

# Reputational capital and conscious business practices of small- and medium-sized enterprises in Western Mexico: comparison between millennials and generation X

Lucía Rodríguez-Aceves, Marcia Lorena Rodríguez-Aldana and Lilia Patricia López-Vázquez

## Abstract

**Purpose** – *The study aims to explore the influence of conscious business practices (CBPs) on the reputational capital (RC) of SMEs with the generation of the manager (X/Y) as a moderator of such relationships.*

**Design/methodology/approach** – *The authors conducted empirical research based on a cross-sectional survey on 115 Western Mexican SME managers using PLS structural equation modeling to test the proposed hypotheses.*

**Findings** – *SMEs RC is nurtured by adopting two CBPs. The effect on RC may differ according to managers' generation. In Western Mexican SMEs, Gen X managers perceive that a higher purpose is more important for building RC, while conscious culture comes first for millennials.*

**Research limitations/implications** – *The generalisability of the findings is decreased, given that the study relied on convenience and non-probabilistic sampling in one economy. The lack of previous studies on SMEs, and the difficulty in conducting research in an emerging economy, gives the findings an importance in furthering research.*

**Practical implications** – *It contributes to strengthen SMEs' RC through CBPs.*

**Social implications** – *It broadens the perspective of SMEs in emerging economies to adopt CBPs for increasing their RC. This relationship varies depending on the managers' generation.*

**Originality/value** – *The study used the quantitative approach to explore the perception of Mexican Gen X managers and millennials on the relationship between CBPs and their effects on RC.*

**Keywords** *Reputational capital, Conscious business practices, SMEs, Millennials, Xers*

**Paper type** *Research paper*

(Information about the authors can be found at the end of this article.)

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## 1. Introduction

Nowadays, governments, business and non-profit organisations are looking to businesses to act in a responsible manner towards stakeholders and to give back to society and the environment through distinct actions (Cronje *et al.*, 2017). Conscious business practices (CBPs) are an approach that has been increasing and that proposes going beyond corporate social responsibility (CSR) while focusing beyond profit (Mackey and Sisodia, 2013; Wang, 2013). Sisodia (2011) refers to these practices as conscious capitalism, which is composed of four tenets, namely, higher purpose (HP), stakeholder integration (SI),

conscious leadership (CL) and conscious culture (CC). Management practices that use approaches related to conscious business can promote prosperity and growth.

Given that stakeholders and society have gradually called on generally all enterprises, including small- and medium-sized enterprises (SMEs), to become conscious businesses, exploring how SMEs are coping with such demands is relevant (Ramos-González *et al.*, 2022; Spence *et al.*, 2004), including the challenges faced by sustainability approaches (Chen and Eweje, 2022).

In this regard, CBPs demonstrate a comprehensive and impactful approach in managing stakeholder relationships, which have proven to be a valuable asset in reputation building (Mohtsham and Arshad, 2012). In fact, one key asset that every firm must protect and strengthen through management and control is reputational capital (RC); (Dolphin, 2004; Decker, 2012), which Castilla-Polo *et al.* (2016) call an “intangible of intangibles”. RC provides firms with legitimacy, credibility and access to other resources (Gjorevska, 2023; Yiu and Lau, 2008). However, despite scholars suggesting that building RC is essential for SMEs, its development remains unclear (Dowling and Moran, 2012) given that the majority of evidence is related to large companies (Fernández Sánchez *et al.*, 2015).

Another relevant aspect is leadership, which has proven essential in the process of the adoption of CBPs (Marinčič and Marič, 2018). In this regard, upper echelons theory (Hambrick and Mason, 1984) suggests that managerial decisions are dependent on social, psychological, cognitive and demographic factors, including differences in age, gender and level of education (Hambrick, 2007). Furthermore, generational cohort theory posits that the historical social, political and economic events experienced by people (including managers) during their formative years influence the development of their core values, attitudes, preferences and behaviours (Salvosa and Hechanova, 2021; Herrando *et al.*, 2019; De Waal *et al.*, 2017; Robertson *et al.*, 2012). According to Benson and Brown (2011), work values are more related to generation than age and experience. From this perspective (Herrando *et al.*, 2019), scholars found evidence of differences in certain traits between generations, which may lead to distinct approaches when adopting management business. For example, Generation X (Gen X; born between 1960 and 1980) believe more in the importance of work (Kurata *et al.*, 2022), tend to work independently and autonomously (Zabel *et al.*, 2017) and expect quick promotions and recognition based on ability (De Waal *et al.*, 2017). Alternatively, millennials (born between 1981 and 2000) are socially conscious (Cogin, 2012) and motivated by an affiliative workplace (De Waal *et al.*, 2017). However, several scholars raised important questions about the soundness of empirical research on generations and pointed out the gap between the scientific description of generations and what people do with such understanding (Rudolph *et al.*, 2021). Moreover, less remains known about the potential influence of such generational differences on the development of social and environmental awareness (Severo *et al.*, 2019), which in the case of managers and their decision-making may eventually affect the RC of their companies.

