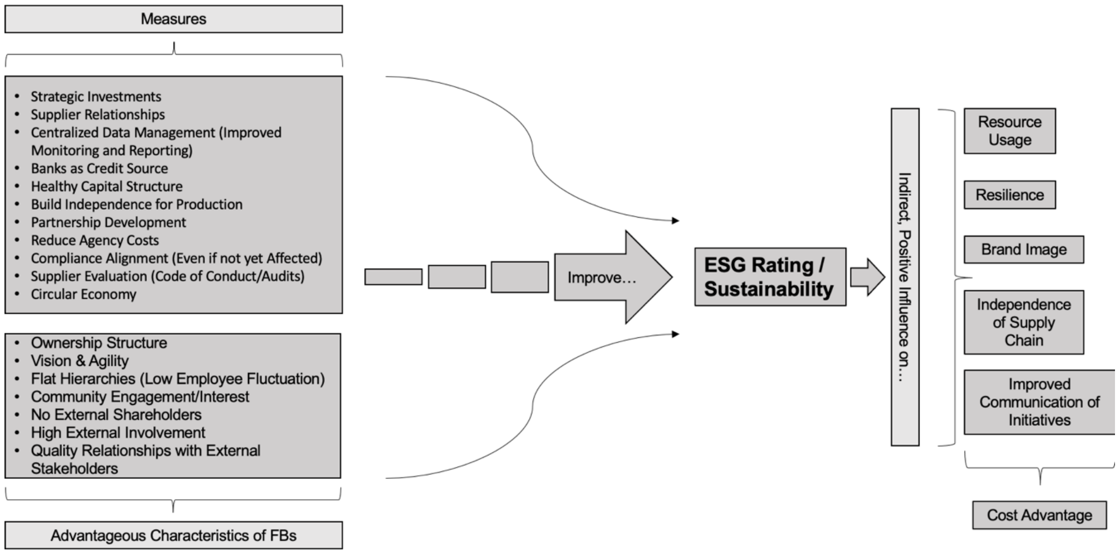

Figure 3: Sustainability Process Model (Source: Own Creation)

Table 9: Influence of Sustainability on Family Businesses (Source: Own Creation)

Sustainability: Cost or Benefit	(Dis-) advantages of Relationship with Suppliers in regard to Sustainability in Family Businesses	Financial Situation of Family Business in regard to Sustainable Investments	Impact of Sustainability and Family Businesses on Agility and Resilience	Impact of Family Ownership on Sustainability	Other (Challenges)

reported financial benefits, indicating the potential return on these investments (see Figure 2). This highlights the significance of adopting a long-term perspective when considering and implementing sustainability initiatives.

In summary, the rating assessment showed that most family businesses had made reasonable efforts in implementing sustainability practices based on ESG principles, particularly in the environmental pillar.

5.1.2. Research Question 2

Turning to the second research question, challenges and advantageous characteristics that influenced sustainability in family businesses were identified and described. By comparing these findings with existing academic literature, a comprehensive understanding of the topic was achieved. These characteristics and traits are presented in Table 9.

Six of the eight family businesses interviewed positively viewed sustainability, acknowledging its long-term advantages. Nonetheless, FB2 and FB8 raised concerns about the potential cost implications of government regulations introduced in recent years. The immediate apprehension revolved around the bureaucratic burdens associated with extensive reporting obligations. While larger corporations might find it more manageable to meet these requirements, medium-sized businesses, including family enterprises, could encounter difficulties ensuring compliance.

Throughout the study, it became clear that family businesses regarded their external stakeholder relationships as the most advantageous characteristic for enhancing sustainability in procurement. By maintaining strong and positive relationships with these stakeholders, family businesses could gain support, share knowledge and expertise, and collectively work towards achieving sustainability goals in the procurement process. It is important to note that while these relationships were personal, the businesses emphasised that they did not face any constraints in holding suppliers accountable for meeting quality standards and other requirements. In cases where deficiencies were identified, the existing laws and regulations did not allow for compromises. However, it was evident that the family businesses sought to provide support and opportunities for their suppliers to improve and address any shortcomings before considering alternative options.

Regarding the financial situation of family businesses on sustainability, none reported challenges in accessing capital for sustainable investments. On the contrary, their favourable reputation and personal relationships with external stakeholders enabled them to access money more quickly, particularly from local banks (FB2).

The agility of family businesses was attributed to their flat hierarchies and the active involvement of the owning family in the industry. Family businesses could make agile decisions without being constrained by extensive corporate policies, ensuring the smooth functioning of their procurement process (FB2). Sustainability initiatives also contribute to the resilience of family businesses by promoting self-sufficiency and reducing dependence on external suppliers. They enhance their operational continuity and adaptability through sustainable practices such as recycling by-products from their production processes or developing in-house competencies. This allows them to withstand crises better and maintain uninterrupted operations. By fostering independence and reducing reliance on external factors, family businesses strengthen their resilience and increase their ability to navigate challenging circumstances.

