

Convergence, Divergence, Crossvergence: Environmental Practices of SMEs in Neighbouring Countries

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How to cite this paper: Labelle, F., Moulet, C., & Navarrete-Báez, F. (2024). Convergence, Divergence, Crossvergence: Environmental Practices of SMEs in Neighbouring Countries. *Journal of Human Resource and Sustainability Studies*, 12, 583-606.
<https://doi.org/10.4236/jhrss.2024.123031>

Received: July 23, 2024

Accepted: September 8, 2024

Published: September 11, 2024

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Abstract

This article aims to verify whether free trade agreements can play a role in the diffusion and adoption of Sustainable Development (SD). Taking the North American Free Trade Agreement (NAFTA) as the context of the study and the Small and Medium Enterprises (SMEs) as the unit of analysis, we selected Jalisco and Quebec—two regions resulting from this agreement but different in their national particularities. We posited three groups of general hypotheses from the debate—convergence, divergence and crossvergence—and tested the two groups on sustainable practices and the business case. Our results show a phenomenon of institutionalization SMEs accentuated in the “South”, confirming the influence of regional institutions as a legitimizing factor but also the weight of national institutions, thus invalidating the weight of multi-lateral agreements in influencing companies in their design of SD.

Keywords

Sustainable Development, Isomorphism, Institutional Conformity, SMEs, NAFTA

1. Introduction

Climate (IPCC, 2021) and biodiversity (IPBES, 2022) experts are concerned about the pronounced link between economic activity fueled by trade flows and environmental impoverishment—pollution, natural resource degradation and climate threat (IPCC, 2014). The intensification of economic activity has accelerated from the second half of the 20th to the present day, which has been marked by the exponential multiplication of regional and multilateral free trade agreements across the globe (Dür, Baccini, & Elsig, 2014). These multiple and

frequent exchanges and the entanglement of cross-shareholdings in share capital and corporate management teams have fostered a standardization of corporate management practices originating in distinct locations. For example, while the practice was marginal just 5 years ago, the majority of the world's major corporations have already integrated sustainable development objectives (United Nations, 2015) into their annual reports (KPMG, 2020).

In this context of growing exchange and consequent impacts on environmental aspects, the question of whether an isomorphism effect can occur in terms of environmental practices (EP) in SMEs located in distinct regions, but which are also increasingly linked through formal agreements and common partners, proves important. Indeed, a more detailed understanding of the processes by which EP model transfers from SMEs operate can help to establish more effective national and transnational strategies for engaging their commitment to the environmental challenge that is addressed to all countries, separately and jointly.

To understand these phenomena, literature from the neo-institutional (NI) approach suggests two, or even three, readings of the effects that operate: 1) that of global or transnational convergence, or 2) that of local and national convergence, which implies divergence between companies from different countries, or 3) that of crossvergence at the junction of the other two. Really, NI theory describes a set of mechanisms leading to convergence in corporate behavior (DiMaggio & Powell, 1983; Scott, 1995; Ben Rhouma, Koleva, & Schaltegger, 2018). This convergence is explained by isomorphism driven by a sharing of common institutions. That said, the theory does not stipulate a priority as to the level of analysis to be considered. Do local institutions have more influence than transnational and international institutions in bringing about the isomorphism effect evoked?

Thus, the first approach, that of global convergence, suggests that transnational and global institutions have a major impact on the isomorphism phenomenon described by NI theory. Increasing exchanges between countries, whether between producers or consumers, are subject to common rules of the game and common dominant partners, driving the convergence of practices.

In contrast, so-called adversarial approaches (Capron & Petit, 2011; Hall & Soskice, 2002; Borges, Saucedo-Acosta, & Diaz-Pedroza, 2020) assert that unique national particularities imply national convergence in business practices, which may be divergent from one nation to another. To distinguish it from the first approach, this second perspective, which also stems from NI theory, will be referred to as the divergence approach in the remainder of the article.

A third approach would involve *crossvergence*—an alternative hybrid phenomenon resulting from a synergy between elements of convergence and divergence (Jamali & Neville, 2011; Ralston, 2007; Ozturk & Cavusgil, 2019; Malik, Pereira, & Budhwar, 2021). That said, although these approaches associated with neo-institutional theory are established, writings and studies on the subject remain scarce and arrive at results that are not unanimous.

Given the lack of knowledge on the subject of model and EP transfer in SMEs located in neighbouring countries, and considering the pressing climate (IPCC, 2021) and environmental (IPBES, 2022; Edinburgh, 2013) issues, this article is part of this convergence/divergence/crossvergence debate, taking North America as a study base and focusing attention on EPs adopted by SMEs in Canada and Mexico. North America is the ideal context in which to study these issues, as it has the particularity of bringing together a “northern” country (Canada) and a “southern” country (Mexico), thus combining two different national contexts under the influence of a major common partner, the United States, and a common free-trade agreement that has existed for over 30 years. The choice of SMEs as the unit of analysis is also appropriate, since it avoids considering companies which, even if they are based in a given region, have no local values, even though they are transnationalized in their ownership, control and management structure. SMEs are more revealing subjects, being more closely tied to national contexts than large companies, the latter often being involved in international networks and value chains. Nevertheless, SMEs are strongly influenced by multinational relations, even though they are stakeholders in value chains that embed them. Moreover, despite their limited size, SMEs as a whole make a significant contribution to negative impacts on climate and biodiversity. Some studies suggest that they are responsible for more than half of greenhouse gas emissions (OECD, 2020). The study of their EP is therefore highly justified.