Hence, the current study aims to demonstrate the influence of CBPs on the RC of SMEs with the generation (Gen X or millennials) of managers as the moderator. To test the proposed research model, the study adopted a questionnaire (Appendix) based on the Conscious Capitalism Summary Audit of Sisodia *et al.* (2018) and sent it to a database of 250 Western Mexican SMEs. We obtained 115 valid responses, which were analysed using partial least squares structural equation modelling (PLS-SEM); (Ringle *et al.*, 2005). The findings suggested that the RC of SMEs is nurtured by observing CC and defining HP. Furthermore, among the four tenets, HP exerts a stronger effect on RC for Gen X, while this effect is stronger on CC for millennials.

Specifically, this research contributes to extending the understanding of the conscious practices of SMEs from the quantitative approach. Secondly, it adds to the literature on RC by identifying factors that may contribute to its development. Thirdly, from the managerial point of view, this study broadens the perspective of SMEs in emerging economies by

suggesting that adopting CBPs, which are much needed today to achieve sustainability, will be compensated with RC. Moreover, such relationships vary according to the generation to which the manager belongs. Fourthly, this study joins the discussion on generational cohort theory and presents evidence from managers of Western Mexican SMEs in terms of how their generation moderates the effect of CBPs on RC.

The remainder of the paper is organised as follows. Section 2 outlines the conceptual model of the study. Section 3 explains the method and results. Section 4 presents the discussion, and Section 5 concludes.

## 2. Literature review and hypothesis development

### 2.1 Reputational capital and the four tenets of conscious business practices

Organisational reputation is an intangible and valuable asset that exerts an impact on the perception of stakeholders towards a company, which considers past behaviour to estimate future performance (Özcan and Elçi, 2020). Reputation, which is a critical resource for enhancing the competitiveness of a firm (Goldberg *et al.*, 2003), is a vital and key resource that is difficult to imitate (Eberl and Schwaiger, 2005) and is aligned with the resource-based view (Barney *et al.*, 2021). Therefore, reputation can increase or decrease based on the success or failure of improving stakeholder perceptions (Chahine *et al.*, 2021). A good reputation is accompanied by several benefits, such as lowering costs, charging higher prices, attracting stakeholders (e.g. customers, investors and applicants), obtaining larger profits and creating competitive advantages and barriers (Walker, 2010).

The image of a company in the environment reflects its reputation (Worden, 2003). For this reason, companies need to avoid potential damages to their RC (Moretto *et al.*, 2018) and to learn how to establish RC and preserve it (Eigler and Azarpour, 2020), because RC is important (Hu *et al.*, 2019).

CBPs consider all stakeholders of the company and aim beyond profit maximisation; thus, they extend further than CSR and other approaches to the relationship between business and society, which scholars demonstrated are an important tool for establishing reputation (Mohtsham and Arshad, 2012). Conscious capitalism is founded on four tenets (Sisodia, 2011), namely, HP, SI, CL and CC, which are mutually reinforcing. Therefore, in the spirit of understanding the potential contribution of this paradigm to the development of RC, we propose the following hypothesis:

*H1.* CBPs (under the four tenets of conscious capitalism) exert an effect on the RC of SMEs.

### 2.2 Higher purpose and generational differences

Regarding the first tenet, purpose is “a set of common beliefs that are held by and guide the actions of employees” (Gartenberg *et al.*, 2019, p. 2). As mentioned by these scholars, a strong sense of purpose can exert a positive impact on performance, because it can increase the effort, productivity and engagement of employees. Furthermore, it influences the loyalty and satisfaction of consumers and mitigates the short-term investment perspective of shareholders.

A compelling sense of purpose strengthens the relationship with stakeholders, which renders possible the promotion of cooperation that creates value for all and builds flourishing communities (Sisodia, 2011). According to Mishra (2019), when a business is consciously implemented, the result is intrinsically an HP. Similarly, Kubátová (2018) affirms that purpose is found when businesses become aware of their possibilities for solving global problems and creating value for the company and with a broad set of stakeholders.

Even when Guerrero *et al.* (2021) affirm that members of both generations, namely, Gen X and millennials, seek meaningful jobs, the latter prioritises possessing a sense of purpose in their professions over financial compensation (Gerard, 2019; Cogin, 2012), and that they have an important prosocial motivation that prompts their decisions.

### 2.3 Stakeholder integration and generational differences

For SI, stakeholder theory (Donaldson and Preston, 1995) proposes that addressing the construction and maintenance of long-term and sustainable relationships with stakeholders is key for corporate performance. In this sense, Freeman *et al.* (2020) assert that business and society are an interconnected and interdependent system in which each stakeholder must be a means and an end at the same time for achieving the common good. In this sense, conscious businesses recognise the contribution of all stakeholders through engagement and interconnectedness as a necessity for achieving their purpose, creating value and flourish (Orel and Kubátová, 2019).