Lastly, it was evident that family ownership positively influenced sustainability in the procurement process. All family businesses showed a genuine long-term commitment and interest in ensuring the company's continuity for future generations. In contrast to large corporations with shorter executive terms driven by shareholder pressure and high agency costs, family businesses were not constrained by such factors. This allowed them to prioritise long-term sustainability and make significant investments in the procurement process. Additionally, family ownership directly impacted employee retention, fostering strong commitment. This, in turn, indirectly influenced the establishment of close and favourable connections and relationships with external stakeholders, ultimately enhancing sustainability efforts.

Deriving from those findings, the framework presented above highlights specific characteristics of family businesses that serve as general competitive advantages compared to non-family firms (see Figure 3). If these characteristics are combined with specific measures to enhance sustainability in the procurement process, they contribute to improved financial returns, brand image and more. As depicted in Figure 3, this framework provides a comprehensive understanding of how family businesses can leverage their inherent strengths to drive sustainability and reap the associated benefits.

5.2. Implications

5.2.1. Implications for Academic Research

The findings of this study make a valuable contribution to academic research in several ways. Firstly, they align with existing literature on the long-term benefits of sustainability measures in family businesses, corroborating the findings of Carter et al. (2000) and Feng et al. (2018). The study emphasises that the positive impacts of sustainability outweigh the associated costs, highlighting the importance of sustainable investments in driving long-term success.

Secondly, the study sheds light on the significance of considering the social dimension within SSCM. As highlighted by Carter and Easton (2011) and Brandenburg et al. (2014) the focus of sustainability has predominantly been on a single sustainability dimension, with more attention given to the environmental aspect within SSCM in recent years. The findings align with previous observations and highlight the need for more attention to specific measures, such as transparency within the supply chain.

Thirdly, the study contributes to understanding the advantages of family businesses concerning sustainability and agility (Seuring & Müller, 2008). Cooperation and the immediate support of focal companies within the supply chain are essential for improving sustainable procurement practices (Macdonald, 2007). The research confirms that close relationships with suppliers are perceived as catalysts for agility and resilience, contradicting the notion that they impede change or decrease agility. Adding to that, the findings by Govindan et al. (2020), which suggest that sustainability initiatives contribute to enhancing resilience, are supported by this study. All family businesses in the study confirmed this relationship, indicating that investments in sustainable business practices improve process efficiency and promote greater independence from suppliers. These insights bring nuance to the current body of literature and underscore the significance of professional partnership management and transparency in supply chain relationships, thus highlighting the distinctive advantage held by family businesses.

Regarding financial limitations, the research by Clauß et al. (2022) and other scholars suggest that financial resources often constrain family businesses and tend to be risk-averse in decision-making. The cautious approach observed in family businesses, as mentioned by Berrone et al. (2010), stems from their strong desire to safeguard the long-term sustainability and success of the family business. However, this study challenges these findings as none of the interviewed family businesses reported financial constraints or a lack of capital for investments. Some family businesses highlighted their robust capital structure and healthy financial position, enabling them to make substantial investments in sustainability without relying on external capital (FB2, FB4, FB5, and FB7). These findings contradict previous research and provide an extension by demonstrating that family businesses' low debt financing and healthy capital structure empower them to make significant financial investments regarding sustainability in procurement.

5.2.2. Implications for Practitioners

While all family businesses have made some level of effort in implementing environmental sustainability measures in procurement, there is a noticeable gap in addressing the social dimension. The findings imply that future focus should prioritise enhancing social sustainability practices, as government regulations increasingly demand reporting in this area. While larger firms with a substantial workforce have been obligated to report thus far, smaller firms will also be impacted in the coming years. Family businesses already invested in sustainability and developed relevant competencies will be better positioned to navigate this transition smoothly.

Furthermore, the findings of this study suggest that family businesses possess specific competitive advantages compared to non-family firms (see Figure 3). To effectively make use of these identified advantages, prohibit challenges, and utilize the framework, several actions can improve the ease of adoption:

- Employing a full-time sustainability specialist facilitates staying informed about new regulations and laws, enabling the organisation to remain proactive and compliant.

- Implementing a centralized data management system is crucial for effectively adhering to new regulations and laws introduced by governments. This ensures the efficient allocation of resources and facilitates better access to comprehensive company-wide data.

- Conducting a thorough supply chain analysis and establishing collaborative relationships with suppliers helps identify areas for improvement and inefficiencies, thereby promoting innovation.

- Maintaining a long-term vision and ensuring alignment between management and family ownership regarding goals and objectives helps mitigate agency costs and enhances sustainable decision-making.

- Acknowledging the indirect benefits of sustainable measures can provide a strategic advantage (see Figure 3).

- Building and nurturing strong collaborative relationships with external and internal stakeholders, fostering employee loyalty and positive relationships, facilitates continuous development and progress.

Aligning the identified competencies with the inherent advantages of family businesses facilitates the implementation of sustainability measures (refer to Figure 3). Adapting processes to reduce resource intensity in reporting and ensuring thorough due diligence contribute to long-term benefits and indirect advantages (see Figure 3).