This article is organized as follows: the foundations of NI theory are presented, and then the perspectives of global convergence, regional divergence and crossvergence are discussed. These allow general hypotheses to be established, which will be specified after discussing the convergence factors between Canada and Mexico. Among these, the multilateral agreement, North America Free Trade (NAFTA: The Canada-U.S.-Mexico Agreement (CUMA) replaced the North American Free Trade Agreement on July 20, 2020, i.e., after the data collection presented in this article) and its affiliated institutions were detailed. The presence of a common, dominant partner (the United States) in trade between North and South is also discussed. Then, the factors that would encourage divergence are listed. The major disparities between the two countries, in terms of both culture and economic and social development, are considered.

Next, the variables under study are defined. The EPs and their expected benefits are at the heart of the analysis. In the third part, specific hypotheses are retained, justifying the reasons behind the convergence of practices in SMEs. The fourth section explains the methodology used to compare SMEs in the regions of Quebec (Canada) and Jalisco (Mexico). It is a comparison of average practice levels that enables us to verify the hypotheses suggested. These practices were surveyed among 521 Quebec and Mexican SMEs in 2020.

The following section presents the results, which are then discussed. These shed light on the link between the cultural traits of the countries studied and the type of rationality—economic or legitimizing—that justifies the implementation of EPs. Finally, the conclusion reviews the main findings of this research, as well

as its limitations, and suggests avenues for future research.

2. Neo-Institutional Theory

Neo-institutional theory is based on the seminal texts by DiMaggio and Powell (1983) and Scott (1995). There are two levels of influence that impose a form of expected and desirable corporate behavior: the influence of societal forces (institutions) and the influence of companies on each other (organizational field). Companies in the same organizational field share the values and expectations of the environment and the industry (the established system), which act as sources of pressure, dictating and constraining their structure, objectives, corporate culture and organizational forms (DiMaggio & Powell, 1983). Added to this is the influence of other institutional (societal) forces of a political, economic and social nature (laws, moral values, standards, taken-for-granted practices, etc.) (Karlsson, 2008; Ufere, Gaskin, Perelli, Somers, & Boland Jr., 2020).

In order to maintain their membership in their evolving environment, companies seek legitimacy by striving to gain conformity in the face of the various institutions¹ (Lounsbury & Zhao, 2013; de Lange, 2019) that urge them to accommodate institutional norms (Boolaky, Tawiah, & Soobaroyen, 2020). Non-conformity leads to sanctions (consequences) that threaten the company's survival (DiMaggio & Powell, 1983; Ben Rhouma et al., 2018). In short, institutional isomorphism is a process that drives organizations to gain conformity towards the expectations of society and those of their organizational field, making their survival possible (Karlsson, 2008).

That said, while NI theory can explain this isomorphism phenomenon, it doesn't immediately give precedence to certain institutions. Their respective influence needs to be established according to the circumstances and levels of analysis considered. Thus, the theoretical corpus associated with NI does not allow us to prioritize institutions according to whether they are more or less close, geographically or sectorally, to companies. It is up to researchers and practitioners to establish the boundaries and contours considered. In this sense, the question of whether companies are more influenced by local institutions, or by global ones, remains open and deserves attention.

2.1. Transnational Convergence between Northern and Southern Countries

Several authors agree on the existence of an isomorphism effect on supranational and socio-political scales, particularly in relation to Sustainable Development and environmental issues. Matten and Moon (2008) observe the convergence of a common form of SD² in the countries of the "South", which absorb the indus-

¹Institutions are systems of rules, beliefs, norms and organizations (Greif, 2006)—both formal, such as laws, and informal, such as culture, traditions, etc. (North, 1990).

²We use the term "corporate sustainability" as the equivalent of corporate social responsibility. Although there is some debate about the equivalence of the two terms (on this, see Bansal & Song (2016)), ISO26000's suggested definition of CSR allows us to consider them synonymous (ISO26000, 2010).

trial meta-standards and development norms of the “North”. [Wisner and Epstein \(2005\)](#) describe “push” and “pull” effects in Mexico, a member of NAFTA: on the one hand, Mexican companies are forced to comply with the laws and policies of the transnational agreement (“push”); at the same time, beyond the legislative aspect, Mexican managers demonstrate a personal desire to improve their standards to meet best the expectations of North American markets sensitive to SD issues (“pull”).

[Muller and Kolk \(2010\)](#) and [Arora and De \(2020\)](#) observe an improvement in the EPs of Mexican companies whose parent company is located elsewhere in North America. Similarly, [Meyskens and Paul \(2010\)](#) confirm the positive influence of pan-national institutions, among others, on the development of EPs in Mexico. Among the pan-national institutions that promote convergence, NAFTA should be considered.

2.2. Convergence Factors between Canadian and Mexican Companies

Two factors of convergence between Canada and Mexico are particularly noteworthy: NAFTA and the presence of a common and dominant partner, the United States.