According to Kolnhofer-Derecskei *et al.* (2017), millennials are more open-minded than previous generations, that is, they accept ambiguity and embrace diversity (Zabel *et al.*, 2017) and environmental protection. They are more socially conscious (Cogin, 2012), and civic duty (Zabel *et al.*, 2017) and global citizenship (Kolnhofer-Derecskei *et al.*, 2017) are two of their core values. These traits may render millennials more prone to search for a comprehensive perspective of stakeholder management.

### 2.4 Conscious leadership and generational differences

Marinčič and Marič (2018) observed that business leaders with CL do not only exert an influence on others to achieve common goals but also seek for the common good and leave a positive mark in the world apart from making a profit. Jones and Brazdau (2015) explain that CL implies that directors and managers of conscious businesses adopt a leadership style of shared responsibility and problem solving by identifying patterns of interconnectivity in which common good can be achieved. Similarly, Arora *et al.* (2019) propose a four-fold model of social CL that includes personal qualities with the objective of becoming builders of flourishing businesses and communities such as a sacred sense of purpose, a transformed and renewed relationship with power, multidimensional authenticity and embodied somatic awareness.

Gen X are seemingly more reluctant to assume leadership roles (Benson and Brown, 2011), and they are more concerned about the outcome than the process (Cogin, 2012). Kurata *et al.* (2022) refer to studies that propose that Gen X managers control, delegate, care for and trust people more than millennials do. Gen X focus on effectively using the expertise of their coworkers, whereas millennials focus on establishing meaningful contacts (De Waal *et al.*, 2017). The expectation for millennials during the first decade of the 2000s is that they would become the first socially active generation after the 1960s.

### 2.5 Conscious culture and generational differences

Mackey and Sisodia (2013) explained that the basis of CC is a high level of trust among stakeholders, and it is relevant. In a CC, leaders prioritise justice for all stakeholders (Fyke and Buzzanell, 2013). Moreover, Mishra (2019) describes CC as one that "nurtures love, care and inclusiveness and builds trust" among team members.

For millennials, social responsibility is a business imperative, while Gen X are more pragmatic and privilege the end over the means (Cogin, 2012). Millennials believe in collective action (De Waal *et al.*, 2017), while Gen X strive to work independently and autonomously from others (Zabel *et al.*, 2017). However, Gen X are loyal, follow rules, look for quiet and peace and care about rights (Kolnhofer-Derecskei *et al.*, 2017). These traits may exert an impact on the behaviour of managers while building values and behaviours in the culture of their companies; at the same time, these differences could suggest a different form of CBP appropriation and the perception of its influence on the RC of businesses.

Evidently, HP and CL rely on a systematic and holistic understanding of business and their role in society. Similarly, SI and CC are grounded on trust and integrity, which are important

virtues that create profound bonds in individuals and conglomerates. Thus, these tenets share the foundational key elements of RC, that is, building trust that improves and strengthens interactions between individuals and organisations (Gör and Esen, 2012). For this reason, we put forward the following hypothesis:

- H2. The generation of managers moderates the relationship between CBPs (under the four tenets of conscious capitalism) and the RC of SMEs.

Based on the above-mentioned arguments, Figure 1 depicts the research model.

