

Perpetuity of Family-Owned Business in the Philippines: Managing the Ecological Threat

ALAIN MARC PELAEZ GOLEZ

ampgolez@gmail.com

ORCID No. 0000-0002-6491-7411

University of Santo Tomas

Graduate School

Manila, Philippines

ABSTRACT

The threat of climate change on family business survivability is best managed by ensuring that business activities are done in a manner that does not harm the environment. The study aimed to determine the impact of ecological factors on family-owned business perpetuity. The study used a quantitative research method as a means of collecting the needed data and information to attain the objectives of the study. The study were conducted in the ten (10) major cities in the Philippines. A total of 1117 family-owned business respondents. A regression model was created that best predicted the dependent variable, family-owned business perpetuity using external factors. As observed, most of them agree and strongly agree that when they put up a family business, they must respond to climate change. Family business owners agreed that one of their conscious efforts is based on the family's ethical values. Another conscious effort that most of them agree and strongly agree is, to be able to protect the environment, they must have legal compliance. Among the external factors, the ecological aspect has the highest impact to perpetuity with a beta weight of 0.266. This implies that in order for a family business to continue, it must have a concern on the ecological aspect. Thus, giving an importance to ecological aspect helps in the family business perpetuity.

Keywords: Perpetuity , Family-Owned Business, Ecological Threat

INTRODUCTION

Family business perpetuity are threatened by numerous issues such as political power play, economic volatility, intense competition, or management problems. However, it is family-based issues that more often cause the family firm to fail. That is why, Family business owners had to address challenges in order for family business to survive.

However, recent news items suggest the increasingly threatening impact on the environmental factor on communities at large and particularly on family business survivability. Climate change had us seeing Manhattan and Bangkok flooded as well as other parts of Europe. Extreme wet and dry spells like the La Nina and El Nino weather phenomenon have severely affected food supply and the economy of nations worldwide. In 2013 the world was given a glimpse of the destruction a super typhoon, with the likes of Haiyan is capable of doing. These severe weather conditions brought about by climate change are a very real threat for mankind. In the context of family business, it adds to the growing list of issues that threaten its survivability as it demands a response from family businesses to mitigate its potentially damaging effects.

The objective among many entrepreneurs is the perpetuity of their business as a legacy for future generations. In order to realize this objective, the business leader should likewise consider the ecological sustainability of the environment, as it is a critical factor for the survival of the family firm. The business should adapt programs in environmental protection and preservation. According to Swanson (2007), ecologizing entails for organizations to function in a larger environment that contains living and non-living systems. This calls for business operators to ensure no damage to the firms' host environment. Therefore, the business should be so conducted in a manner that does not harm the environment.

Some industries experience severe competition, driving several businesses scrambling to perform to make a profit, oftentimes unmindful of the cost... even to the detriment of the environment. It is in this context that Cambra-Fierro et al. (2007) suggest implementing measures to protect the environment such as a management value and belief system, as well as being mindful of legal obligations. Upholding the value, ethics and belief system of the business owner and sharing these values to the community will help promote awareness and ecological sustainability.

Hills et al. (2004) suggests that economic growth and environmental improvement may be mutually attained which may lead to international trade

and gaining competitive advantage. Business-owning families may also manifest their effort of responsible management in relation to environmental impact by observing ecological entrepreneurship or green business, with its official definition as:

An entrepreneurial activity involving the production of goods and provision of services; the implementation of works that do not harm the environment; and which contribute to environmental preservation and renewal of while meeting the consumers' needs for ecological products Skopenko and Sagaydack (2013).

Business organizations may also adapt environmental efficiency programs such as balanced scorecards (Kaplan and Norton 1996), the triple bottom line (Elkington 1999) and ISO 14031 are some examples (Gautam and Singh 2010). Another business activity that supports ecological entrepreneurship is environmental marketing. Dutga (2009) described environmental marketing as the impact of marketing activities on energy depletion, non-energy resource depletion and pollution by American Marketing Association.

Promoting environmental awareness in business management and the adoption of measures to save energy and resources is key according to Vargas (2010). Another iteration of ecological entrepreneurship is ecologizing. According to Swanson (2007), ecologizing entails for organizations to function in a larger environment that contains living and non-living systems.