2.3. NAFTA

This agreement, concluded in 1994, is characterized by “a set of principles, rules, institutions and procedures [...] that regulate the conditions of economic exchange between Mexico, Canada and the United States” ([López Ayllón & Fierro, 1997](#)). NAFTA reconciles trade policies with consideration for the environment, ensuring responsible economic liberalization in terms of environmental degradation ([Allen, 2018](#)). References to the environment are present in the preamble to the agreement and in five (of the twenty-two) chapters of the text (See in particular articles 104, 715(1)(f), 903-907, 1114, 2101(1) and chapters 7 (B) and 9 of NAFTA). The agreement is made up of several bodies essential to its operation and relies on sixteen institutions in all ([CEC, 1997](#)).

The environmental component of NAFTA is essentially asserted through the North American Agreement on Environmental Cooperation (NAAEC) and the Commission for Environmental Cooperation (CEC). The purpose of the NAAEC is to complement “NAFTA’s environmental regime by establishing a legal framework to facilitate cooperation in environmental conservation and protection [by subscribing] to the principles of sustainable development [in the spirit of] the 1972 Stockholm Declaration on the Human Environment and the 1992 Rio Declaration on Environment and Development” ([Morin, 2008: p. 3](#)). In concrete terms, this agreement encourages environmental protection, promotes sustainable development and the adoption of pollution prevention practices—at both regional and national levels (obligations of countries to promote education and legislation on environmental issues, etc.) (Part I and II of the NAAEC, [CEC, n.d.](#)).

The CEC's mission is "to promote the conservation, protection and enhancement of the North American environment for the well-being of present and future generations, in the context of economic, trade and social linkages" (CEC, 1997: p. 3). The Commission reinforces the weight of the NAAEC by "ensuring that member countries meet their commitments under the NAAEC" (Morin, 2008: p. 3).

With NAFTA, Wisner and Epstein (2005) observe a stronger regulatory environment in North America, creating a pressure or "push effect on companies to implement management practices that meet regulatory requirements" (see also Esty & Salzman, 2017; Epstein, Elkington, & Herman, 2018). In Mexico, the authors conclude that NAFTA's influence has "prompted the Mexican government to strengthen environmental regulations [...]" (free translation, Wisner & Epstein, 2005: p. 341).

NAFTA and its complementary side agreements are institutions designed, among other things, to encourage the adoption of EP by the organisations of the countries involved. These influences can lead to isomorphism in business practices.

2.4. A Major Common Partner: The United States

The United States is the leading export and import country for Canada and Mexico: since 1995, on average, more than 70% of both countries' exports have gone to the United States (StatCan, 2017), and almost 60% of their imports have come from the United States (OECD, 2018a, 2018b).

The intensity of trade and the interdependence of Canada and Mexico in relation to the United States have led to a convergence of business practices between dependent countries. With expectations and common markets dominated by the U.S. partner, corporate behavior tends to be similar, as companies respond to the same requirements, including their environmental practices. This convergence effect does not presuppose the intensity of environmental practices, but rather that they are similar between business partners. It's the effect of the organizational field that comes into play.

This perspective, that of convergence, of NI theory suggests the following general hypothesis: *The environmental practices of companies located in Canada and Mexico converge.*

2.5. Transnational Divergence between Northern and Southern Countries

Global convergence is challenged by divergence, which is based on the weight of national particularities specific to each country. The various national institutions (culture, history, system of governance, etc.) that form a nation's identity have an influence on the behavior of national companies that exceed external institutional influences (trans-national and international), so that we see dissimilar practices between companies in countries that are geographically close and often members of the same agreement (Hall & Soskice, 2002; Borges et al., 2020).

These particularities reflect political and social style and structure, culture (norms, governance, values), the education system (Igalens, Déjean, & El Akremi, 2008), the type of capitalism in place (Matten & Moon, 2008; Miroshnychenko, Barontini, & Testa, 2017; Borges et al., 2020), the national governance system (Hall & Soskice, 2002; Almatrooshi, Hussain, Ajmal, & Tehsin, 2018; Frig & Sorsa, 2020; Jackson, Bartosch, Avetisyan, Kinderman, & Knudsen, 2020), the historical tradition of a country (Albareda, Lozano, & Ysa, 2007) or region (Zueva & Fairbrass, 2021; Moon & Habisch, 2003). All these elements influence, among other things, companies' socio-environmental approaches (Roome, 2005; Carroll & Shabana, 2010).

Other important national peculiarities play a role in the behavior of organizations, particularly in relation to EP. Social structure, leaders' societal expectations, traditions (Moon & Habisch, 2003), the weight of economic institutions, history, culture and institutionalized compromises resulting from political alliances (Ghorra-Gobin & Azuelos, 2015) are all national trajectories that explain how companies approach and design EP.

For example, in countries where the culture is marked by a high level of individualism, companies perform better in terms of EP, with more explicit and significant initiatives (Ioannou & Serafeim, 2012). Roome (2005) also shows that the meaning of environmental management differs from country to country: in Germany, it is exercised through waste recycling, while in the Netherlands, it means innovating in the development of environment-friendly products. These different conceptions of EP emanate from institutional frameworks historically developed in various national contexts (Maon, Swaen, & Lindgreen, 2017).