### 3. Methodology

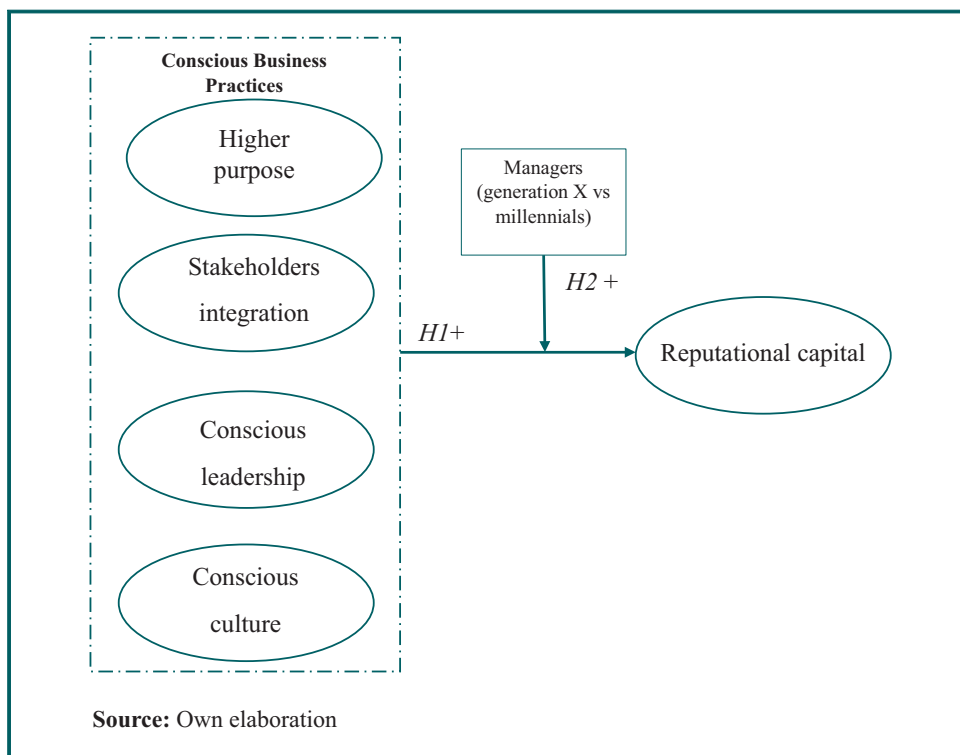
#### 3.1 Sample and data collection

Data collection was conducted in September 2022 and was based on a cross-sectional survey distributed to a database of 250 SMEs located in the Western Mexican region. Mexico is composed of 32 states, out of which nine belong to the Western Mexican Region, namely, Aguascalientes, Colima, Guanajuato, Jalisco, Michoacán, Nayarit, Querétaro, San Luis Potosí and Zacatecas. It occupies a preponderant place within the national territory, not only because of its location and size but also because of its high population density and its contribution to the national economy (Centro Occidente, 2005).

The self-administered online questionnaire was sent via email to the SME managers, out of which 115 valid responses were obtained, which is a reliable and valid random sample with 95% confidence based on the population size (McLeod and Bellhouse, 1983). Table 1 presents details on SME size, age and sector.

The respondents held a managerial role within their SMEs. A total of 45% ( $n = 52$ ) and 55% ( $n = 63$ ) were women and men, respectively. Ages ranged from 21 to 60 years, which represent mainly two generations: millennials (born approximately between 1981 and 2000)

**Figure 1** Research model



**Table 1** Respondent demographics

<i>Attributes</i>	<i>Frequency</i>	<i>%</i>
<i>Gender</i>		
Female	52	45
Male	63	55
	115	100
<i>Age</i>		
21 to 40 years old	55	48
41 to 60 years old	57	50
More than 60 years old	3	3
	115	100

Source: Own elaboration

and Gen X (born approximately between 1960 and 1980). Specifically, 48% and 52% of the respondents were aged between 21 to 40 and between 41 and 60 years, respectively.

### 3.2 Variable measurement

To operationalise the variables, the study used previous scales with adequate construct validity and reliability. All items were rated using a five-point Likert-type scale ranging from 1 = *totally disagree* to 5 = *totally agree*. For RC, the proposed items were based on Berens and Van Riel (2004), Jackson (2020), List (2006) and Wartick (2002). We measured the CBPs (approaches under the four tenets of conscious capitalism; Sisodia, 2011; Sisodia et al., 2018) using items based and adapted from the Conscious Capitalism Summary Audit of Sisodia et al. (2018). Lastly, the study included three control variables, namely, SME sector, size and age, in the model (Table 2).

### 3.3 Measurement model

The study tested the measurement properties of the scales to ensure one-dimensionality and discriminant and convergent validity (Table 3). For internal consistency (reliability), as recommended by Fornell and Larcker (1981) and Nunnally (1975), the constructs reached Cronbach's alpha and composite reliability values of >0.70. In addition, all items met the

**Table 2** SMEs demographics

<i>Attributes</i>	<i>Frequency</i>	<i>%</i>
<i>Size</i>		
Less than 10 employees	61	53
Between 11 and 50 employees	21	18
Between 51 and 250 employees	13	11
More than 250 employees	20	17
	115	
<i>Sector</i>		
Services	64	56
Commerce/retail	36	31
Manufacturers	15	13
	115	
<i>SMEs age</i>		
Less than 3 years	22	19
Between 4 and 10 years	29	25
Between 11 and 20 years	28	24
More than 20 years	36	31
	115	100

Source: Own elaboration

**Table 3** Indicators loadings, convergent validity and reliability tests

Construct	Cronbach $\alpha$	Composite reliability (CR)	AVE
1. RC	0.80	0.91	0.84
2. HP	0.85	0.91	0.77
3. SI	0.78	0.90	0.82
4. CL	0.87	0.92	0.79
5. CC	0.84	0.90	0.75

Notes: Cronbach's  $\alpha$ ; CR = Composite reliability. For all measurement items, five-point Likert scales were used (i.e. 1 strongly disagree, 5 strongly agree). Control variables were not included due to all values were 1

Source: Own elaboration

0.50 significance-loading threshold (Carmines and Zeller, 1979; Hair *et al.*, 2019). All constructs obtained average variance extracted (AVE) >0.50 (Hair *et al.*, 2019). In summary, the results suggest convergent validity.

