



Being different matters! A closer look into product differentiation in specialty coffee family farms in Central America.

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3 **Being different matters! A closer look into product differentiation in specialty coffee family**
4 **farms in Central America.**
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8 **Abstract**

9 Purpose – There is a growing interest in understanding the strategic behaviour of family firms
10 producing international commodities such as coffee, particularly in contexts where decisions
11 about what products to sell, where to commercialise them, and how to promote them appears to
12 be highly based on both business and family aspects. The purpose of this paper is to explore
13 product differentiation strategies in family firms in the specialty coffee industry across Latin
14 American countries. Whilst the socioeconomic relevance of coffee production in Central
15 America is unequivocal, the approach and rationale of families that engage in specialty coffee
16 production remains underexplored.
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25 Design/methodology/approach – This study examines product differentiation in specialty coffee
26 family farms across countries in Central America: Guatemala, Honduras, and Nicaragua. The
27 study relies on in-depth interviews, case studies, and an interpretative approach to unpick the
28 dynamics of product differentiation by families in business dedicated to producing specialty
29 coffee.
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35 Findings – The findings show that product differentiation in specialty coffee family farms is
36 influenced by both business and family aspects and driven by entrepreneurial stewards. Coffee
37 farming families can engage in product differentiation through a shared vision, a combination of
38 traditional and specialised knowledge, and through the continuous development of an exchange
39 network. The findings reveal a connection between families in business balancing family and
40 business interests, and the strategic intention to build up their assets entrepreneurially over time.
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48 Originality/value – This study contributes to the literature on stewardship and strategic behaviour
49 in family firms when families in business engage in differentiating their products in a highly
50 competitive industry. More specifically, this study focuses on companies across countries where
51 coffee is of crucial socioeconomic importance, and where the said companies are owned and
52 managed by families. The study expands understanding of product differentiation in family-
53 enterprise-first businesses and suggests that the family elements in differentiation can be
54 explained through an entrepreneurial stewardship perspective.
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3 Keywords: Family business, strategy, differentiation, stewardship, Central America, coffee.
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6 **Introduction**

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8 In 2018, the world consumed 165 million sacks of coffee, an increase of 2.1% from the previous
9 year, and there are expectations that this will rise further in the future (ICO, 2019). Rough
10 statistics from the International Coffee Organisation (ICO) indicate that approximately three
11 billion cups of coffee are consumed every day around the world, with North America, Europe,
12 and Japan accounting for almost 53% of coffee consumption. In the US alone, the retail value of
13 the coffee market reached US\$87-88 billion in 2018, with coffee houses continuing to be a
14 significant place of consumption outside the home (SCAA, 2019). Coffee is a long-standing,
15 internationally traded, agricultural commodity worthy of attention because of increasing levels of
16 competition, varying customer demands and product saturation (Bacon, 2008; Ponte, 2002;
17 Rueda and Lambin, 2013). Still, whilst the increasing sophistication of the coffee industry has
18 pushed producers worldwide to find ways to transform their product into a differentiated, added
19 value offering (Ponte, 2002; Reinecke *et al.*, 2012), there is little understanding about how and
20 why coffee-producing firms differentiate their products. As the history of the coffee industry
21 around the world has been long associated with - and dominated by - family businesses
22 (Pendergrast, 2010), then their approach to product differentiation merits further attention.
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36 This study is motivated by the need to understand the approach and rationale behind
37 product differentiation strategies in family businesses that engage in specialty coffee production.
38 Such a pursuit is important, as recent studies suggest that family businesses may engage in
39 diverse strategies in order to compete (Basco, 2014). Discerning how and why a differentiation
40 strategy emerges in family business is valuable, as such an undertaking is positioned as the *sine*
41 *qua non* to achieve long-term competitiveness in increasingly challenging environments. Family
42 business strategies, such as product differentiation, may be only understandable within the
43 specific context and place in which they occur, as they reflect unique dynamics where family
44 members interact with diverse actors across time (Roscoe *et al.*, 2013). To advance
45 understanding, this study focuses on the approach and rationale behind a product differentiation
46 strategy in family firms producing specialty coffee.
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55 In the coffee industry, product differentiation can be achieved by highlighting special
56 features linked to a place of origin (Teuber, 2010; Mizumoto, 2009). Yet, the increasing
57 association of family dynamics with strategies in the farming sector cannot be underestimated
58 (Fitz-Koch *et al.*, 2019). The influence of family in product differentiation may be more relevant
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3 than previously believed. Recent studies suggest that families may engage in product
4 differentiation within existing firms through common understandings, resources, and
5 relationships (Discua Cruz *et al.*, 2013). Yet there is no empirical evidence as to how and why it
6 occurs in family businesses across countries that produce and commercialise coffee. Thus, this
7 study aims to answer the following questions: *How and why do family businesses in the coffee*
8 *industry engage in product differentiation? To what extent does family influence product*
9 *differentiation in the coffee industry?*

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15 To answer our questions, this study focuses on cases from Guatemala, Honduras, and
16 Nicaragua, where coffee plays a vital socioeconomic role (Paz Cafferata and Pomareda, 2009)
17 and family businesses dominate (Fernández Pérez and Lluch, 2016; Müller *et al.*, 2019). Such a
18 context is relevant as some farming families, when facing diverse contextual pressures, may opt
19 to exit the coffee industry, while others may differentiate their products (Vega Solano & Discua
20 Cruz, 2017). To contribute to the understanding of this subject, this study draws on the
21 underlying premises of product differentiation strategies, strategic behaviour (Basco, 2014), and
22 entrepreneurial stewardship in family firms (Discua Cruz *et al.*, 2013). Based on the narratives of
23 families in business (Hamilton *et al.*, 2017) that produce specialty coffee, we extend
24 understanding of the motivation and rationale behind a differentiation strategy in family
25 businesses.

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33 The findings reveal that coffee farming families can construct a differentiated product by:
34 creating a shared family vision and collective commitment to remain in business together;
35 leveraging and combining existing and newly-acquired resources; and shaping the creation and
36 development of a business network. Taken together, the findings extend understanding of
37 family-enterprise-first firms and suggest that in coffee family businesses, product differentiation
38 may be shaped over time by entrepreneurial stewards who build and leverage family assets and
39 relational resources.

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The paper continues as follows: It first describes the theoretical background, then it
explains the contextual dimensions in the coffee industry and the research method. It follows up
by focusing on case findings and discussion. Finally, it suggests limitations and opportunities for
further research.

Theoretical Framework

A focus on family businesses

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3 Using an appropriate definition provides a starting point from which to theorise about family
4 businesses and differentiation strategies. Family business researchers agree that the
5 intertwinement between family and business is what defines a family firm (Melin *et al.*, 2014).
6 Such intertwinement differentiates family businesses from non-family counterparts in the long
7 term, makes every family business unique, and has consequences in creating an idiosyncratic
8 bundle of resources resulting from the interaction of family and business, known as ‘familiness’
9 (Habbershon *et al.*, 2003). Resources influenced by familiness relate to human and social capital,
10 patient financial capital, survivability capital, and governance structures and costs, which create
11 a unique competitive advantage for a family firm (Sirmon and Hitt, 2003, p. 345). Recent studies
12 argue that the examination of the influence of family in such resources needs to also consider the
13 creation, integration, and exchange of knowledge within a family business, and between the
14 business and its context (Cabrera-Suárez *et al.*, 2018). As various definitions abound and serve
15 different research purposes (Diaz-Moriana *et al.*, 2019; Howorth *et al.*, 2010; Astrachan *et al.*,
16 2002; Chua *et al.*, 1999; Westhead and Cowling, 1998), this study focuses on a definition that
17 highlights strategy and resources. In this study, a family business will be considered as a firm
18 where family members participate in the business and own enough equity to be able to exert
19 control over strategy (Howorth *et al.*, 2010). Such a definition is important, as strategy deals
20 with the direction and scope of an organisation over the long term, achieving advantages in a
21 changing environment through the configuration of resources and competences, with the aim of
22 fulfilling the values and expectations of powerful actors in an organisation (Johnson *et al.*, 2008,
23 p. 3).