According to Nizic, Golja and Vodeb (2011) is sustainable development, which should contain policies that consider economic, social and environmental issues at present as well as for the future. (Strange and Bayley 2008) sustainable development encompasses a number of areas and goes to the heart of tackling a number of inter-related global issues such as poverty, inequality, hunger and environmental degradation. Basic values such as, to observe cleanliness, proper use of resources, to respect the environment (including the ecosystem) are but few examples of ethical and religious principles that ensure sustained environmentally correct behavior (Vives 2006).

The threat of climate change on family business survivability is best managed by ensuring that business activities are done in a manner that does not harm the environment, or rather, does not inflict further damage to the environment. At this point wherein damage has already been done, business leaders should take the initiative to reverse the effects of past wrongs that have destroyed the

environment.

Finally, economic progress should be achieved not to the detriment of the ecology but rather with the sustainability of the people and the environment.

THEORETICAL AND CONCEPTUAL FRAMEWORK

Perpetuity of the family business is described to be the ultimate management challenge. Perpetuating the family business requires masterful management of a long list of success enabling factors. However, putting aside sophisticated management principles, two surprisingly simple things are imperative to achieve family business perpetuity:

1. The incumbent leaders have to maintain the health and strength of the business, enough to last into the next generation.
2. The family has to continue to be healthy into the next generation. Solidarity within the family has to be maintained.

In the Burke-Litwin (1992) model, it is observed that external environment is an important variable because it is considered as input factor which influences the business performance. Forces outside the business clearly have considerable bearing on that which transpires within. The external environment can provide both facilitating and inhibiting influences on organizational performance, vis-a-vis perpetuity. Multiple influences in the immediate or proximal environment form the boundaries within which an organization is able to function; these influences likewise shape how the organization defines itself and how it articulates what is good and appropriate to achieve.

Key dimensions of the environment that bear on the institution include the administrative/legal, technological, political, economic, and social and cultural contexts, the demands and needs of external clients and stakeholders, and relations with other pertinent institutions. This external environment was based on the study of International Development Research Center (IDRC). IDRC is a Canadian Crown corporation established in 1970. It helps developing countries use science and technology to find solutions to local problems.

The enumerated factors: ecological, social, economic, political, and technological inter-play and shape the business landscape. The confluence of these factors may either make it conducive or discouraging for business owning families. An admirable quality among entrepreneurship is how they find a way to succeed, even in seemingly dire situations.

Ecological. Family business owners had to endure several challenges in order for the family business to survive. Of the numerous issues that threaten family business perpetuity, such as political power play, economic volatility, intense competition, or management problems, it is however, family based issues that more often than not causes the family firm to fail (Ward 2004).

Social. Social factors contribute in encouraging individuals to becoming entrepreneurs. Government can create an encouraging environment for business. Johnston, Robinson and Nigel (2010) also confirm that a positive impact in industry may be expected with the creation of these networks, as synergy takes place and collaboration among entrepreneurs is at work.

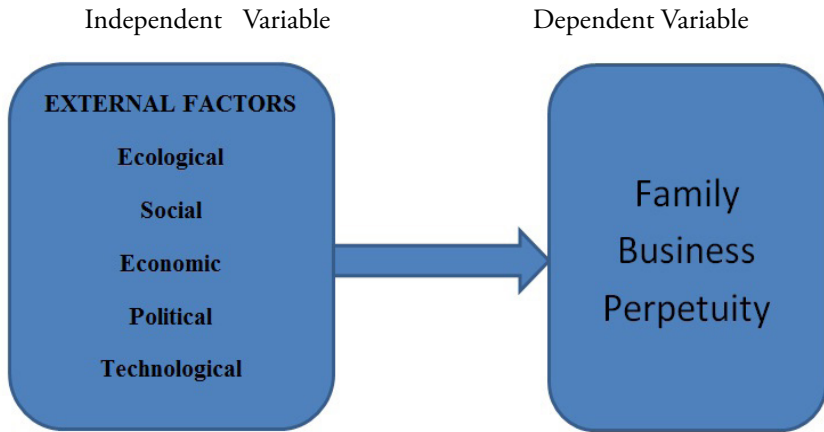
Economic. Numerous studies have shown the valuable contribution of entrepreneurship to the economy. Small businesses are responsible for job creation, which is the reason developing and established economies endeavor to support, foster and encourage entrepreneurs into pursuing their business aspirations. Razak (2011) expressed that entrepreneurs need to be entrepreneurial oriented in order to improve the quality of entrepreneurship, especially in a competitive and challenging environment.