The study used the Fornell–Larcker criterion (Fornell and Larcker, 1981) to evaluate the distinctiveness of the constructs. Table 4 demonstrates that the values along the diagonal for each construct are greater than any values to their left in the same row. Moreover, cross-loading analysis indicated that all items obtained higher loadings with their associated constructs, which demonstrates discriminant validity (Barclay *et al.*, 1995; Martínez Ávila and Fierro Moreno, 2018).

## 4. Results

### 4.1 Means, standard deviations and correlations

Table 5 presents the descriptive statistics of the variables. The use of Likert-type scales to measure the dependent and independent variables led to relatively similar means and standard deviations in which CC (mean = 4.59) and HP (mean = 4.30) is the highest and

**Table 4** Discriminant validity using Fornell–Larcker criterion

Construct	1	2	3	4	5
1. RC	0.914				
2. HP	0.567	0.874			
3. SI	0.567	0.742	0.904		
4. CL	0.562	0.674	0.79	0.89	
5. CC	0.595	0.638	0.638	0.713	0.868

Source: Own elaboration

**Table 5** Means, standard deviations and correlations

Construct	Mean	SD	1	2	3	4	5	6	7	8
1. RC	4.43	0.78	1							
2. HP	4.30	0.65	0.617**	1						
3. SI	4.14	0.84	0.552**	0.728**	1					
4. CL	4.34	0.76	0.551**	0.685**	0.790**	1				
5. CC	4.59	0.68	0.589**	0.681**	0.638**	0.710**	1			
6. SMEs age	2.68	1.11	0.011	-0.180	-0.104	-0.147	-0.185*	1		
7. SMEs sector	1.82	0.64	0.124	0.171	0.145	0.112	0.128	-0.009	1	
8. SMEs size	1.76	0.87	0.086	-0.008	-0.059	-0.092	-0.185*	0.424**	0.014	1

Notes: a.  $N = 115$ ; b. \*\*  $p < 0.01$ ; c. \*  $p < 0.05$

Source: Own elaboration

lowest, respectively. Regarding correlations, Table 5 indicates that all non-control variables display positive and statistically significant correlations. The highest correlation is 0.79 between CL and SI, and the lowest is 0.55 between CL and RC. In terms of the control variables, only three correlations are statistically significant, namely, between SME size and age (0.424), between CC and SME size (−0.185) and between CC and SME age (−0.185).

#### 4.2 Assessment of the structural model

We used SmartPLS 3.0 to assess the structural equation model (Ringle *et al.*, 2005) and performed multicollinearity analysis using the variance inflation factor (Diamantopoulos and Siguaw, 2006; Hair *et al.*, 2019). As recommended by Hair *et al.* (2019), all values ranged from 1.0 to 3.3, which are less than the cutoff value of 5, which suggests the absence of collinearity. Afterwards, we calculated the standardised root mean square residual (Hu and Bentler, 1999). The value obtained (0.064) is less than the suggested threshold value for a sample size greater than 100 (0.08; Henseler *et al.*, 2016). Consequently, we found a significant model fit. Moreover, Q2 was 0.336, which suggests that the model exhibits substantial predictive relevance (Falk and Miller, 1992).

#### 4.3 Structural equation modelling

To test H1, the study calculated the effects of HP, SI, CL, CC, SME age, sector and size on RC. Table 6 presents the results. Three of the effects were positive and statistically significant: HP ( $\beta = 0.208$ ;  $t = 2.007$ ,  $p < 0.045$ ), CC ( $\beta = 0.355$ ;  $t = 2.513$ ,  $p < 0.012$ ) and SME size ( $\beta = 0.143$ ;  $t = 1.936$ ,  $p < 0.053$ ), which explains 46.7% of variance of RC. Neither SI and CL nor SME age and sector were statistically significant in their effect on RC, although all of their effects were positive. In summary, H1 is partially supported.

The statistical results suggest that in the entire sample of SMEs, relational capital is nurtured by possessing CC and defining HP, as well as slightly by SME size. However, CL, SI or SME age and sector do not influence RC. In the Discussion section, we present arguments to contribute to the understanding of these results.

#### 4.4 Moderation analysis

To assess the moderating role of Gen X and millennial managers on the relationship between the four tenets of conscious capitalism and RC, the study conducted multigroup analysis and used parametric testing to determine whether or not the differences between groups were statistically significant. The results demonstrated differences in the paths from HP to RC ( $\beta = -0.413$ ,  $t = 1.838$ ,  $p < 0.069$ ), from CC to RC ( $\beta = 0.966$ ,  $t = 3.860$ ,  $p < 0.00$ ), from SME sector to RC ( $\beta = -0.255$ ,  $t = 2.181$ ,  $p < 0.031$ ) and from SME size to

**Table 6** Hypotheses testing: direct relationships

Hypothesis	Relationships	Beta	(STDEV)	t-value	p-value	Decision
H1	HP → RC	0.208**	0	2.007	0.045	S
	ST → RC	0.131	0	0.862	0.389	NS
	CL → RC	0.088	0	0.718	0.473	NS
	CC → RC	0.355**	0	2.513	0.012	S
	SMEs age → RC	0.078	0	0.978	0.328	NS
	SMEs sector → RC	0.025	0	0.399	0.690	NS
	SMEs size → RC	0.143*	0	1.936	0.053	S

Notes: \*  $p < 0.10$  two-tailed test; \*\*  $p < 0.05$  two-tailed test; S = stands for supported; NS = stands for not supported

Source: Own elaboration



RC ( $\beta = 0.312, t = 1.791, p < 0.076$ ). Table 7 presents the results, which indicate that H2 is partially supported.