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39 The importance of a definition for cross-cultural studies of strategic behaviour in family
40 firms relates to examining family-oriented vs. business-oriented decision making (Basco, 2014).
41 Family-oriented decision making relates to the advantages (e.g., monitoring and control, long-
42 term perspectives, decision making, culture, among others) and disadvantages (e.g., lack of
43 succession planning, nepotism, professionalisation, among others) of family involvement in how
44 a firm is governed and managed, which can provide every family business with unique strategic
45 choices (Basco, 2014). Business-oriented decision making relates to how organisations compete
46 successfully in the marketplace when the family participates in the firm, focusing on efficient
47 operations to achieve lower costs than competitors as regards raw material suppliers, internal
48 processes such as inventories, human resources and technologies, distribution channels, as well
49 as sales and marketing techniques (Basco, 2014, p. 974).

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58 Differences in the way family-oriented and business-oriented decision making influence
59 family firms can be expected in studies across countries (Au *et al.*, 2018). Au *et al.* (2018),
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2 drawing on a quantitative study of 959 family firms from 26 countries, argue that there are
3 cultural-dependent countervailing effects on the strategic behaviour within family firms. Their
4 study posed that multigenerational family involvement is positively related to strategic renewal -
5 that is, the process by which family firms adapt to changing conditions in their environment to
6 ensure survival (Sievinen *et al.*, 2019). Basco (2014), on a study of 732 firms across several
7 sectors and geographical regions within a country, evidenced that when a family's involvement
8 alters the firm's decision making in different areas (such as human resources, strategic processes,
9 and succession), then a family-enterprise-first firm - that is, a firm that combines business and
10 family-oriented decision making - can emerge and create the conditions for a product
11 differentiation strategy. Thus, further studies of product differentiation as a strategy in family
12 businesses across countries are needed.

23 *Product differentiation*

24 Product differentiation is a strategic choice that demands extensive knowledge of a product,
25 shared commitment of those involved, and a substantial resource investment without any
26 certainty of success (Harrigan, 1980). Differentiation advantages typically arise from a
27 customer's perception that a particular product is more valuable. The 'fit' of the product
28 characteristics to market needs, as well as the firm's ability to market such characteristics,
29 creates a differentiation advantage (Galdeano-Gómez *et al.*, 2008). Thus, a differentiation
30 strategy may focus on the benefits or qualities of a product or service by creating something
31 unique. The key difference from non-family counterparts is that family firms can 'fit' together
32 business- and family-oriented decision making and strategic behaviour to achieve better
33 performance (Basco, 2014).

34 For farming families, product differentiation may be a relevant strategic choice for
35 several reasons. First, because international markets differentiate products based on tangible
36 (e.g., physical attributes) and/or intangible features (e.g., production processes and/or trade
37 practices, environmental sustainability) (Carvalho *et al.*, 2016), farming families may then
38 engage in a unique differentiation approach, based on family and contextually-influenced
39 resources (Roscoe *et al.*, 2013). Second, as a differentiation strategy focuses on the benefit or
40 quality of a product or service by creating something unique (e.g., design, quality, or
41 innovation), then family businesses may compete based on both family and business features not
42 offered by competitors (Basco, 2014). In the context of family-oriented and business-oriented
43 objectives, Basco (2014) argues that commitment to value or trust may allow a stewardship
44 culture to emerge.

A stewardship perspective

For farming families, differentiation may challenge a traditional approach to managing existing resources. Land tenure is associated with farming families because farms are most often the exclusive source of income and residence for a family (Alsos *et al.*, 2011). Thus, there is an implicit and powerful motivation to engage in strategies that can safeguard a family's livelihood and lifestyle (Jervell, 2011). Protecting a family farm may be underpinned by a stewardship perspective, which helps to understand the behaviour of family (and non-family members) members acting like stewards, looking after the common good of the family business (Davis *et al.*, 2010).

Stewardship theory assumes a relationship-based system with a focus on non-financial objectives, explaining situations in which individuals serve the organisational good (Davis *et al.*, 1997), based on an intrinsic desire to pursue collective goals, and relying on trust as a control mechanism (Madison *et al.*, 2016). Such a perspective explains how and why family firms are differentiated from their non-family counterparts (Miller *et al.*, 2008). A stewardship lens is relevant for this study, as it is based on the recognition that family business owners and managers are not always self-serving, and that goals and motivations can be aligned as understanding about who they serve, which includes the whole organisation in the long run (Davis *et al.*, 2010). Based on such features, recent studies advocate that stewardship practices and behaviours are more likely to be evident in family firms than in non-family firms (Neubaum *et al.*, 2017; Madison *et al.*, 2016). Dodd and Dyck (2015, p. 314) argue that longer-term commitment to their firm, reputation enhancement through engaging in stewardship activities, and shared identification of members with core cultural values may explain why family firms place greater emphasis on stewardship.

Le Breton-Miller and Miller (2018, p. 233) advocate that in family firms stewardship benefits from devoted and disciplined stewards. Such individuals may engage in entrepreneurial stewardship - that is, when family business members engage with growing the family assets entrepreneurially, not just safeguarding them for the next generation (Discua Cruz *et al.*, 2013, p. 39). Entrepreneurial stewards can relate to individuals that integrate shared interests, act upon a concern for the long-term welfare of the family business and its immediate environment rather than self-interest, and are involved in the creation and leverage of key resources within the firm (Le Breton Miller and Miller, 2018; Dodd & Dyck, 2015). Product differentiation could emerge as a behaviour of entrepreneurial stewards when the intention is a collective approach to improve a family firm (Vega Solano & Discua Cruz, 2017). This may occur when a collective approach

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3 that relies on shared vision and commitment, the leverage of existing resources, as well as the
4 creation of exchange networks based on diverse relationships, is encouraged. This perspective
5 connects appropriately with a differentiation strategy in family firms put forward by Basco
6 (2014), which draws on an organisational culture that emerges from the intertwining between
7 family and business, and the nurturing of internal and external stewardship relationships. Yet
8 there is limited understanding as to the extent to which these perspectives could explain the
9 behaviour of family businesses in industries where product differentiation is imperative (e.g.,
10 coffee (Donnet *et al.*, 2007)).

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16 This study acknowledges the uncertain nature of business-oriented and family-oriented
17 decision making (Basco, 2014) when products are differentiated in a coffee farming context.
18 Such uncertainty suggests that courses of action and decisions are explored by members of an
19 entrepreneurial farming family through dialogue and interaction with others (family friends,
20 potential customers, trading counterparties and financing agents, and government officials) and a
21 place, in a process of ‘articulation,’ of slowly exploring how things or ideas (e.g., differentiation)
22 unfold (Roscoe *et al.* 2013). Recent studies show that farming families can pursue opportunities
23 that are based on strategies which are aligned to family members’ perspectives, as well as
24 influenced by the context in which they operate (Fitz-Koch *et al.*, 2019). This occurs because
25 exploring diverse options may be as dependent on the aspects of a place, such as local climate or
26 natural features (water, soil, climate, sun) and fauna, as they are on the farming family, the
27 community, the available resources, or market demand. Thus, product differentiation may be
28 contingent on family members engaging in entrepreneurial stewardship and operating in specific
29 temporal and geographical instances.