Political. Political intervention poses as a critical factor in the progress or stagnation of entrepreneurial activities. Another scenario wherein the political factor plays a critical role as aid or impediment to entrepreneurial activity is evident in the concept known as creative destruction. According to Schumpeter (1934 [1911]), 1942) as cited by Sobel, Clark, and Lee (2007), that newly introduced revolutionary products make other existing products obsolete such as compact discs players replacing vinyl records and airplane replacing trains. This threat of obsolescence might cause some established companies (market institutions) to seek political help, in that the government may block even temporarily the entry of new players and their products in the market. The authors (Sobel et al., 2007) share that some established companies hold a strong influence over some politicians as they contributed to their campaign funds as well as providing much needed jobs in a given locality.

Technological. Today's entrepreneur holds a distinct advantage over their predecessors in that entrepreneurship is made easier with some help from technology. The basic facets of business, which include HR, finance, operations, and marketing, can be enhanced with a plethora of efficient and cost-effective software choices.

Figure 1 shows the schematic diagram of the study. It shows that the external factors namely: ecological, economic, social, political, and technological, could

influence the perpetuity of family business.



OBJECTIVES OF THE STUDY

The study aimed to determine the impact of ecological factors and all other external factors on family-owned business perpetuity.

METHODOLOGY

Research Design

The study was a quantitative research method employs the descriptive-correlational research design as a means of collecting the needed data and information to attain the objectives of the study.

Study Sites

The study was conducted in ten (10) major cities of the country and their respective neighboring areas. The major cities were Bacolod City, Negros, Negros Occidental; Butuan City, Agusan del Sur; Cagayan de Oro City, Misamis Oriental; Cebu City, Cebu; Davao City; Iligan City, Lanao del Norte; Iloilo City, Iloilo; Makati City, Metro Manila; Malaybalay City, Bukidnon; and Quezon City, Metro Manila.

Respondents of the Study and Sampling Procedures

A listing of the business firms in the selected cities was drawn from the

Competitiveness Listing Result. Further selection using the following criteria was comprise the short list of the proposed respondents: A family-owned business (FOB) corporation; SEC/DTI Registered; and the FOBs are in the 'cousin collaboration' stage.

From the criteria, a total of 1117 family-owned business respondents were the unit of analysis for this paper.

Data Gathering Procedures

Data and information drawn from these qualitative procedures were incorporated to strengthen the findings of the present investigation. Help of research assistants was sought. Prior to fielding them for data collection, they underwent thorough briefing on the objectives of the study and were trained appropriately on data gathering, especially in matters of ensuring confidentiality, accuracy, and adequacy of data and information gathered.

Data Analysis and Statistical Treatment

The first part of the analysis dealt with taking a look at how family business owners respond towards impact of ecological factors on family business social awareness and what are the conscious effort of family business to protect the environment. Using descriptive statistics, the bar chart was used to show the different responses of the family business owners using a Likert scale.

A regression analysis was done to create a model that would best predict the dependent variable, family-owned business perpetuity using external factors (such as ecological, social, economic, political, and technological) as predictors. The coefficient of determination was then checked, to see how much of the variation in the dependent variable was accounted for by its linear relationship with the predictor variables. The F-value with its significant value was checked for model adequacy.

RESULTS AND DISCUSSION

Perpetuating the family-owned business was the main focus of this study. It gathered opinions on how the family business owners and members regard the perpetuity of their respective businesses through a survey questionnaire where the respondents answered an agreement scale of 1 to 4 where 4 is the highest.

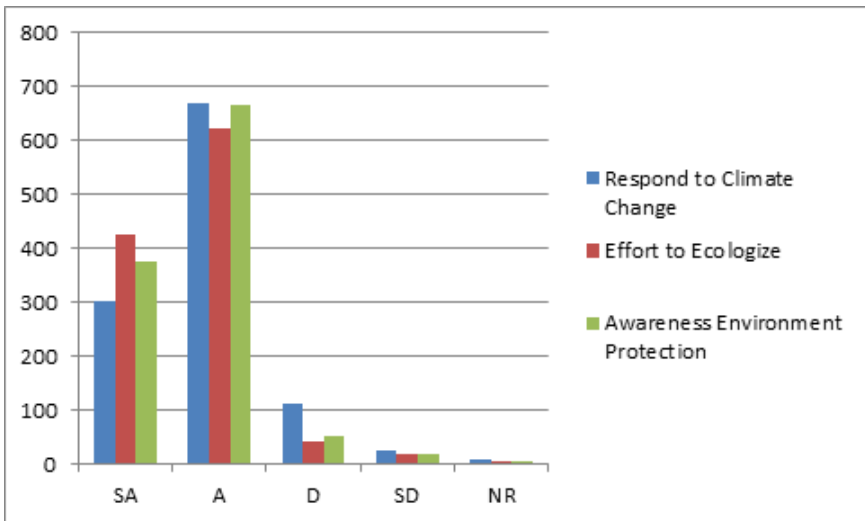
The theory of Aronoff and Ward (2011) on perpetuity supports this finding when they stated that among the defining characteristics of effective family