So, to sum up, Canada and Mexico have different institutional characteristics, which could explain the differences in the EP of their SMEs. In this respect, it is appropriate to identify more specifically the factors of divergence between the two countries under consideration.

3. Differences between Canadian and Mexican Companies

Two specific factors of divergence stand out: the two regions' distinct histories and cultures, and their different levels of development.

3.1. A Distinct History and Culture

These two regions have developed differently over time, in terms of customs and traditions. Thus, the two regions can be distinguished from a cultural point of view: on the one hand, a culture of indigenous origin (Aztec and Mayan in particular) and Spanish-speaking, among others, with customs centered on the family and the perpetuation of traditions in Mexico (Zimmermann, 2017; Sharer & Traxler, 2006); while the other is rather individualistic, drawing its origins mainly from Western Europe (France).

Although differences could be noted between SMEs in Canada and Mexico, there are certain similarities that, since NAFTA, have increased. One of the main

characteristics is the objective of SMEs to integrate into an international supply chain and the standardization of processes (Romero-Ramírez, 2023), which has been evolving over the last 20 years.

Their cultural differences can also be observed using the Hofstede model, which measures the cultural traits of a region. The culture of Quebec and that of Mexico, as Hofstede defines culture as “the collective programming of the mind that distinguishes the members of a group or category of people from others” (Hofstede, 2011: p. 3), are presented in **Table 1**.

Table 1. Hofstede’s 6 cultural dimensions model.

Cultural dimension	Quebec	Canada	Mexico
Hierarchical distance	54		81
Degree of individualism	73		30
Uncertainty tolerance	60		82
Male/female dimension	45		69
Long- versus short-term orientation	Not available	36	24
Level of indulgence	Not available	68	97

The sources are numbered on a scale from 0 to 100; the higher the index, the more the dimension reveals hierarchy (1), individualism (2), intolerance (3), masculine inclination (4), long-range orientation (5), and indulgence (6). Note: table prepared from data available on [Hofstede-Insights \(n.d.\)](#), consulted on January 11, 2021.

Comparing the scores of the two regions, there are differences in all aspects between Quebec/Canada and Mexico. Mexico asserts itself as a hierarchical society with significant inequalities in the distribution of power, which is mixed in Quebec. Mexicans are more inclined towards collectivism; Quebec, on the other hand, seems to have a slightly more individualistic bent. As for the relationship with the future and the uncertainty it implies, in Mexico, people are fairly anxious and distrustful of the future, whereas Quebecers are more able to cope with uncertainty.

In terms of masculine versus feminine dimensions, Mexico is a rather masculine society where people live to work, being driven by competition and distinguishing themselves through achievement and success. Canadians, on the other hand, are more concerned with quality of life and enjoy what they do while caring for others (feminine society) (Hofstede, 2011; Hofstede, n.d.).

3.2. Different Levels of Development

Quebec is an advanced and developed region, known as the “north”, while Jalisco (Mexico) belongs to the “south”—a developing region. These two regions therefore have different socio-economic realities. The Human Development Index³ (HDI) places Canada in 22nd position (0.922 out of 1) among countries with a very high HDI, and Mexico in 105th position (0.767) ([PopulationData](#),

³The HDI takes into account health/longevity, level of education and standard of living; see Population Data (2018a) for a detailed definition.

2018a). The Environmental Performance Index [EPI] (The EPI is used to compare the performance of countries from an ecological point of view; see Joshua (n.d.) for a more precise definition) places Canada in 27th position (72.18 out of 100) and Mexico in 77th worldwide (PopulationData, 2018b). Life expectancy at birth is 82.6 years in Quebec (19th world position) versus 75.4 years in Jalisco—114th rank (Knoema, 2019). The infant mortality rate is lower in Quebec (4.2%) than in Jalisco (11.69%) (MIDE, 2020; StatQC, 2019; World Bank, 2019). The average number of years of schooling completed is 5 years higher in Canada than in Mexico (a gap of almost 40%) (World Economic Forum, 2020).

In terms of gross domestic product (GDP), Canada has a GDP per capita more than four and a half times higher (US\$46125/hb) than Mexico (US\$9698/hb) (PopulationData, 2018c; INEGI, 2023; ISDE 2019). The Global Competitiveness Index (GCI)—a more complex and multidimensional indicator that assesses a country's level of economic productivity—shows notable differences on most of the dimensions measured, placing Canada at 14th out of 141 countries (top ten percentiles of the most advanced countries in terms of economic productivity) and Mexico at 48th out of 141, for the year 2019 (World Economic Forum, 2020).

These two regions also differ in levels of governance. The *Worldwide Governance Indicators* [WGI] (Langbein & Knack, 2010), place Canada in the top percentile of the most advanced countries in governance, on five of the six indicators. Mexico performs less well than Canada (average of 43%), with weak governance levels on all six indicators, and is in the seventh percentile on average (calculated average rank: 38 out of 100)—a long way from Canada. Table 2 summarizes these indicators for each country.

Table 2. Governance level 2018 (WGI)—Canada and Mexico.