41 42 **Contextual Aspects in the Coffee Industry**

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44 Coffee is one of the most consumed products around the world (Tucker, 2017). In 2017, the top
45 ten coffee-producing countries were Brazil, Vietnam, Colombia, Indonesia, Ethiopia, Honduras,
46 India, Uganda, Mexico, and Guatemala (de Toledo *et al.*, 2017). Producers worldwide are
47 challenged to find ways to transform and add value to their coffee (Ponte, 2002; Reinecke *et al.*,
48 2012). Coffee-farming families may face diverse contextual pressures that may prompt diverse
49 strategic responses, including product differentiation (Kilian *et al.*, 2006). Key influences for
50 coffee farming families can be understood through Wright *et al.*’s (2014) levels of contextual
51 importance (organisational, institutional, and temporal).

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4 Table 1 shows that in terms of a temporal dimension, the coffee sector can be influenced
5 by market shocks, trends, and demands. Declines in coffee prices can have a profound impact
6 across coffee-producing regions, as they influence land use decisions and consumer demand over
7 time. The last two decades have seen the emergence of geographic indications, appellations of
8 origin, and specialised certification as mechanisms to guarantee the quality and attributes that
9 global markets demand from coffee (Paz Cafferata and Pomareda, 2009). Consumer demand for
10 differentiation in coffee has been growing significantly, relying on intrinsic characteristics or
11 perceived product attributes that relate to place, process, and circumstances by which the coffee
12 is cultivated, produced, processed, and marketed (Mizumoto, 2009; Lara Estrada *et al.*, 2017).

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20 In terms of an institutional dimension, farming families are strongly influenced by local
21 legal frameworks, government systems, and worldwide policies. For example, Reinecke,
22 Manning and Von Hagen (2012) suggested that ‘meta standardisation’ of sustainable practices,
23 which relates to the process by which different standards from various contexts become
24 interconnected to form a new and universal standard, may drive the device of institutional
25 policies to regulate coffee production or commercialisation. Moreover, Rueda and Lambin
26 (2013) argue that the trends impelled by gourmet, eco-concerned consumers are modifying the
27 coffee value chain, changing the landscape in coffee-producing countries worldwide, with more
28 producers changing their business models to standardisation in order to benefit from price
29 stability and exclusivity contracts. For some countries, the coffee sector represents not only one
30 of the largest contributors to gross domestic product (GDP) and foreign direct investment, but is
31 also a component of national identity.

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40 Regarding the organisational dimension, Table 1 shows that whilst farming families may
41 benefit from idiosyncratic resources (Sirmon & Hitt, 2003), they also often deal with restricted
42 financial resources, the limited skills and knowledge of their family, unpredictable working
43 conditions, and complex family–work dynamics. Taken together, the items described in Table 1
44 suggest that farming families who engage in product differentiation may follow a risky path in
45 trying to safeguard their families’ livelihoods.

51 52 *Specialty coffee*

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Specialty coffee is a sector characterised by distinct approaches to sourcing, processing,
brewing, and serving coffee, aiming to create a unique product. In addition to claims of superior
taste, specialty coffee companies celebrate the craftsmanship of coffee roasting and preparation
around specialised roasting processes, product freshness, and a deliberate differentiation from

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2 bulk commercial grade coffees (Bacon, 2008). In particular, estate-grown coffee, as designated
3 by the Specialty Coffee Association of America (SCAA), comes from a specific coffee farm and
4 is grown with a standardised technique to achieve a unique taste. For instance, to capture the
5 value offered in the specialty market segment, high-quality coffees are often associated with and
6 named after their places of origin (e.g., Jamaican Blue Mountain) (Donnet *et al.*, 2007). Yet,
7 producing estate-grown coffee usually involves higher costs and specific and stringent quality
8 standards compared to commercial bulk versions (Niederhauser *et al.*, 2008), suggesting the
9 importance of diverse and specialized skills as well as building up an exchange network
10 (Howorth *et al.*, 2014). Further understanding of how and why some families engage in coffee
11 differentiation and the extent to which they can influence such strategic choice is warranted.
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21 **Method**

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24 To further understand how and why coffee farming families engage in product differentiation
25 and the extent of their influence, this study is concerned with the experiences and views of those
26 involved in family firm management. Depth rather than breadth was deemed important, and thus
27 detailed and in-depth insights were needed (Stake, 2008). Qualitative methods are ideal to
28 capture detailed perspectives and provide a more valid explanation of what is going on in family
29 firms. An interpretivist perspective based on the narratives of families in business (Hamilton *et*
30 *al.*, 2017) and multiple case study design (Reay and Zhang, 2014) was considered as the best
31 way to reveal the motivations and rationale behind decisions and practices. Case studies
32 represent an established approach within the methodological canon of family business research
33 (Melin *et al.*, 2014). Reay and Zhang (2014) pose that a comparative case study approach allows
34 moving beyond a single case study within a place to a comparison of cases, which allows a
35 richer perspective.
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45 Cases were selected based on where “*the processes being studied are most likely to*
46 *occur*” (Denzin and Lincoln, 2000. p. 370), which for this study were coffee-farming families
47 engaged in specialty coffee production. We deliberately sought out family firms in Central
48 America that were representative of what we wanted to study, which in this case were family
49 firms that engaged in producing estate-grown coffee. This study focuses on three countries:
50 Guatemala, Honduras, and Nicaragua, which share a common history yet have developed
51 differently (Black, 2018); family firms and coffee production are deeply influential in these
52 nations.
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As the case selection was purposive, we needed privileged access. To address the difficulty of obtaining information from family businesses in Latin America (Jones, 2004), the personal relationships of the authors with the selected businesses facilitated the setting up of in-depth interviews. Case studies of purposefully selected firms provided a systematic way of looking at processes and events, observing contemporary phenomena within real-life contexts, gathering and analysing data, and reporting results (Leppäaho *et al.*, 2016). Furthermore, case studies from multiple countries were selected in order to provide more insight into coffee differentiation and to help add external validity (Riege, 2003). Evidence was gathered through interviews with the family members directly responsible for strategic decision making. On average, the interviews lasted between two and three hours and were conducted on the premises of the family farms. Names have been changed due to anonymity requests by interviewees.

Guatemala: The Santa Ana Farm

Guatemala has a population of around 16.7 million and a GDP of about US\$75.6 billion (World Bank, 2017). Coffee production in 2017 was about 3.1 million 60-kilogram sacks, representing around US\$500 million for the Guatemalan economy (ANACAFE, 2017; USDA, 2017). The United States, Japan, and Canada are the top export markets. The Santa Ana farm is located in the Antigua region of Guatemala. Antigua is internationally renowned for its high-quality coffees and is located between three volcanoes in a valley with an ideal climate for cultivating coffee. The farm was acquired by Augusto Soto in 1943 and has belonged to the Soto family for three generations. To date, Santa Ana has an annual production of 290 quintals (1 quintal = 100 kilograms/kg) of coffee beans. In 1988, most coffee producers in Guatemala had no incentive to improve quality or to differentiate their product. As the ICO agreement expired in 1988, the Soto family evaluated the idea of exiting from coffee farming through the sale of arable land for real estate development. Roberto, a third generation member, argued that focusing on existing production could “save the farm and honor the family legacy”. Roberto and his wife Clara were entrusted to differentiate their estate-grown coffee in order to save the family firm.