business owners is their care for the business as they “see the family business as a noble institution that is valuable to the society.”

To summarize, family business perpetuity hinges on the sustaining the health and strength of the business itself as well as the stability of the family. Ward (2004) said that maintaining the business means maintaining its success over a long time period. He argued that managing the family requires maintaining also the harmonious relationship among family members, to achieve solidarity over a long time period. He asserted that the ultimate challenge on perpetuating the family business is managing both i.e. the family and the business.

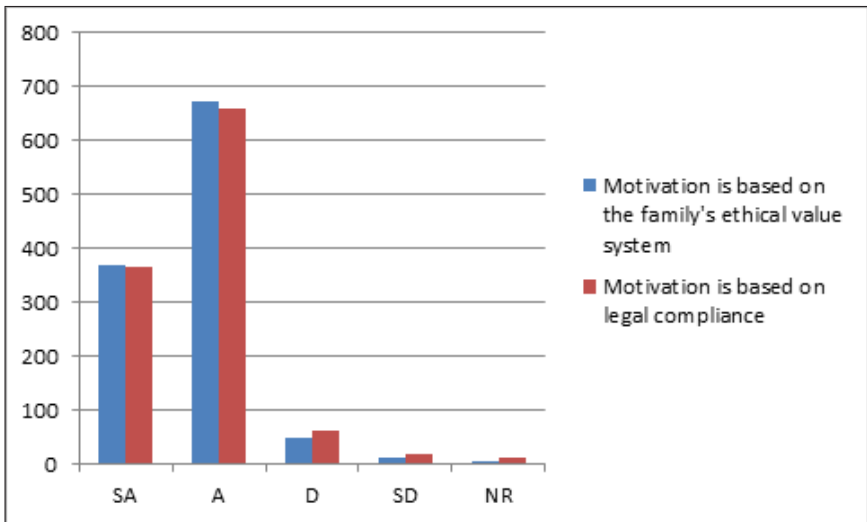
This study therefore attempted to establish which of the external factors in the enabling environment contribute to the perpetuity of the family business.

Figure 2 represents the different responses of the family-owned business respondents of the ecological factors on family business. As observed, most of them agree and strongly agree that when they put up a family business, they must respond to climate change. Also, they must make effort to ecologize so as not to inflict damage on the environment. Lastly, they also agree to have awareness on environmental preservation and protection. Thus, protecting the environment plays a big role in the family business perpetuity.



Legend: SA-Strongly Agree;A-Agree;D-Disagree;SD-Strongly Disagree;NR-No Response

Figure 2. Responses of Family-Owned Business Respondents on Ecological Factors



Legend: SA-Strongly Agree;A-Agree;D-Disagree;SD-Strongly Disagree;NR-No Response

Figure 3. Different Conscious Efforts to Protect the Environment

Figure 3 shows the result of the different conscious effort of the family-owned business to protect the environment. As observed, family businesses agreed that one of their conscious efforts is based on the family's ethical values. Another conscious effort that most of them agree and strongly agree is that they are also motivated to protect the environment based on legal compliance.

Table 1. External Factors as Predictors of Perpetuity

External Factors: Predictor Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.402	.067		35.981	.000
Ecological	.156	.019	.266	8.145	.000
Political	.092	.019	.173	4.833	.000
Social	.065	.019	.114	3.461	.001
Technological	.063	.016	.128	3.947	.000
Economic	-.063	.018	-.128	-3.476	.001
R=0.435		R Square =0.189	f-value = 47.532	p-value =.000	

Table 1 shows that perpetuity is significantly influenced by the combination of the external factors *except the legal factor*. Ecological, political, social, technological and economic factors influence family owned business perpetuity considerably. It is worthwhile to note that **ecological factor** is considered to be the best predictors among the external factors having a beta weight of 0.266. This means that almost (27%) of the variations in *perpetuity* can be attributed to the ecological factor.