Moreover, Table 7 implies that the effect of millennial managers on the relationship between CC and RC is highly significant ( $\beta = 0.756, t = 4.501, p < 0.00$ ). In addition, the effect of Gen X managers on the relationship between HP and RC ( $\beta = 0.570, t = 3.608, p < 0.00$ ) was strong and highly significant. Although the moderating effect of Gen X managers was also significant on the relationship between SME sector and RC, the effect was barely present ( $\beta = 0.170, t = 1.948, p < 0.052$ ).

Hence, although Gen X HP exerts a strong effect on RC, millennials consider that the impact of CC is more important.

## 5. Discussion

This study aimed to investigate the impact of CBPs of SMEs on RC while examining the moderating effect of the generation (millennials or Gen X) to which managers belong on this relationship due to generational differences in the workplace (Jones et al., 2018). The results illustrated that CBPs influence RC in two tenets, namely, HP and CC, with significant differences when the generation of managers moderates this relationship.

Regarding H1, HP enhances the reputation capital of a company, which can be attributed to the trust of stakeholders and increased employee engagement, which ultimately results in an improved reputation. Initially, HP aligns the organisation with a noble cause or a broader societal mission, which instils trust among stakeholders due to a clear commitment to values that extend beyond profit. Various academic studies demonstrate that companies perceived as socially responsible and purpose-driven tend to earn high levels of trust from stakeholders (Gulati and Wohlgezogen, 2023; Sen and Cowley, 2013). Additionally, research (Chaudhary, 2019; Den Hartog et al., 2004) reveals that companies with distinct and compelling objectives bear the capacity to attract and retain talent, which, thereby, cultivates stronger relationships with employees (Bhattacharya et al., 2023). This aspect serves as a foundational element in enhancing the reputation of SMEs. Lastly, HP frequently involves activities that positively contribute to society or the environment, which are acts that

**Table 7** Hypotheses testing: moderating effect

Hypothesis	Relationships	Moderating effect				X-Generation managers			
		Millennial managers					Beta	t-value	p-value
		Beta	t-value	p-value	Decision				
H2	MA × HP → RC	0.158	1.035	0.301	NS	0.57**	3.608	0.000	S
	MA × ST → RC	-0.095	0.465	0.642	NS	0.223	1.162	0.246	NS
	MA × CL → RC	0.01	0.051	0.959	NS	0.106	0.614	0.539	NS
	MA × CC → RC	0.756**	4.501	0.000	S	-0.211	1.189	0.235	NS
	SMEs age → RC	0.079	0.587	0.557	NS	0.11	1.044	0.297	NS
	SMEs sector → RC	-0.085	1.049	0.295	NS	0.17*	1.948	0.052	S
	SMEs size → RC	0.181	1.64	0.102	NS	-0.131	1.051	0.294	NS
<i>Parametric test</i>									
H2	MA × HP → RC	-0.413*	1.838	0.069	S				
	MA × ST → RC	-0.318	1.179	0.241	NS				
	MA × CL → RC	-0.097	0.389	0.698	NS				
	MA × CC → RC	0.966**	3.86	0.000	S				
	SMEs age → RC	-0.031	0.186	0.853	NS				
	SMEs sector → RC	-0.255**	2.181	0.031	S				
	SMEs size → RC	0.312*	1.791	0.076	S				

Notes: \*  $p < 0.10$  two-tailed test; \*\*  $p < 0.05$  two-tailed test; S = stands for supported; NS = stands for not supported

Source: Own elaboration

can augment the reputation of SMEs, as suggested by studies similar to [Brown and Dacin \(1997\)](#) and [Bahta et al. \(2021\)](#).

Another finding is that CC exerts an impact on RC. [Barclay \(2015\)](#) states that culture is an element beneath the surface, which exerts an important impact on work performance. Moreover, a healthy culture enhances a strong sense of community ([O'Toole and Vogel, 2011](#)), which results in trust in counterparties ([Dupont and Karpoff, 2020](#)). [Mackey and Sisodia \(2014\)](#) argue that a culture that reconciles profits with caring is trustworthy. Therefore, the image transmitted by a company regarding its organisational CC can be interpreted as a key aspect of its reputation ([Kowalczyk and Pawlish, 2002](#)). Hence, CC indeed influences the RC of SMEs.