Indicators	Country	Canada	Mexico
		Governance level (Converted to %)	Governance level (Converted to %)
Voice and responsibility		80.4	49.8
Political stability and absence of violence		69.8	38.6
Government efficiency		84.4	47
Regulatory quality		83.4	53
Principle of law		85.4	36.6
Controlling corruption		87.4	32.8

*A high value means a high level of governance. Note: table prepared using data from WGI (n.d.), accessed December 26, 2019.

This perspective of NI theory, that of divergence, suggests the following general hypothesis: *The environmental practices of companies located in Canada and Mexico diverge.*

3.3. Crossvergence between Countries of the North and South

Crossvergence is based primarily on observation of empirical data from studies that depict a situation different from those described by the previous two situations (Ralston, 2007). It is found that national cultural values combine to generate a mixed value system (Ozturk & Cavusgil, 2019) in strategic business partnerships (Malik et al., 2021; Fan, Li, & Chen, 2017; Mishra & Sohani, 2020).

Crossvergence arises from the synergistic interaction of both socio-cultural and business influences (economic, political and technological systems) within a society, resulting in a unique value system (Ralston, 2007). In concrete terms, business forces lead to convergence and socio-cultural forces lead to divergence, all simultaneously. Such an effect does not mean that crossvergence is a state *between* convergence and divergence, but rather a different phenomenon in its own right, based on elements born of this interaction—a form of hybridization. Thus, when crossvergence occurs, companies develop a unique organizational culture under the influence of both the national culture of their country of origin, and the ideology and political, economic and technological orientation of that country.

This approach, that of crossvergence, suggests the following general hypothesis: *The EPs of companies located in Canada and Mexico neither converge nor diverge, but have unique configurations that combine elements of local institutions and the trans-national organizational field.*

4. Methodology

To test the various general hypotheses presented in the previous section, the EPs of SMEs in two different regions, but which share certain common institutions, are compared. SMEs in Quebec (Canada) and Jalisco region (Mexico) are targeted for this purpose. Indeed, these two territories, with populations of similar size, are exposed to common factors of influence that represent the convergence factors: 1) they are members of the same free trade agreement established over twenty-five years ago (NAFTA); 2) they have a common business partner (United States). On the other hand, they differ according to other characteristics, which are retained as factors of divergence: 1) their history and culture are different; 2) their level of development is also different.

A sample of 521 respondents from Quebec (409) and Jalisco (112) was drawn up. Executives of independent small and medium-sized enterprises (SMEs) (not affiliated with groups or larger companies) owning at least 75% of the capital of their assets, headquartered in Canada (for Quebec SMEs) or Mexico (Mexican SMEs) and employing between 5 and 250 full-time employees, were asked to complete the questionnaire. In both regions, they are representative samples, with a sampling error of 5%, which allows comparisons to be made between them.¹² Spanish questionnaires, processed by e-mail by staff at the Universidad del Valle de Atemajac (UNIVA) in Mexico, were selected and used. In Quebec, 409 questionnaires were collected by a survey company by telephone (67%),

lasting an average of 27 minutes per respondent, or via the online version set up (33%), lasting an average of 23 minutes. The survey took place between the beginning of December 2019 and February 2020.

The SMEs in the two samples compared are similar in several respects: around 80% of the SMEs surveyed in both Quebec and Jalisco are small (between 5 and 49 employees); 25% operate in intangible services (without material transfer), 38% in tangible services (with material transfer, e.g., shops) and 37% in tangible products. However, Jalisco's SMEs are younger.

4.1. Study Variables

The focus is on SME's EPs. Then, the links between these EPs in the two regions and a certain number of performance measures associated with these practices and recognized in the literature, are also the subject of empirical observations. This dual focus on practices and performance measures aims to mitigate the effect of social desirability bias. We will compare the intensity of the links in the two countries. Thus, by virtue of this bias, if respondents in one region or the other tend to assign high (or low) scores in their responses to questions about EPs, they will do so on both variables linked. In this case, the intensity of the link will be the same in both samples, regardless of the tendency to exaggerate or minimize scores in responses to survey questions.

Data was collected using a questionnaire on the integration of sustainable development in the SME context (United Nations, 2019). The initial questionnaire comprises 6 sections in which several aspects and constructs related to sustainable development and the characteristics of SMEs and their managers are considered. The questions related to the present article are those on PE (14 items) and on multiple performance measures (7 items). They are presented in the results section. Table 3 specifies the sources used to develop the questions addressed.

Table 3. Sources used to develop the questions addressed.

Number of items	Sources
14 items on environmental practices	Cassells & Lewis (2019); Jain, Vyas, & Chalasani (2016); Cassells & Lewis (2011); Brammer, Hojmosse, & Marchant (2011); Gadenne, Kennedy, & McKeiver (2009); Lindgreen, Swaen, & Johnston (2009); Courrent, Labelle, Spence, Ayuso, Navarrete-Báez, Chassé, & Omri (2015); Labelle & Aka (2010)
7 items on multiple performance measures	Martinez-Conesa, Soto-Acpsta, & Palacio-Manzano (2017); Lindgreen, Swaen, & Johnston (2009); Jenkins (2006, 2009); Pisani et al. (2017); Perrini (2006).