Honduras: The San Antonio Farm

Honduras has a population of around 9.2 million and a GDP of about US\$22.9 billion (World Bank, 2017). Honduras is currently the largest coffee producer in Central America, the third largest in Latin America, and the sixth largest globally, in coffee exports by volume, with a production in 2017 of about 6.5 million 60-kilogram sacks (USDA, 2017). Coffee represents around 10% of its GDP. The San Antonio farm, located in the region of Guaimaca, has been

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3 owned by the Rojas family since 1930. Guaimaca has been increasingly heralded for the quality
4 of its coffee, due to its topography, soil variety, and microclimates (IHCAFE, 2017). The farm
5 was started by Antonio Rojas and there are currently two generations working on the farm. Yet
6 over the years, disease, combined with a drop in international coffee prices, created issues for the
7 firm. The Rojas family decided to support Lester, a member of the third generation, to lead a
8 differentiation project for the family coffee business. San Antonio had traditionally sold their
9 coffee to Honduran coffee exporters through bulk packaging but decided to engage in exporting
10 their own estate-grown product, 'San Antonio Guaimaca Estate', in 2015. To date, San Antonio
11 has an annual production of 500 quintals of high-quality coffee beans, with equal amounts
12 exported to the United States and Italy.
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20 21 *Nicaragua: The Santa Gertha Farm*

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23 Nicaragua has a population of about 6.2 million and a GDP of about US\$13.8 billion (World
24 Bank, 2017). Coffee is the most important crop in Nicaragua, due to its economic, social, and
25 environmental impact (Kühl, 2004). In 2017, Nicaragua exported around three million quintals,
26 generating US \$446 million for the economy (CETREX, 2018). The Santa Gertha farm was
27 founded in 1977 by the Schmidt family, descendants of German immigrants, in the Matagalpa
28 region. This region is known as an ethnic enclave, where the first coffee plantations of Nicaragua
29 were started by German immigrants. Over the years, the Schmidt family developed different
30 businesses in the agroindustrial and tourism sectors, including estate-grown coffee. The
31 founders, Hans and Heidi, have four daughters, but only the oldest, Melissa, is involved in the
32 business. The remaining three daughters are indirectly involved in the companies (exporting
33 coffee to the US, and by online sales). During the 1980s, the Schmidt family had to leave the
34 country, due to the Sandinista revolution (Cervantes-Rodriguez, 2006). The family fled to the
35 United States, where the daughters completed their university education and married. The family
36 returned to Nicaragua after democratic governments were re-established in the 1990s and
37 reclaimed their farm. Their coffee began to be exported as an estate-grown origin product in
38 1992, with the name 'Café Gertha Matagalpa'. In 2017 they exported around 5,000 quintals, with
39 80% going to the United States and the remainder to Spain.
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52 The initial data analysis was in Spanish; translation into English was done later.
53 Interpretive methods were used to analyse how and why coffee differentiation was pursued by
54 family members. The early stages of the analysis included categorizing responses to
55 differentiation aspects alongside a pattern search. Data analysis was inductive, as the study
56 sought to understand individual perceptions and experiences (Grbich, 2007). The search for
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3 meaning led us to gain an in-depth understanding of meanings and diverse perspectives about the
4 motivation and rationale behind coffee differentiation. Based on Neergard and Leitch (2015), the
5 authors started by independently examining the data in interviews, observation notes, and
6 documents. Then, a coding process was carried out by reading and re-reading transcripts, notes
7 and documents, and then using codes for sentences or paragraphs in order to organise data. Once
8 coding was completed, data were organised to identify emerging themes, which were discussed
9 by the authors in order to refine interpretations. Analysis of the data was reiterative in moving
10 between data and emerging findings (Alvesson and Skoldberg, 2000). The interpretation of
11 emergent findings was discussed with case study participants in follow-up interviews to gain
12 their perspectives and to inform ongoing analysis. In analysing the data, experience of the
13 Guatemalan, Honduran, and Nicaraguan cultures was important - as was experience in being part
14 of family businesses in such countries - in order to increase understanding and confidence, which
15 minimised disagreements in the analytical process (Discua Cruz *et al.*, 2012; Zahra *et al.*, 2006).
16 Finally, findings were 're-contextualised' by comparing them to arguments in existing literature
17 (Neergard and Leitch, 2015).
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28 Table 2 summarizes the data coding, themes, and concepts that emerged in the process.
29 In the findings section, compelling excerpts from the data are used to effectively illustrate the
30 arguments made. Manual analysis methods and data in tables support the key themes emerging
31 from the analysis (Pratt, 2009). The aim was to increase transparency and address the validity of
32 the article (Gibbert and Ruigrok, 2010).
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42 **Analysis**