Additionally, the study reveals no significant effect of SI and CL on RC. In this sense, academics suggest that, during difficult economic challenges, such as the post-pandemic crisis, businesses abandon social responsibility projects ([Karaibrahimoglu, 2010](#)) to focus on survival ([Le and Nguyen, 2022](#); [Teodora, 2020](#)), especially in emerging economies such as Mexico. The scarcity of resources of SMEs prevents these companies from serving all stakeholders ([Esparza, 2021](#)). Thus, this crisis would have presented a distraction for Mexican companies in investing their efforts and resources in strategies for continuing their operation instead of strengthening the relationship with stakeholders.

Regarding the absence of a significant effect of leadership on RC, [Mackey and Sisodia \(2014\)](#) affirm that CL pertains to adopting a role in examining the patterns of interconnectivity of general problems, and that leaders require neutrality and communicate fairly to enhance the flourishing of business and communities. The case of leaders in Mexican SMEs may be different, because of the characteristics of the Mexican labour culture. [Silva \(2017\)](#) mentions that Mexican employers typically make the majority of decisions and expect employees to obey orders dutifully, because basic paternalism exists in this culture, in the sense that power is concentrated at the top, and leaders assume that employees lack sufficient capacity to provide adequately for themselves. The model of cultural dimensions by [Hofstede Insights \(2020\)](#) reinforces this idea when assessing Mexican culture as high in power distance, which suggests that people accept a hierarchical order without the need for justification, that is, the boss is the boss, inequalities are accepted and workers expect to be told what to do ideally by a benevolent autocrat. Perhaps, this paternalistic and high-power distance explain the reason for why CL did not exhibit a significant impact on RC in the SMEs under study.

For *H2*, the study revealed a significant difference on the moderating role of the generation of managers in the relationship between HP and CC with the RC of SME. Gen X managers illustrated a more significant moderating effect of HP on RC than did millennials. This finding seemingly contradicts the literature about Gen X traits, because they seemingly held a greater belief of the value of work, as previously discussed ([Kurata et al., 2022](#)). Moreover, they tend to be more centred on their promotion in companies and determined and ambitious ([Benson and Brown, 2011](#)). Gen X was raised in the ages of economic development (1950–1970) in which production grew faster than population, which creates great material well-being for the population and could shape their eagerness for economical and professional success. However, in Mexico, this generation entered the workplace during the 1980s and 1990s, which was the aftermath of the great financial crisis, due to the rise of American dollar versus Mexican peso, the petroleum crisis and external debt. These scenarios make Mexican economy and social perspectives highly vulnerable facing the end of the 20th century ([Cabrera, 2014](#)), which thwarted the prosperous future that this generation expected to achieve. In other words, Gen X in Mexico lived the glory and the fall of capitalism in their early youth, which may have rendered them more conscious of the superficiality of profit as the only end on the one hand, and more cautious with the notion that the wealth of businesses will bring prosperity for all as a natural consequence on the other hand. For them, achieving the common good is an objective that must be intentionally crafted, such that companies must expand their perspective towards

more than mere profit. With this in mind, their leadership would potentially have a projection in society; hence, it could be a factor for building a stronger reputation.

Therefore, the mediating role of HP in the impact of Gen X managers on the RC of companies is congruent with generation theory, which poses that members of a generation do not only share a date of birth but a set of characteristics acquired by being raised in similar scenarios and shaped by historical events and social and economic conditions (Kolnhofer-Derecskei *et al.*, 2017). Therefore, these cultural differences should be considered when typifying a generation. This may suggest that additional research is required to determine the differences in the traits of generations across cultures.

Alternatively, millennials reported a more significant moderating effect on CC towards the RC of SMEs. This result may be explained by the fact that millennials particularly feel that reflecting their ethics and values in the culture of their employers is important (Thompson, 2011). Deloitte (2023) addressed millennials and found that the respondents identified putting employees first and having a solid foundation of trust and integrity as the most important business values (Zaharee *et al.*, 2018). Thompson (2011), in a Pew-sponsored study, also pointed to confidence as the core characteristic of millennials and highlighted above average levels of self-expression, liberal tendencies and openness to change. For Mellahi and Guermat (2004), younger managers tend to adjust and influence organisational culture norms more than mature managers do, because they attempt to fit their behaviour to the circumstances of the organisation. Moreover, Dust *et al.* (2019) cited that millennials entered the workforce at a time when they have a strong social influence. They have demonstrated themselves as keen agents of change and innovation (Kolnhofer-Derecskei *et al.*, 2017), which are important organisational cultural traits. Even when they are considered more individualistic, they are more value-oriented and they privilege teamwork and well-being, which are factors that characterise organisational cultures. These aspects may be potential reasons why the effect of CC on RC is stronger for millennial managers compared with those of Gen X ones.