4.2. Specific Assumptions

Two groups of specific hypotheses divided into four sub-hypotheses are formulated:

Convergence

H1: The environmental practices of SMEs in Canada and Mexico are converging.

H2: Multiple performances in SMEs located in Canada and Mexico converge.

H3: The relationship between environmental practices and related multiple performances in SMEs located in Canada and Mexico is similar.

Alternative hypotheses to these three initial hypotheses would support the perspective of transnational divergence.

Crossvergence

H4: SMEs located in Canada and Mexico have unique (hybrid) environmental practices that crossverge.

An internal consistency test was carried out to verify the level of reliability of the two main constructs, PE and multiple performance. Cronbach's alpha scores for each region show satisfactory levels of reliability: 0.863 for PE and 0.744 for multiple performance—Quebec sample; and 0.960 for PE and 0.915 for multiple performance—Jalisco sample.

To test the hypotheses, comparisons of means, or t-tests, were carried out between the EPs of the two countries. T-tests were then carried out to compare the correlation coefficients between the PEs and the multiple performances of SMEs in the two regions. T-tests were also produced to compare correlation coefficients between PEs and multiple performances between the two countries.

5. Results

The average EP score is 2.5861 in Mexico, compared with 2.3652 out of 5 for Quebec, illustrating that SMEs in Jalisco are ahead of those in Quebec on EP (around 9.3% higher). (**Table 4**)

Table 4. Average environmental practices.

Region		N	Average	Standard deviation
Environmental practices	Jalisco	112	2.5861	0.70848
	Quebec	409	2.3652	0.80392

Table 5 shows the results of the t-test comparing means. There is a significant difference (other than chance: p -value less than 5% (sig. = 0.009 < 0.05) and $t = -2.641$) between the EPs of SMEs in Quebec and those of SMEs in Jalisco, at a significance level of 0.05.

Table 5. T-test for equality of means of environmental practices.

	T	Ddl	p (sign)	Diff. Average
EP	-2.641	519	0.009	-0.22092

Table 6 shows the results for each EP item. Jalisco outperforms Quebec on 9 items, for which the differences are significant in 7 cases, at a significance level

of 0.05. Quebec outperformed Jalisco on 5 items, with only 3 significant differences. In addition, the difference in scores between the two groups on all items is over 15%. Furthermore, the lowest and highest scores belong to Quebec SMEs.

Table 6. Environmental practices.

Region/Item	N		Average score		Standard deviation		<i>p</i>
	Quebec	Jalisco	Quebec	Jalisco	Quebec	Jalisco	
In the last three years, have you:							
1. Control the amount of waste and pollution generated by your activities	409	112	3.21	2.46	1.5152	0.86	0.000**
2. Use less raw materials per unit produced or sold	409	112	2.45	2.42	1.4291	0.83	0.817
3. Sensitize and/or train your employees about the environmental impacts and practices of your activities	409	112	3.17	2.53	1.4188	0.94	0.000**
4. Use less polluting vehicles or modes of transport (e.g. and/or optimize your distribution network)	409	112	2.16	2.54	1.3612	0.78	0.005**
5. Encourage and support your employees to use alternatives to the solo car for their commutes (e.g. carpooling, public transit, bicycling, etc.).	409	112	2.12	2.60	1.2953	0.84	0.000**
6. Use reusable, used or recycled materials as inputs in the production of your products and services	409	112	3.01	2.57	1.3330	0.90	0.001**
7. Use energy recovered from other sources (e.g. solar panels, kettle heat, geothermal energy)	409	112	1.60	2.52	1.1530	0.87	0.000**
8. Recover products your customers no longer use	409	112	2.19	2.36	1.4157	0.90	0.245
9. Try to recover and market the waste you generate	409	112	2.30	2.42	1.4911	0.89	0.402
10. Integrate environmental criteria into your purchasing decisions and supplier evaluations	409	112	2.72	2.71	1.3459	0.93	0.935
11. Consult your stakeholders (e.g. employees, suppliers, customers, creditors, etc.) about your environmental decisions	409	112	2.41	2.75	1.3010	0.88	0.009**
12. Establish the indicators you measure (e.g. pollution, waste, etc.).	409	112	1.79	2.75	1.1948	0.85	0.000**
13. Communicate your environmental actions to internal and external stakeholders (e.g. website, report, etc.).	409	112	2.05	2.81	1.2698	0.88	0.000**
14. Integrate your environmental practices into an explicit policy with objectives and action plans	409	112	1.94	2.78	1.2792	0.88	0.000**

**below the significance level of 0.05.

The analysis data shows, based on the significant differences, that Jalisco outperforms Quebec in mobility policies, use of alternative energy, and establishing measurement indicators that are shared with internal and external stakeholders. While Quebec outperforms Jalisco in environmental practices such as the con-

trol of pollutants and waste, through training in its labor practices.

As far as multiple performance scores are concerned, Quebec SMEs are ahead of their “southern” partners with an average score of 3.5 (out of 5)—an average performance 13% higher than Jalisco. (Table 7)

Table 7. Multiple performances in both regions.