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45 Analysis of the data revealed that business-oriented and family-oriented decision making
46 influenced the approach and rationale of families engaging in coffee differentiation. Family-
47 oriented sources, such as succession processes, family, human, and social capital, as well as
48 business-oriented sources such as changing customer demands, institutional practices, and
49 diverse governmental systems, influenced the rationale of farming families in their forays into
50 product differentiation.
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58 *Differentiation through shared vision and commitment*
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3 Evidence suggests that differentiation was driven by shared visions, represented by
4 a collective understanding of the future that a family in business wanted to create, which for
5 these families revolved around a commitment to be involved in the development of a
6 differentiated product by looking after not only the family assets but also the environment and
7 communities where their coffee is produced. Table 2 shows that in all cases, family members - as
8 entrepreneurial stewards - displayed shared understandings shaped by prior successes, failures,
9 and challenges. A shared vision to be in business together and offer a unique product allowed all
10 families to move from commercialising an undifferentiated commodity to offering a certified
11 estate-grown coffee, a sought-after brand in the specialty coffee market.
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18 A shared understanding to bring out the best features of their products was influenced by
19 the families' frustration about neglecting their unique product in the past. This was the case with
20 Santa Ana and San Antonio, where the local prestige of their coffee had been diluted, as in prior
21 decades international markets did not demand - or were unwilling to pay a premium price for -
22 their high-quality coffee. Moreover, the lack of such demand hindered their investments into
23 dedicated coffee processing facilities, which, in addition to initial low production volumes of
24 high-quality coffee, meant that their coffee beans had to be mixed with beans purchased from
25 other nearby producers who were not committed to quality. As a result, their coffee ended up as
26 a diluted and undifferentiated product.
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34 In addition, a shared vision was grounded on the long history of family involvement in
35 coffee production and their permanence in their location. Evidence revealed that coffee from
36 each case had always been known for its quality since their first harvests (Table 2). A shared
37 vision instilled by founding generations - to be known as producers of high-quality coffee -
38 influenced entrepreneurial stewards' commitment to safeguard a family heritage in coffee
39 production whilst balancing decisions based on latest market demands. Lester (San Antonio)
40 expressed:
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47 *"We have been doing this [high-quality coffee production] for three generations, our*
48 *history is linked to this place [Guaimaca], we all wanted that customers realised that our*
49 *dedication to produce the best coffee comes from looking after these lands for a long time....*
50 *[yet] this is a business and we cannot live out of family sentiment alone, we have to compete with*
51 *the best product possible and that depends on us bringing out the best about this place...".*
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56 A collective vision to produce high-quality coffee as a family over time was shared by
57 entrepreneurial stewards, who noted family responses when diverse contextual crises appeared.
58 This was recorded when family members were forced to leave their business to later return and
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3 reinitiate operations (Santa Gertha), when extended family encouraged the divestment of the
4 coffee farm following the expiration of the ICO agreement (Santa Ana), or when coffee
5 production was perceived as less profitable *in lieu* of other agricultural products in the long term
6 (San Antonio).
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10 Table 2 shows that a shared vision also involved looking after their immediate
11 environment. For example, entrepreneurial stewards committed themselves to look after their
12 geographical location by using only organic methods and relying only very occasionally on
13 chemical aggregates for soils. In San Antonio and Santa Gertha, some workers live within the
14 farm properties and are thus motivated to look after the place where they live and work. Novel
15 recycling methods allowed the use of no more than three cubic metres of water per quintal of
16 processed coffee; this approach reduces water pollution substantially compared to previous
17 methods. Wastewater was treated at the end of the process. Coffee was both naturally sundried
18 or dried in ovens that are fuelled by coffee husks, thus encouraging minimal waste.
19 Environmental sensitivity (e.g., a gradual switch to hydro and solar energy in San Antonio and
20 Santa Gertha) and respect for nature (e.g., it is strictly forbidden to hunt or capture living species
21 in Santa Gertha) was shared by family members in all cases. A shared vision of improving the
22 community and the environment, and its importance from a business standpoint, was
23 encapsulated by Hans from Santa Gertha:
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34 “...30 years ago, the idea of gourmet coffee was born in the United States, so marketers
35 are looking for farms that meet several requirements. The more requirements they have, such as
36 height, history, location, managed by the family, that coffee is grown under shade, that the area
37 has not been deforested, that the animals in the mountains are not hunted, that the social
38 conditions of the employees are good, that the place is always clean... then the price
39 improves...”
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44 Table 2 shows that in all cases, the surrounding community was central in the shared
45 vision of entrepreneurial stewards to differentiate their products. For example, in Santa Gertha,
46 around 200 permanent workers work and live on the property, and have homes that have basic
47 services, including food, energy, and education subsidised by the family business. Santa Ana and
48 San Antonio support activities that improve technical education and raise the living standards of
49 non-family employees. In the case of Santa Gertha and San Antonio, many of the current
50 members of their managerial teams were born on the farm premises and are the offspring of
51 senior employees who live nearby. Such non-family members perceive themselves as stewards
52 of a legacy of how these families combine looking after their communities and the production of
53 high-quality coffee over time.
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4 *Differentiation through leveraging and combining traditional and specialised knowledge*
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8 Differentiation based on stewarding resources entrepreneurially involves family members
9 leveraging resources over time and building on them through a combination with new resources.
10 This approach was evidenced in the combination of traditional and specialised knowledge by
11 entrepreneurial stewards in coffee production, which influenced both business and family-
12 oriented decision making. 'Traditional' in this case relates to the indigenous skills, knowledge,
13 and techniques accumulated by family members, which is derived from the interaction with the
14 environment and has been in existence for at least 100 years (Barrios and Trejo, 2003;
15 Grossman, 2003). Traditional, *a priori*, knowledge (cultivation, weeding, soil management) was
16 generated by the personal experiences of prior generations, whilst specialised, *a posteriori*,
17 knowledge relates to the use of scientific applications for coffee productivity (e.g.,
18 ethnopedology) (Ericksen and Ardón, 2003; Winklerprins, 1999).
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27 Table 2 shows that entrepreneurial stewards identified that coffee trends were favouring
28 high-quality 'traditional' coffee and that differentiation, based on traditional knowledge to bring
29 out such features in coffee, was relevant, but also that new techniques were needed. This was
30 noted by Roberto, from Santa Ana:
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33 *"Coffee traders in developed countries became concerned about their profits declining in*
34 *mixed quality varieties of coffee. Some traders encouraged 'nostalgia' in their customers, who*
35 *gradually demanded 'old-fashioned' traditional coffee. Niche markets were then created for*
36 *consumers willing to pay a premium price for top-quality coffee ... We became interested in this*
37 *trend as it was evident that there was a market ready to consume a differentiated product. It was*
38 *our only window of opportunity to achieve an advantage."*
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44 In all cases, knowledge about high-quality coffee production in a particular place was
45 transferred from one generation to the next, as family members lived on the farm and were
46 socialised from childhood into estate-grown coffee production (e.g., cultivation, harvesting, and
47 processing). Transgenerational knowledge exchange may have undergone successive refinement,
48 leading to a system of understanding of natural resources and relevant ecological processes
49 (Pawluk *et al.*, 1992) in coffee production. Access to such knowledge made family members
50 perceive themselves as stewards of traditional skills and techniques within a geographical
51 location. Such knowledge helped entrepreneurial stewards identify and build on outstanding
52 characteristics of their coffee plantations to cater for the demand of 'traditional coffee' local to
53 their places (Antigua, Guaimaca, and Matagalpa).
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3 Yet, traditional knowledge was influenced by the fact that coffee production was a
4 primary concern, while specialised knowledge entailed a more holistic view of plant productivity
5 (Ericksen and Ardón, 2003) and coffee management practices. Specialised agricultural
6 engineering degrees or education in subjects related to the management of agricultural ventures
7 and marketing were pursued, locally and overseas, by entrepreneurial stewards. Such practices
8 were geared to influence decision making based on family and business objectives (Basco,
9 2014). In addition, families sought support from experts from local governmental agencies
10 (Santa Ana, San Antonio) and foreign technicians (Santa Gertha). For instance, Santa Gertha
11 relied on non-family German experts for specialised knowledge in coffee production while
12 family members focused on coffee commercialisation. In Santa Gertha, the forced migration of
13 the family to the USA allowed family members to learn about a growing demand for estate-
14 grown coffee from farms that could attest to their heritage and also provide evidence of
15 traceability for new markets. New techniques in monitoring and commercializing coffee
16 (Niederhauser *et al.*, 2008) have been introduced by entrepreneurial stewards. San Antonio and
17 Santa Gertha have catalogued every hectare of their coffee fields by GPS, so that now they can
18 monitor field production and maintenance as well as sell their estate-grown coffee with a
19 designation of very precise origin.
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32 Evidence across cases also highlighted that knowledge passed down from generations
33 was combined with technical knowhow brought forward by incoming generations. For instance,
34 Santa Ana and San Antonio junior generations, due to pursuing specialised degrees in
35 agricultural engineering, could identify the temperature range that gave coffee plants an ideal
36 environment and the type of soil where coffee was best cultivated to support its maturation
37 process and reach high-quality estate status. Knowing such factors in detail, combined with
38 traditional methods, favoured the quality of coffee produced (Lara Estrada *et al.*, 2017) and
39 addressed diverse climatological problems (such as frost and drought). In all cases, coffees
40 cultivated by these families were harvested on mountains, with altitudes ranging between 1,200
41 to 1,500 metres above sea level. Such features were known over generations to be critical not
42 only for coffee quality but also for the minimal occurrence of coffee diseases and for
43 experimentation in terms of new coffee varieties that could be introduced by using new
44 techniques. Combining traditional and specialised knowledge allowed that at least three varieties
45 of coffee could be grown in all the farms, so sowing density was optimal per square metre of
46 land. Coffee parasites were handled in an environmentally friendly manner, using traps
47 (traditional techniques used by Santa Ana and San Antonio). Annual rainfall for all farms was
48 optimal for all cases, between 850 to 952 mm. Alternative irrigation was drawn from man-made
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3 wells when needed, which helped reach consistency in the quality of coffee produced (Santa
4 Ana, Santa Gertha). All cases added value to a quality bean, produced exclusively on farm
5 premises and avoiding any mix with other beans.
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8 The cases reveal that as agriculture is highly dependent on the local environment,
9 traditional knowledge was of particular importance, as it contained a cherished understanding of
10 the particular set of local cultural and natural resources possessed by family members. Such
11 knowledge, when combined with scientific knowhow, technical practices, and skills both in
12 coffee production and commercialisation, can influence the approach to a differentiated product
13 over time by entrepreneurial stewards. The qualities that differentiated the estate-grown coffee in
14 every case were its origin, coffee bean variety, cultivation and preparation process, supported by
15 the combination of traditional and scientific knowledge. When such properties were technically
16 understood, they provided distinctive features that highlighted both the heritage of coffee
17 produced by a family in a place and novel techniques.
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26 *The creation and development of a support and exchange network*

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30 The evidence suggested that entrepreneurial stewards engaged in nurturing and leveraging new
31 and old family and non-family ties, external recognition, and commercial alliances. Developing
32 an exchange network that encompasses support, customer, and supplier networks (Casson and
33 Giusta, 2007; Shaw *et al.*, 2017) was paramount for a differentiation strategy.
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37 Lester, from San Antonio, encapsulated such importance when expressing:

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39 *"... Good family relationships help out because they will try to help you get what you*
40 *need, whether it is funds, insight about coffee, or customers for your products. Yet because*
41 *coffee is widely available here, then connecting with international consumers is crucial...*
42 *foreign buyers know what they are looking for, they have different methods, but we realise that*
43 *they want to know more about something we take for granted – this place! That is why we added*
44 *the Guaimaca aspect. Good relationships with them [customers] will go a long way in*
45 *business... I am sure if we start winning more competitions we can then go back to the*
46 *negotiating table and ask for better prices, we can then improve the farms and bring up the*
47 *reputation of coffee produced in this place...we can then assure clients for the long run and our*
48 *relationship will be stronger...."*
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56 Family exchange networks were relevant when the focus on a differentiated product
57 demanded additional investments in modern processing plants. Table 2 shows that for Santa Ana
58 and San Antonio, family networks were critical when attempting to procure access to external
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3 funding for product differentiation. In these two cases, families activated ties in banking to
4 facilitate access to bank funds. In Santa Gertha, entrepreneurial stewards were supported with
5 cash and interest-free loans. In every case, such funding allowed new coffee plants to: increase
6 cultivation density; make organic fertilisation programs become widespread; make pruning and
7 shading for coffee bushes a priority; and put previously idle farm land to use. Funding procured
8 through family networks allowed farms to achieve a consistent quality and thus helped to
9 produce high-quality, estate-grown coffee.
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15 Non-family exchange networks were also gradually shaped through the creation and
16 nurturing of relationships with diverse actors related to coffee commercialisation. Santa Ana and
17 San Antonio entrepreneurial stewards have developed good relationships with governmental
18 offices dealing with coffee commercialisation. This approach allows coffee-farming families to
19 keep updated on opportunities to promote their products. Since the year 2000, the Guatemalan
20 (ANACAFE) and Honduran National Coffee Association (IHCAFE) have shown a shift in
21 government policy towards collaboration with the private sector. In addition to technical support,
22 these organisations have organised regional and national competitions, such as the ‘Cup of
23 Excellence’ auction, a competition where an expert group of national and international judges
24 selects the best coffee produced in a particular year and rewards high-quality coffee producers
25 (Teuber and Herrmann, 2012). The contest winners have samples of their coffee sent to specialty
26 coffee buyers throughout the world. The Santa Ana sample, labeled ‘Genuine Santa Ana
27 Antigua’, has won a third-place prize in the past, while San Antonio’s ‘San Antonio Guaimaca
28 Estate’ coffee achieved an invitation last year, yet has not won a prize to date. Such interaction
29 favoured the relevance of traditional family knowledge in coffee production as well as providing
30 new information for business-oriented decision making.
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42 By participating in competitions, entrepreneurial stewards gradually developed
43 relationships with interested consumers and encouraged the emergence of alliances. As Santa
44 Ana coffee began gaining recognition, a large retail company became interested in their product.
45 This retail company establishes alliances for supplying coffee to the USA with one sole strategic
46 focus – quality. As a result of being recognised, retailers pay a higher price per sack compared to
47 the average paid at the New York Sugar, Coffee, and Cocoa Exchange (NYSCCE). The potential
48 for other major players to secure the production of Santa Ana coffee has prompted other
49 international buyers to offer exclusive rights by guaranteeing a fixed price for the product.
50 Moreover, Santa Ana’s commitment to address environmental concerns within their immediate
51 community has impacted on the preferences of new consumers. A large US customer paid
52 preferential rates when social and environmental issues were addressed (Table 2). The price
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3 increase allowed Santa Ana to improve the differentiating features of their specialty coffee and at
4 the same time benefit their community in the long term.

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6 In San Antonio, entrepreneurial stewards are now committed to continue participating in
7 coffee competitions guided by IHCAFE staff. Alliances in high-quality coffee production began
8 in 2015, when Anibal, who studied a master's degree in agriculture in Italy, managed to contact
9 a large Italian retail company. The Italian company asked for samples and was fascinated by the
10 blends they could create. In San Antonio and Santa Ana, representatives from large retailers
11 visited the farms and secured exclusive coffee procurement. Moreover, such external
12 relationships advised that the features of the place where coffee was planted and harvested
13 needed to be included in future promotions. In doing so, entrepreneurial stewards were interested
14 in creating new ties in various networks to leverage relationships in the long term.

15
16 Santa Gertha has opted not to participate in such competitions, due to scepticism about
17 governmental support or intervention. Yet, 'Café Gertha Matagalpa' is strongly positioned in
18 Nicaragua because of the promotions made by foreigners living in the country and the
19 inhabitants of Matagalpa, many of whom are of German origin and promote products made by
20 fellow migrants. For Santa Gertha, alliances emerged as their coffee began to be exported as a
21 'coffee of origin' in 1992 with the name of 'Café Santa Gertha' to the United States; the
22 importer recommended that the name be changed to 'Café Gertha Matagalpa', because it
23 sounded more romantic and highlighted the features of its place of origin, a name that has lasted
24 to date. Contrary to Santa Ana and San Antonio, Santa Gertha has managed to position itself
25 adequately in the international market due to in-house marketing. They have patented their name
26 in the USA and associated it with international certifications. Their coffee is consumed by elitist
27 associations in the USA, who require coffee with high quality and the same consistency as the
28 previous year. Meeting such specifications demands control of the coffee variety and a
29 commitment to promote the unique features of the Matagalpa region. Addressing such demands
30 allows 'Café Gertha Matagalpa' to achieve a higher price.

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32 In all cases, and motivated by increasing demands from customer networks about
33 traceability and QR codes (Dabbene *et al.*, 2014), information about every batch includes
34 specifications such as height, precipitation, soil composition, sun exposure, and bean variety.

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36 The gradual development of an exchange network, comprising the combination of
37 existing ties (e.g., family support for business growth) and new ties (e.g., proactive engagement
38 in competition to promote alliances) has allowed the shaping of the uniqueness of a product, as
39 well as catering for changing customer demands internationally. Leveraging existing and new
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relationships have influenced the decision-making approach of farming families to engage in product differentiation based on family and business aspects.

Conclusion

This study embarked on understanding how and why family businesses in the coffee industry engage in product differentiation and to what extent family influence product differentiation in the coffee industry. A shared vision and commitment, knowledge, and leverage of traditional and novel ways of producing high-quality coffee, and the gradual shape of an exchange network by entrepreneurial stewards underpin how and why product differentiation is engaged. Moreover, product differentiation in specialty coffee farming farms appears to be associated as much with a strategic choice as with an entrepreneurial outcome influenced by families. Intrinsic characteristics or perceived attributes within a place, as well as the ways by which entrepreneurial stewards approach how coffee is produced, processed, and marketed over time, are relevant in product differentiation in family businesses.

Theoretical contribution

This study contributes to the literature by comparing coffee family farms across Central America. In doing so, this study contributes to stewardship literature in family firms in two ways. First, findings suggest that a product differentiation strategy may be engaged through devoted and disciplined individuals (Le Breton-Miller and Miller, 2018) who behave entrepreneurially (Discua Cruz *et al.*, 2013). Such entrepreneurial stewards encourage a commitment among family members to bring out the unique features of their product, without neglecting a caretaking approach for their environment. In addition, entrepreneurial stewards can combine traditional and newly-acquired expertise to create a complex set of knowledge. Finally, they can develop an exchange network grounded on family support, as well as proactive engagement in business competitions and alliance development.