Furthermore, the regression equation model is highly significant considering that the f value at 47.532 is significant at 0.000. The hypothesis is rejected. The value of $R^2 = 0.186$ implies that almost (19%) of the stability in family owned business *perpetuity* can be explained by the combination of these external factors. The model is expressed in the equation below.

$$\text{Perpetuity} = 2.402 + 0.156 \text{ ecological} + 0.092 \text{ political} + 0.065 \text{ social} + 0.063 \text{ tech} - 0.063 \text{ economic}$$

The equation indicates that given a constant predictor of 2.402, for every unit increase in *ecological*, a 0.156 unit increase in *perpetuity* is expected; for every unit increase in *political* factor, a 0.092 unit increase in *perpetuity* is also likely to happen; and for every unit of increase of *social* factor, a .065 unit increase in *perpetuity* is also expected to occur. Variations in technology and economic factors have a 0.063 corresponding effect on *perpetuity* respectively.

It was earlier noted that among the external factors, ecological factor figured out prominently as the best predictor. The ecological factor is an increasingly growing concern as it causes extreme weather conditions such as droughts, flash floods and super typhoons. The ecological imbalance had the world witness supposed flood-free urban centers such as Manhattan, Bangkok and Toronto under water (Fischetti, 2013). Haiyan gave mankind a glimpse of the degree of havoc a super typhoon can unleash. These weather phenomena pose a significant threat to family business' survivability.

The latter is especially worrisome as its potential for damage to life and property is instantaneous, severely interrupting business operations, financial health and threatening the very survival of family businesses.

The unpredictability of natural disasters requires business leaders to be poised to act quickly and efficiently to emergencies. Faircloth (2006) suggested that successful firms either respond urgently to uncontrollable environmental changes or take an innovative approach in their strategies to effect change in the environment. The author may be referring to flood control measures such as the

building of dikes or dredging of the river. It is imperative to remain pro-active and anticipate environmental changes and mitigate its impact on any family firm.

It is important that family businesses consider physical preparations to account for the possibility of flooding. According to Archt. Felino Palafox, buildings can be designed in ways that mitigate the effects of flooding through adaptive architecture. This is done by having a flood map (determining historical flood-water levels) and designing the building based on such data, that the ensuring vital components like electrical systems, front-line functions of businesses such as hotel lobbies and the like are situated higher than historical flood-water levels (GMA news online, August 14, 2012). Through adaptive architecture, it is possible for family businesses to operate without interruption even when flooding occurs in the area.

The objective among many entrepreneurs is the perpetuity of their business as a legacy for future generations. In order to realize this objective, the business leaders need to be mindful of the ecological sustainability of the environment, since it is a critical factor for the survival of the family firm. Swanson (2007) termed this as ecologizing, which requires organizations to function in a larger environment that contains living and non-living systems. Ensuring that no damage to the firms' host environment. Business operators must ensure that their business operations cause no damage to their firms' host environment. Therefore, it is of utmost importance that the family business conducts its business in a manner that does not harm the environment to sustain the family business.

CONCLUSIONS

Based on the given model the ecological factor has the biggest weight among all other external factors. This suggests that when the environment is taken cared of, business will continue. This means that there is a symbiotic relationship between family business perpetuity and ecology. Business owners should continue their pursuit of protecting and conserving the environment since the threatening impact on the habitat will also affect business survivability.

LITERATURE CITED

- Aronoff, C. E., and Ward, J. L.
2000 *Family business values: How to assure a legacy of continuity and success* (No. 12). Family Enterprise Publisher.