Regions		N	Average	Standard deviation
Multiple performances	Jalisco	112	2.8227	0.65514
	Quebec	409	3.4729	0.45636

Table 8 shows the results of the t-test for comparison of means. There is a significant difference between the multiple performances of Quebec SMEs and those of Jalisco SMEs, at a significance level of 0.05 (p -value less than 5% (sig. = $0.009 < 0.05$) and $t = -2.641$).

Table 8. T-test for equality of means on expected positive impacts.

	T	Ddl	p (sign)	Diff. Average
Positive spin-offs expected	12.062	519	0.000	0.65023

Table 9 shows the results for each multiple performance item. On all items, Quebec significantly outperformed Jalisco, without exception, at the 0.05 significance level. On average, the difference in score between the two groups on all items is 18.7%.

Table 9. Positive spin-off items.

Item/Region	N		Average score		Standard deviation		<i>P</i>
	Quebec	Jalisco	Quebec	Jalisco	Quebec	Jalisco	
Against the following criteria and in comparison, with the previous three years, the results for the last fiscal year were:							
1. Sales figures	409	112	3.5575	2.600	0.8327	0.7030	0.000**
2. Profits	409	112	3.4034	2.560	0.8437	0.7200	0.000**
3. Customer satisfaction	409	112	3.6577	2.960	0.6932	0.8380	0.000**
4. Corporate image	409	112	3.6430	3.070	0.6750	0.8870	0.000**
5. Employee motivation	409	112	3.5183	2.790	0.6968	0.7610	0.000**
6. Cost reduction	409	112	3.1467	2.720	0.6774	0.8300	0.000**
7. Product and service differentiation	409	112	3.3839	3.040	0.6316	0.9040	0.000**

t-test comparisons of the means of the two groups on the two dependent variables lead to two conclusions: 1) SMEs in Jalisco are more proactive in terms of PE; 2) Quebec SMEs perform better in terms of multiple performance.

5.1. Analysis of Correlation Coefficients

The analysis of simple correlations between PEs and multiple performances aims to determine whether there is a link between them, and the strength of that link.

Table 10 shows the results of Pearson's simple correlations (r coefficients).

Table 10. Matrix of correlations between environmental practices and multiple performance.

	Jalisco		Quebec		Quebec and Jalisco	
	PE	Business case	PE	Business case	PE	Business case
PE	1		1		1	
Multiple performances	0.710**	1	0.130**	1	0.185**	1

**Correlation is significant at the 0.01 level (two-tailed).

In all three cases (Quebec, Mexico, Quebec and Mexico) significant positive correlations (r values indicate a proportional relationship between variables) are found, and the intensity of the relationship is much stronger among Jalisco respondents; whereas in Quebec, the relationship is relatively weak.

5.2. Correlation Coefficients: Fisher Transformation

Finally, to compare the strength of the links observed between PE and multiple performance, the Fisher transformation was used. Fisher's "Z" is used to determine the level of significance of differences between correlation coefficients (source...).

The results indicate a p value such that the correlation coefficient between PE and multiple performance is significantly different for Quebec SMEs and Jalisco SMEs, at the 5% risk. The relationship between PE and multiple performance is stronger for Jalisco managers than for Quebec managers ($p = 7.01$ is greater than $p = 0.975$, $Z = 1.96$).

5.3. Hypothesis Testing

Statistical tests validated the research hypotheses and invalidated those anticipating convergence. **Table 11** summarizes the validation status of the hypotheses presented at the start of this article.

Table 11. Status of hypothesis validation.

		Assumptions	Accepted	Rejected
CONVERGENCE	H1	EPs from SMEs in Canada and Mexico are converging.		✓
	H2	Multiple performances (business cases) in SMEs located in Canada and Mexico converge		✓

Continued

	H3	The EP—multiple performance relationship in SMEs located in Canada and Mexico is similar.	✓
		Alternatives assumptions	
	H4	The EPs of SMEs located in Canada and Mexico diverge.	✓
	H5	The multiple performances (business cases) located in Canada and Mexico diverge.	✓
DIVERGENCE	H6	The EP—multiple performance relationship in SMEs located in Canada and Mexico is different.	✓
	H7	SMEs in Canada and Mexico have unique (hybrid) environmental practices that crossverge.	✓

In light of these results, three things can be supposed: 1) National institutions have a preponderance over transnational institutions in influencing the EPs of SMEs in Quebec (Canada) and Jalisco (Mexico); 2) This preponderance of national institutions is also observed for performance measures in both regions; 3) Although there does not appear to be any crossvergence in terms of EPs and multiple performances, the results do point to a certain paradoxical phenomenon, whereby the EPs of Mexican SMEs are higher, while the associated performances are lower in Quebec. The following discussion focuses on this unexpected phenomenon that emerges from the results.

6. Discussion

At the start of this analysis, the convergence hypothesis was considered for two reasons: firstly, because of the growing intensity of trade generated by NAFTA, and secondly, because these two regions have been economically dependent on a common partner for over twenty-five years. The divergence hypothesis (alternative hypothesis) was based instead on the cultural and living standards differences between the two regions. The results of this research invalidate the convergence hypothesis, making a theoretical contribution to NI theory. In terms of influence for EPs in SMEs, national institutions predominate over transnational ones. This finding supports the position of authors who support the “adverse theory” (Capron & Petit, 2011; Hall & Soskice, 2002; Borges, Saucedo-Acosta, & Diaz-Pedroza, 2020), to the effect that national identity, derived from historical traditions and the founding institutions of nations (e.g. education, religion, type of capitalism), is the essential filter to be considered in studies of business practices.