Second, by engaging in a cross-cultural comparison, the findings extend our understanding of entrepreneurial stewardship by revealing that a differentiated agricultural product, offered by a family firm over generations, demands a collective vision and approach (Fitz-Koch *et al.*, 2019; Roscoe *et al.*, 2013). The rationale relates to family members' long-term vision to be in business together and a shared commitment to look after the family's assets over time (Discua Cruz *et al.*, 2013). This is further supported by the intention of entrepreneurial stewards to look after a tradition of producing a high-quality product over generations through

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3 leveraging existing and new resources whilst looking after the community and environment that
4 influence such outcomes.
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6 In terms of strategic behaviour, this cross-cultural study expands our understanding of
7 family-enterprise-first family firms, as the findings suggest that the gradual development of a
8 dual knowledge system and an exchange network allows families to fulfil a shared vision. A
9 knowledge perspective on coffee production has its roots in the resource-based perspective of a
10 family firm, which assumes that diverse and distinctive resources (valuable and rare, difficult to
11 imitate and substitute), may allow family firms to process information and capabilities in order
12 to achieve competitive advantages (Barney *et al.*, 2001). The early involvement of younger
13 members has the potential to produce deeper levels of firm-specific tacit knowledge (Sirmon and
14 Hitt, 2003, p. 342). Still, it is in the ability to transfer knowledge (Lobley, 2010) and combine it
15 with new knowledge that such resources (e.g., human capital) can be associated with higher
16 levels of performance. Such a combination makes knowledge used in differentiation
17 appropriable, scarce, highly specialised, and difficult to imitate, whilst remaining associated with
18 the family realm (Chirico and Salvato, 2016). Leveraging traditional and specialised knowledge
19 can endow entrepreneurial stewards with a forward-looking balance of skills and competencies
20 relevant for business decision making (Basco, 2014; Cabrera-Suárez *et al.*, 2018). Moreover, the
21 findings extend our understanding of organisational cultures that can emerge from the nurturing
22 of internal and external stewardship relationships (Basco, 2014) by revealing that strong
23 relationships with internal and external stakeholders are nurtured for the long run, supporting
24 both family- and business-oriented decision making that can influence strategic renewal.
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39 Finally, this cross-cultural study contributes to understanding how context can affect
40 strategic decisions in family-enterprise-first family firms. Disturbances or critical events, in
41 contextual dimensions, such as a change in international policies or adverse governmental
42 systems (Wright *et al.*, 2014), may either minimise or reinforce the shared family vision to
43 engage in product differentiation. A shared vision, combination of resources, and a gradual
44 development of an exchange network can be put in jeopardy when interruptions or contextual
45 disturbances occur (Table 1), which may unbalance the family-oriented/business-oriented
46 decision making of a firm over time, influencing the motivation and rationale to pursue any
47 strategy (Howorth *et al.*, 2014). In essence, the findings and contribution of this study gravitate
48 around the cross-cultural focus in understanding the strategies of families in business that
49 produce specialty coffee.
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59 **Limitations**

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3 This study has a few caveats, and so its findings must be interpreted with caution. First,
4 the sample of comparative cases is small, and the sampling logic would have been stronger if a
5 broader sample of cases from countries with significant levels of coffee production had been
6 included, such as Brazil, Mexico, Peru, and Colombia. Nonetheless, the sample consists of
7 family firms that produce specialty coffee from well-established places, allowing theoretical
8 relevance (Eisenhardt, 1989). Second, all the cases focus on individual firms and are in a single
9 industry, thus research on family firms from other industries or across industries in different
10 countries, where defining characteristics of differentiation can be examined in relation to a place,
11 should be conducted (Spielmann *et al.*, 2019); collective approaches through cooperatives should
12 also be studied (Hadjielias and Poutziouris, 2015).
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21 **Practical implications**

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25 The findings also have practical implications for family business managers who have to
26 design and execute strategies where family- and business-oriented decision making may be
27 intrinsically linked to stewardship. A shared vision can be an anchor when disturbances emerge,
28 as it embodies what the family firm is about and what it must focus on and do to survive. To
29 move beyond involvement to commitment, a shared vision could be instilled through early
30 socialisation in order to gradually reflect the philosophy and values of the family in decision
31 making (Seaman *et al.*, 2019). The importance of traditional knowledge cannot be overstated, as
32 it serves as a means for family and non-family members to perceive themselves as custodians or
33 stewards, influencing the agreement of common objectives in the long term. Families who fail to
34 acknowledge the relevance of transferring and combining knowledge for improved performance
35 and decision making (Cabrera-Suárez *et al.*, 2018; Chirico and Salvato, 2016) may be limited in
36 their ability to reach an optimal differentiation strategy based on both family and business
37 aspects in the long term. Finally, the findings reveal how family businesses can build on their
38 competitive advantage through product differentiation, which can serve not only as a relevant
39 business strategy but also as a path to establish a relevant governance mechanism when
40 balancing family and business goals over time (Basco, 2017).
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54 **Further Research**

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57 This study opens the door for further cross-cultural research in settings that are affected by
58 changing contextual aspects (e.g., see Estrada-Robles *et al.*, 2018; Basco *et al.*, 2019), such as
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3 family firms producing artisanal products or engaged in tourism, manufacturing, and creative
4 industries (music, art, film, and literature) in alternative contexts. Moreover, future cross-cultural
5 studies focusing on diverse strategies in family businesses that produce international
6 commodities (e.g., wine, see Spielmann *et al.*, 2019) should consider different levels and units of
7 analysis (Basco and Pérez Rodríguez, 2009; Discua Cruz and Basco, 2018). Finally, recent
8 studies suggest that we should expect variation in the entrepreneurial and strategic behaviour of
9 family firms across generations (Au, 2018), and thus quantitative cross-country studies that test
10 the relationship between entrepreneurial stewardship (Discua Cruz *et al.*, 2013) and specific
11 strategies in family firms (Basco, 2014) are warranted. Further studies that focus on product
12 differentiation in family businesses across countries can support, challenge, and extend the
13 results of this study. This study challenges researchers to expand understanding about the
14 strategic behaviour of family firms across countries that engage in product differentiation of
15 items consumed worldwide.

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Table 1. Contextual framework in the coffee-farming context across countries

Organizational	Contextual dimensions Institutional	Temporal
Goals for asset preservation	Governmental support, policy, and regulatory agencies	Changing practices in farming
Tacit knowledge	Technology processes	Regulations in land and inheritance law
Strong intra- and inter-generational bonds	Strong community social capital	Family lifecycles
Specialized human capital	Tradition of farming sector	Expectations of family succession
Family labour and financial support	Inheritance laws	Changes in society/environmental concerns
Family emotional support	Cultural expectations	Industry trends and market demands
Resilience during hard times	Business networks	International policy changes

Source: Wright *et al.* (2014), Vega Solano & Discua Cruz (2017), Rueda & Lambin (2013), Ponte (2002).

Table 2. Data coding

Excerpts from data	First order concepts	Second order themes
<p>"By the end of 1988 the farm was transferred to Roberto with a mandate to keep the farm in the hands of the family....He was a young man with great ambition and a desire to improve what previous generations had started. ... his main goal was to emulate his grandparents, who established the Santa Ana farm in the Antigua region in Guatemala.... " (Clara, Santa Ana)</p>	Family vision for business build-up	Shared vision and commitment
<p>" The changes that have taken place did not happen overnight, but over 40 years, but over time they made a huge impact on local communities and the environment....Our farm has around 750 manzanas [land measure – 1 manzana = 1.75 acres], and 200 of them have been kept as virgin jungle to maintain the micro-climate of the region, to produce the water people drink, and maintain greenery on walking trails...there are little tigers, monkeys, squirrels, pumas, agoutis, cuyusos, dantos or tapir, sloth bears, deer, mountain pigs and birds, including the quetzal.." (Heidi, Santa Gertha)</p>	Shared understanding about looking after the environment	
<p>" We have just acquired more land, and our goal is to create a real coffee experience, where people can come to the local hotel we are starting now in the mountains, go for coffee trails and enjoy the mountains... we have tried hard to stop deforestation because the best coffee grows under shade of large trees, and those trees take decades to reach such height...this then changes the micro climate and we can experiment then with new strains of coffee plants; they are naturally fertilized and we can ensure that organic nutrients reach these sites... we have to do it for future generations of this community and our family..."(Lester, San Antonio)</p>	Looking after the community and the environment	
<p>" However, all the daughters, together with their relatives, have shown interest in the future to settle in the property of Santa Gertha. The son of the oldest daughter (grandson of the founders) is studying two careers (agriculture and journalism) ... everyone, in one way or another, will be involved in the various activities that comprise the company because there is space for everyone." (Heidi, Santa Gertha)</p>	Complementing family objectives with future business growth	
<p>"Roberto wanted all employees to feel like they are part of the family. Through the payment of higher prices for our products we started to improve workers' conditions on site." (Clara, Santa Ana)</p>	Looking after the community and workforce through a shared and aligned vision	
<p>"...that initiative supported what we wanted to do in the farm...a score of 80% means a price increase of \$8.00/quintal and a score of 90% means a price increase of \$9.00/quintal. In its first evaluation, we received a score of 84%, thereby getting an \$8.00/quintal price increase. By engaging in this initiative supported by the large retailer in the US, all employees now enjoy benefits that are uncommon on other coffee farms in Antigua, such as a health clinic on site, dining facilities, resting quarters. (Roberto, Santa Ana)</p>	Family intention to look after the community through business decision making	