- Burke, W. W. and Litwin, G. H.
1992 A causal model of organizational performance and change. *Journal of Management* .
- Cambra-fierro, J., Hart, S., and Polo-Redondo, Y.
2008 Environmental respect: Ethics or simply business? A study in the small and medium enterprise (SME) context. *Journal of Business Ethics*, 82(3), 645-656. doi:<http://dx.doi.org/10.1007/s10551-007-9583-1>
- Clark, J. S.
2007 *Models for ecological data: an introduction* (Vol. 11). Princeton, New Jersey, USA: Princeton university press.
- Elkington, J.
2006 Governance for Sustainability*. *Corporate Governance: An International Review*, 14(6), 522-529.
- Faircloth, James B., I., II, Valentine, S. R., and Bronson, J. W.
2006 Environmental discontinuity impacts on small business strategic marketing adaptation. *Journal of Applied Management and Entrepreneurship*, 11(1), 58-73. Retrieved from <http://search.proquest.com/docview/203895784?accountid=139409>
- Fisher, D. G., Swanson, D. L., and Schmidt, J. J.
2007 Accounting education lags CPE ethics requirements: Implications for the profession and a call to action. *Accounting Education: an international journal*, 16(4), 345-363.
- Freeman, J., and Boeker, W.
1984 The ecological analysis of business strategy. *California Management Review*, 26(3), 73-86.
- Gautam, R., and Singh, A.
2010 Critical environmental indicators used to assess environmental performance of business. *Global Business and Management Research: An International Journal*, 2(2-3), 224.

Genc, K. Y.

2014 Environmental Factors Affecting Human Resources Management Activities of Turkish Large Firms. *International Journal of Business and Management*, 9(11), p102.

Hills, P., Lam, J., and Welford, R.

2004 Business, environmental reform and technological innovation in Hong Kong. *Business Strategy and the Environment*, 13(4), 223-234.

Hunter, M. G., and Kazakoff, D.

2012 Multi-generation small business response to the recent financial crisis. *Journal of Applied Management and Entrepreneurship*, 17(1), 37-51. Retrieved from <http://search.proquest.com/docview/927942089?accountid=139409>

Ims, K. J., Pedersen, L. J. T., and Zsolnai, L.

2014 How Economic Incentives May Destroy Social, Ecological and Existential Values: The Case of Executive Compensation. *Journal of business ethics*, 123(2), 353-360.

Johnston, L., Robinson, S., and Lockett, N. (2010). Recognising open innovation in HEI-industry interaction for knowledge transfer and exchange. *International Journal of Entrepreneurial Behaviour & Research*, 16(6), 540-560. doi:<http://dx.doi.org/10.1108/13552551011082498>

Kaplan, R. S., and Norton, D. P.

1996 Using the balanced scorecard as a strategic management system. *Harvard business review*, 74(1), 75-85.

Nizic , M., T. Golia, and K. Vodeb

2011 The Trend of Economic, Ecological and social Responsibility Implementation in Tourism. *Sustainable Tourism: Socio-Cultural, Environmental and Economics Impact*, pp. 221-234, 2011.

Pielou, E. C.

1984 The interpretation of ecological data: a primer on classification and ordination. John Wiley & Sons.

Razak, R. A.

2011 Entrepreneurial orientation as a universal remedy for the receding productivity in Malaysian small and medium enterprises: A theoretical perspective. *Int JI of Bus and Soc Science*, 2(19), 249-257.

Schumpeter, J. A.

1939 *Business cycles* (Vol. 1, pp. 161-74). New York: McGraw-Hill.

Sobel, R. S., Clark, J. R., and Lee, D. R.

2007 Freedom, barriers to entry, entrepreneurship, and economic progress. *Review of Austrian Economics*, 20(4), 221-236. doi:<http://dx.doi.org/10.1007/s11138-007-0023-3>

Skopenko, N., and Sagaydack, J.

2013 Specific Features of Development of Ecological Entrepreneurship in Ukraine. *Economics & Sociology*, 6(2), 28-38.

Strange, T., and Bayley J.

2008 *OECD Insights Sustainable Development Linking Economy, Society, Environment: Linking Economy, Society, Environment*. OECD Publishing

Swanson, D. L.

2002 Business ethics and economics. *A companion to business ethics*, 207-217.

Vargas-Vargas, M., and Mondejar-Jimenez, J.

2010 Environmental Impact And Business Management In Rural Tourism. *Journal of Applied Business Research (JABR)*, 26(3).

Vives, A.

2006 Social and environmental responsibility in small and medium enterprises in Latin America. *The Journal of Corporate Citizenship*, (21), 39-50. Retrieved from <http://search.proquest.com/docview/211964344?accountid=139409>

Ward, J. L.

2004 *Perpetuating the family business: 50 lessons learned from long-lasting, successful families in business*. Palgrave Macmillan. pD588R8i_4_AXHQdAYnF1rq4&redir_esc=y#v=onepage&q&f=false