The overriding consideration of this national identity is also essential in suggesting an explanation for an observation that is as interesting as it is unexpected: SMEs in Jalisco are more proactive in their EP, whereas Quebec SMEs

outperform those in the “south” in terms of multiple performance (business case). The relationship between EP and multiple performance is divergent between the two regions. As a result, SME managers have different concepts and expectations of being responsible in their business practices, from one region to another.

There seems to be a more pronounced phenomenon of legitimization on the Jalisco side, where SMEs, by setting up EPs, are more in search of legitimacy than in search of multiple performance than their partners in the “north”. Thus, SMEs in the South are more likely to set up EPs to meet the expectations of institutions, whereas SMEs in the North do so with a more economic, business case in mind.

This explanation is consistent with certain cultural traits identified in both regions: as observed earlier. Mexico is a society with a high hierarchical distance (score of 81 out of 100), in which the demands of power are considered important. “In societies with high hierarchical distance, it is generally considered disrespectful to challenge a more powerful party [...] there is a stronger inclination towards conformity [and] individuals are likely to do as they are told” (Bik & Hooghiemstra, 2018: p. 29, free translation). This could explain more advanced EPs on the Jalisco side than in Quebec.

On the other hand, the tendency to maximize utility functions and returns on investment is the hallmark of more individualistic societies. This could explain the higher returns for Quebec SMEs.

These observations and reflections suggest a link between certain traits of country culture, namely hierarchical distance and level of collectivism (the flip side of individualism), and motivations to engage in EPs in various regions. Schematically, the result discussed could be observed as depicted in **Figure 1**. Thus, the greater the hierarchical distance and the higher the level of collectivism (less individualism), the greater the search for legitimacy, regardless of the “business case” spin-offs.

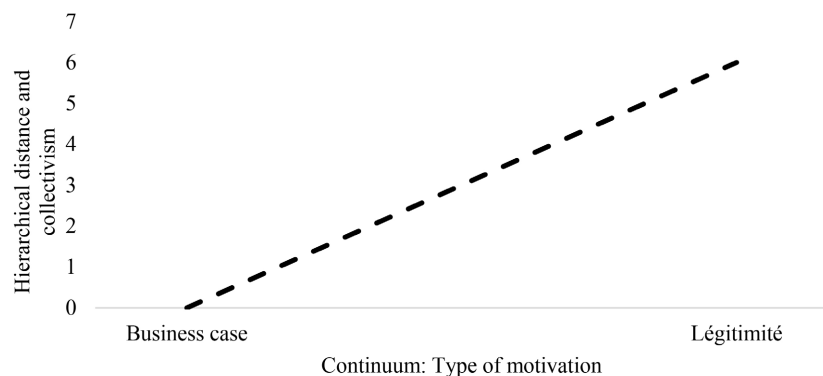


Figure 1. Links between EP and multiple performance.

Contrary, the less hierarchical distance and the lower the level of collectivism, the more the hoped-for spin-offs are focused on the SME’s own successes. This

is a hypothesis to be explored in future work.

7. Conclusion

It should be remembered that this study was carried out with a view to understanding which level of institution dominates the integration of EPs into SMEs in a context of intensifying trade: supra-national institutions, national and regional institutions, or a mix of these. The results of this research have invalidated the convergence and crossvergence hypotheses, and have given credence to a double divergence effect (reversed—one in one direction, the other in the other), behind which there is, in fact, a powerful phenomenon of unilateral institutionalization in the “South”. To explain this phenomenon, the following hypothesis merits further verification: SMEs in the “South” become involved in EPs essentially to meet their need for legitimacy vis-à-vis regional institutions, to a greater extent than Quebec SMEs. In this respect, Quebec SMEs would be more strategic, seeking multiple returns in their adoption of EPs. This hypothesis brings to the fore the importance of the nature of the motivations for adopting EPs, which are also linked to certain cultural traits specific to each country.

Finally, this study is not without its limitations. From a methodological point of view, one weakness of the analysis is linked to the Jalisco sample, which has fewer respondents than the Quebec group. The risk of bias is greater, and this reduces the representativeness of the Mexican sample, as well as the ability to generalize (robustness) results and interpretations. Nevertheless, the results obtained from a hundred or so SMEs reveal a phenomenon worth considering and investigating further.

Furthermore, at the theoretical level, the choice was made to focus on the ecological aspect of sustainable development, i.e., the EPs only. The analysis could be extended to other aspects of corporate SD, such as social, economic and human resource management practices.

Finally, the results of this study deserve to be studied in greater depth to ascertain the extent to which cultural factors could explain the stronger institutional effect observed among SMEs in Jalisco. A study that also takes into account managers’ values would provide such insight. Finally, it would be important to pay greater attention to NAFTA’s third participant—the United States—and measure the influence of the two regions’ interaction with this last player. These areas of improvement would clarify the picture, providing new and useful elements for a better understanding of what happens in complex free-trade zone relationships.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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