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2
3 "...we train the local community on coffee plants and how to
4 look after its environment, I mean you have to teach that
5 coffee is better in well-looked-after land, with plenty of trees
6 ... that requires training and education, in that way people
7 start to look after the plants and treat the environment for
8 their families too... we all [family] know our family survival
9 in producing coffee is connected to their welfare too."
10 (Anibal, San Antonio)
11
12

Common
understanding of
the importance of
looking after the
environment and
community

13 "I attained a specialized agricultural engineering degree from
14 the Pan-American Agricultural School Zamorano (in
15 Honduras), and later pursued a specialized degree in the
16 University of Florida (USA)...our coffee had always
17 enjoyed great prestige due to its quality, and it was at least
18 always possible to commercialize it. Why not do everything
19 possible to improve the quality of the farm's product to get a
20 better price? Why not go even further to include other factors
21 in addition to price that could differentiate the product and
22 make it widely known and attractive to consumers at a
23 premium price?" (Roberto, Santa Ana)
24

Specialized
knowledge in
agriculture

Combination of
traditional and
specialised
knowledge

25 " I mean, you have to get involved in the development of
26 what your parents started, it is a family goal that we expand
27 on our farm and allow other family members to be involved. I
28 studied agricultural engineering at Zamorano (Honduras) and
29 coffee was my passion. I learned all the knowledge my
30 grandfather gave to my dad about how to plant coffee and
31 they made sure I knew the secrets they had learned over the
32 years... yet now due to the changes of weather you have to
33 combine that knowledge with new ways of cultivating
34 coffee... After university, I could apply modern techniques to
35 the knowledge my family had over generations, since my
36 grandfather, to develop good yield in our plantations and
37 produce better coffee...I have attended every training course
38 for coffee there is, it is really a commitment we make as a
39 family." (Lester, San Antonio)
40

Family influence
in the use of
specialized
knowledge

41 "One of the problems is that in Matagalpa (where Santa
42 Gertha is located) there wasn't a university for years, so it
43 was often the case that the next generation that came to the
44 country as a settler, did not study, yet brought with them a
45 tradition in farming or working ethics that was useful in
46 blending family and business goals...The descendants of
47 Europeans usually study in good schools in Nicaragua, and
48 then do their undergraduate and postgraduate studies abroad."
49 (Hans, Santa Gertha)
50

Traditional
knowledge to
complement lack
of specialized
knowledge

51 "Heidi speaks Spanish, English, and German, and gives
52 international talks about community improvement topics
53 around coffee. She has already delivered talks in Barcelona,
54 Austria and Seattle, which is the capital of gourmet coffee,
55 about 'women building community', and also in New
56 York..." (Hans, Santa Gertha)
57
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Family members
disseminating
information about
the place where
family coffee is
produced

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3
4 "...You need to specialize to be in coffee farming, my son is
5 good in coffee production yet he also relies on the
6 commitment of the family to support the family vision... we
7 have exported in bulk for years, but now specialty coffee
8 requires us to go back to the roots of coffee, to know the
9 process inside out and demonstrate that coffee is looked after,
10 that all organic methods are used and that it can compete in
11 taste. As the new cafe was set up we needed to show the
12 relevance of our knowledge of this place, its soils, that we
13 can bring out the best coffee out of it but also that family
14 members were committed for generations to this, it is the
15 only way you can really show you are just not growing any
16 type of coffee.. it is our name after all that is displayed in our
17 coffee bags, our family history is there but also we can be
18 proud that we build on that generational knowledge with new
19 techniques ..." (Lucia, San Antonio)

Specialized
knowledge in
agriculture
related to
traditional family
knowledge

21 "Our farms are located between 1,240 and 1,500
22 meters... when coffee is at higher altitude, production occurs
23 as in a kind of a refrigerator, so the ripening process slows
24 down, producing a stronger and more aromatic grain; that's
25 why they call it 'gourmet' coffee. It needs to be produced at
26 more than 1000 metres, without chopping the peel during its
27 process, with limited sun exposure, and then picked at the
28 right time." (Hans, Santa Gertha)

Importance of
understanding the
key natural
features of a
place and product

31 "...you need to rely on who you know to produce good
32 coffee; the banks are crucial for this yet we would not go to a
33 bank to put our property as collateral unless we are certain
34 that our harvest will be good. That is the confidence we have
35 when we have applied all we know... the bank officials know
36 my dad and have seen him improve his sales every year, so it
37 was easier for me to go to the bank and ask for more funds
38 just to expand a bit on introducing new plants and improve
39 irrigation when needed..." (Lester, San Antonio)

Family networks
for support Development of
an exchange
network

41 "The products offered by the company have improved by
42 technical assistance; for example, we bring non-family
43 members, who are technicians from Germany, to help
44 develop our products... this is done in combination with local
45 knowledge... Many of the new products that they have were
46 emerging because of the exclusivity of the market that visits
47 Santa Gertha, since the majority of visitors are foreigners
48 who have settled in the country or who are visiting from
49 overseas; then we can talk to them in our nearby restaurant to
50 talk and get a lot of feedback on the quality of the services,
51 new (coffee) products, etc." (Heidi, Santa Gertha)

Non-family
networks'
support for
differentiation

54 "...the alliance with our main customer relied on sincerity,
55 loyalty and mutual interest. Seattle's had something that we
56 wanted, which was price stability, because at that time the
57 ICO agreement had expired and prices were extremely
58 volatile. On the other hand, we also had something that our
59 customer wanted: an extremely high-quality coffee ideal for
60 their expansion plan." (Roberto, Santa Ana)

Alliance
influence on
building
commercial
relationships

"Alliances with large players are needed if you want your coffee to be widely known, I mean we could send samples anywhere yet we needed a stable relationship. Italians love coffee so we needed to contact a known brand. Anibal studied in Italy and he knew people there because he always took coffee samples when he returned... he was then able to contact them and ask them if they wanted to try our new blends based on estate-grown coffee... the Italians were looking to differentiate as well so it worked really well, they love what they could do with our coffee and we like that we could have a new customer, not only the US market." (Lester, San Antonio)

Alliances' influence on acknowledging customer demands

"...You need to compete because you can have the best coffee according to your taste, yet it is the final consumer who chooses which coffee he wants. We have to promote our coffee but unless it is out there competing and winning competitions we will be just one more coffee. That is why we enter competitions now, we know our coffee is good and we just achieved the invitation for the cup of excellence, we may not win anything but just getting our name out there in this competition is good, I also get to see what others are doing and what features international experts are looking for..." (Lester, San Antonio)

Alliances' influence on changing market trends

" Such an achievement was the result of improving our product, attending fairs in the past and of gaining recognition through competition to show that we are committed to our farm and our product." (Roberto, Santa Ana)

Increased interest in international alliances and symbiotic relationships

" My wife, contrary to the Latin American culture, made a deal with our daughters: 'do not ask for parties, on the contrary you can travel'; and in fact, they began to travel, which has given them a cultural, linguistic, professional, discipline, contact with others, etc. that otherwise they would not have had access to. (Hans, Santa Gertha)

Family objectives in building alliances