In summary, while sustainability in procurement may entail initial costs and resource-intensive processes, family businesses can leverage their inherent advantages and apply the practical implications to implement the measures outlined in Figure 3. This strategic approach can lead to a sustainable competitive advantage in various domains over the long term and minimise family businesses' challenges.

5.3. Limitations

While this study has made valuable contributions to academic research, it is essential to acknowledge the limitations of this study.

Firstly, the study focused specifically on family businesses in the food and beverages industry, which may limit the generalizability of the findings to firms in other sectors. The variations in products, sourcing regions, and other factors within the food and beverages industry can also introduce differences among family businesses that were not fully accounted for. Additionally, the study concentrated on German family businesses, and the findings may not directly translate to other regions or cultural contexts. The cultural, legal, and regulatory factors influencing sustainability practices vary across countries. Thus, the findings should be interpreted within the specific context.

Secondly, the sample size of family businesses included in the analysis was relatively small, which could affect the representativeness of the findings. That could restrict the extent to which the results can be applied to a broader population (Queirós et al., 2017). However, the rating scale developed in this study can be broadly used and modified for further research and industry evaluation.

Lastly, a limitation of the study is the potential presence of biases in the responses provided by the interviewed individuals. Since only one person per family business was interviewed, ensuring complete objectivity in the results is difficult. On the other hand, it is essential to acknowledge that all findings in this study were derived from detailed explanations and specific examples provided by the interviewees. These examples served as evidence to support the observations and statements made by the participants. While the data analysis conducted in this research provides valuable insights and keeps the identified factors, it is essential to consider the potential influence of other variables that have not been accounted for.

5.4. Avenues for Future Research

This study focused on examining the sustainability of family businesses in the procurement department and developing a comparative framework for assessing their sustainability practices. This framework has the potential to be applied to other industries and allows for comparisons between family businesses and non-family firms in terms of sustainability in procurement. Future research should consider expanding the sample size to include family businesses from diverse geographic locations, enabling a more comprehensive understanding of sustainability practices in procurement. Moreover, employing qualitative research methods could provide deeper insights into family businesses' motivations and decision-making processes concerning sustainability. This would benefit policymakers, researchers, and practitioners aiming to promote sustainable business practices.

Another area of research that warrants investigation is the financial situation of family businesses. The qualitative findings of this study have uncovered intriguing results that challenge existing literature on the financial constraints experienced by family businesses. Further research in this area could yield valuable insights into the economic dynamics of family businesses and potentially offer additional evidence to support these findings.

Sustainability has garnered increasing attention from scholars and researchers in recent years, and its connection to family businesses has been explored in previous studies. However, this study aimed to bridge a gap by developing an ESG rating framework specifically for privately held family businesses to compare their sustainability efforts in procurement. This framework can be adapted for future research in various business departments, industries, or non-family firms. The framework provides a structured approach to evaluate sustainability in private companies, allowing for consistent and standardized assessments across different industries. It can help researchers and evaluators identify strengths and weaknesses in sustainability performance and track progress over time. Moreover, it can assist in benchmarking and setting targets for sustainable practices.

Finally, developing the rating scale and criteria provides a valuable contribution to future research, as it can be adapted and applied to various scenarios, industries, and sustainability topics beyond procurement. The scalability and adaptability enhance the usefulness of the rating scale in assessing sustainability efforts in different contexts.

6. Conclusion

This study offers insights into the sustainability practices in their procurement processes by conducting qualitative cross-case analyses of eight family businesses. The findings reveal that most family businesses have implemented sustainable procurement measures, surpassing current legal obligations. However, there is room for improvement in addressing the social dimension of sustainability in light of new regulations. Furthermore, the study highlights the advantageous characteristics of family businesses in implementing sustainable practices, as outlined in Figure 3.

In light of the current state of environmental pollution caused by companies, the global community, and the planet, it is imperative to prioritise comprehensive sustainability development. Although commendable efforts and investments have been made, continuous progress is essential to uphold and enhance sustainability, as the interviewee from FB5 highlighted: *"We have now reached the status quo and want to maintain it, so we must continually strive to sustain and improve it ourselves“.* Every business should strive for ongoing growth, investment, process implementation, and innovation to advance sustainability, as the demand will consistently rise to secure a livable future for future generations. Significant challenges lie ahead, particularly considering the potential impact of upcoming regulations in Germany and the European Union. These regulations will affect large corporations, family businesses, and medium-sized enterprises, emphasising the need for proactive measures and adherence to regulatory requirements at all levels.

In summary, this study finds that family businesses have achieved satisfactory sustainability, as evidenced by their positive ratings in reducing environmental impacts and adhering to governance practices. However, family businesses must acknowledge and fulfil their responsibilities, considering their substantial presence in the economic landscape. Moving forward, they should continue their dedication to sustainability and embrace their role as responsible corporate citizens.

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