## 6. Conclusions

The RC of SMEs can be enhanced by aligning management practices with the philosophy of conscious capitalism, specifically by embracing HP and fostering CC. However, the generation to which managers belong act as a moderator of such relationships. In this sense, CC exerts a stronger effect for millennial managers, while HP within the company is more important for Gen X managers.

RC is a critical resource for SMEs, especially in emerging markets and in times of economic crisis; nevertheless, knowledge about building RC remains a relevant stream of research (Eigler and Azarpour, 2020). As a practical implication, this study contributes to the literature by identifying paths in which such a valuable intangible asset can be reinforced, that is, reputation.

In the theoretical arena, this study contributes by using the quantitative approach to measure the adoption of CBPs in Western Mexican SMEs using the Conscious Capitalism Summary Audit of Sisodia *et al.* (2018), with an exploratory scope. With such information, this study provides evidence of the sensitivity of SMEs to the adoption of the perspective of conscious capitalism (instilling HP and fostering CC), which may be rewarded by gaining RC.

This study also joins the discussion on generational cohort theory and presents evidence from Mexican SME managers in terms of the moderating effect of their generation on the tenets of conscious capitalism on RC.

Even if the results are relevant for the understanding of the management of Western Mexican SMEs, the study has its limitations. From the methodological point of view, using convenience and non-probability sampling and the limited sample size reduced the

generalisability of the findings. However, given the scarcity of research on SMEs and the unique opportunity for conducting it in an emerging economy renders the study of high value (Aguinis *et al.*, 2020).

For further research, the study suggests a further exploration of the four tenets of conscious capitalism from the quantitative approach in other contexts, as well as the dynamics among them. Studies could test whether the actions that SMEs perform to integrate stakeholders in its strategy and operations are a result of HP and CC, which could suggest that stakeholders' integration mediates or moderates the effect on RC.

### Contribution of authors

Every author should account for at least one component of the work. Paper approved for publication need to specify the contribution of every single author.

Contribution	[Lucía Rodríguez-Aceves]	[Marcia Lorena Rodríguez-Aldana]	[Lilia Patricia López-Vázquez]
1. Definition of research problem		√	√
2. Development of hypotheses or research questions (empirical studies)	√	√	√
3. Development of theoretical propositions (theoretical work)	√	√	√
4. Theoretical foundation / Literature review		√	√
5. Definition of methodological procedures	√		
6. Data collection	√	√	√
7. Statistical analysis	√		
8. Analysis and interpretation of data	√	√	√
9. Critical revision of the manuscript	√	√	√
10. Manuscript writing	√	√	√
11. Other (please specify)			

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### Author affiliations

Lucía Rodríguez-Aceves is based at the School of Business, Tecnológico de Monterrey, Guadalajara, México and Department of Management, Information and Production Engineering and Center for Young and Family Enterprise, University of Bergamo, Bergamo, Italy.

Marcia Lorena Rodríguez-Aldana is based at the Department of Leadership and Management, Tecnológico de Monterrey, Business School, Guadalajara, México.

Lilia Patricia López-Vázquez is based at the Department of Management and Leadership, Tecnológico de Monterrey, Business School, Morelia, México.

## Appendix

Table A1 Questionnaire		
RC	RC1	Clients, suppliers and other stakeholders believe that our company is reliable and that we provide consistently high quality advice, information, labour, goods or services
	RC2	Most of our business partners and allies are reliable and provide consistently high-quality advice, information, labour, goods or services
HP	HP1	Our organisation fulfils deep-seated <i>needs</i> of our customers, not just their wants or desires
	HP2	Our customers would be genuinely distraught if we ceased to exist
	HP3	We have a clear mission and vision of the contribution we want to make to our customers and the community
	HP4	Our employees find intrinsic satisfaction in their work that goes beyond the salary that they earn
	HP5	Our employees are convinced that the work of the company delivers positive value to the customer and the community
SI	ST2	We routinely engage stakeholders in dialog and give them a voice in the company's direction
	ST4	Our company's relationships with all our stakeholders are characterised by frequent communication and high degrees of mutual trust and goodwill
CL	CL1	Our leaders are concerned about the well-being of our employees
	CL2	Our leaders care about the well-being of the community
	CL3	In our company, we promote integrity and community support
CC	CC1	The company's culture is based on trust among employees
	CC2	In the company, we are open to communication, and we are committed to always tell the truth
	CC3	The company's employees must always act with integrity in the first instance and are empowered to do so

Source: Own elaboration based on [Berens and Van Riel \(2004\)](#); [Jackson \(2020\)](#); [List \(2006\)](#); [Wartick \(2002\)](#); [Sisodia et al. \(2018\)](#)

### Corresponding author

Marcia Lorena Rodríguez-Aldana can be contacted at: [marcia.lorena.rodriguez@gmail.com](mailto:marcia.lorena.rodriguez@gmail.com)

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