

CSR, Sustainability, Ethics & Governance

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Alessandra De Chiara

Implementing Sustainability Strategies in Networks and Clusters

Principles, Tools, and New Research
Outcomes

 Springer

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Outcomes

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*To my parents' energy, curiosity
and unconditioned love for life*

Preface

For some time now, and almost by chance, my strong interest and fascination with the study of sustainable development has prompted me to take a closer look at the impact of sustainability on the business world and, more specifically, how corporate competitiveness could effectively contribute to the welfare of the community.

During my studies, I have come to realise that sustainability is not just about philanthropy, nor is it the mere combination of marketing actions or initiatives mainly pursued by large enterprises to enhance their business image or reputation. Sustainable development and the relevant integration of its practices into corporate management precisely mean that by virtue of a business competitive model, both products and processes may acquire an ecological and a social value.

It is rather through the reformulation of a management process that many business resources and skills can be requalified, codified and channelled towards a more viable implementation. In this scenario, the competitive model would uphold the active role of small- and medium-sized enterprises and encourage cooperation with the entire supply chain while promoting the adoption of a multi-stakeholder approach.

In a win-win relationship, businesses, while striving to meet the growing demand for sustainable products and services, can keep abreast of competition (i.e. Asian competitors) through the implementation of a differentiation strategy based on quality and innovation. With a responsible view, enterprises may therefore not only restore a balance between the community and the ecosystem, but also ensure the inherent respect for human dignity.

This book directly addresses these issues and identifies in the ‘clustering-based approach’ the best viable solution for the practice of sustainable policies to enhance economic growth and social well-being.

Nowadays, economic systems and production process sustainability need formal recognition in a framework of integrated planning and implementation, especially in relation to a number of variables that have a clear impact on the development of initiatives and business sustainability strategies.

This work seeks to inquire as to the contextual factors relevant to the sector characteristics of local clusters and production centres.

The choice of the units of inquiry of business clusters and production centres is significant for two reasons. Firstly, the unbundling of the productive processes among many actors, namely subcontractors, service sectors and related activities, shifts the focus of sustainability from an ‘individual practice’ of a single enterprise to a networking and clustering one.

Individual practice for the protection of human rights and the environment has met with limited or no results due to the unethical conduct of other players in the sector. In order to achieve the very common good, it is important to share sustainability with a large variety of actors, create public/private partnerships and cooperate with the supply chain. In fact, through the creation of the correct contexts, it will be feasible to target actions in a collaborative fashion and legitimise the development of capital projects for their effective implementation. In so doing, sustainability becomes the real and genuine opportunity to establish collaborative interaction and partnership between the public and the private sectors.

The second reason refers to the entrepreneurial nature of the Italian economic-productive tissue, characterised almost exclusively by SMEs, for which, in order to foster corporate social responsibility practices (CSR), the literature has indicated, for large enterprises, the need to adopt a collaborative approach focusing on the *stakeholder theory*, while SMEs should rely on the concept of *social capital*. On the other hand, the institutions have proposed practical approaches based on dialogue with stakeholders (UNIDO 2007), or the creation of business clusters (i.e. business networks and business clusters) to boost growth and increase competitiveness (EC 2011).

Industrial districts represent a privileged organisational context to study SMEs’ sustainability initiatives, considering their strong ties to the territory and local communities.

The issue of sustainability in networks and business clusters is thus particularly significant, although the literature tends to address its distinctive features by mainly focusing on the perspective of a single enterprise (McGuire et al. 1988; Wheeler et al. 2003).

To bridge this gap, this work examines industrial clusters and production centres’ sustainability projects relevant to a number of enterprises sharing a high level of productive interdependence and stable relations based on trust. This interaction among firms creates the right climate for exchanging mutual resources and activities in order to improve them and strengthen the competitive position of their businesses. This work will therefore investigate the dynamics of sustainability management in industrial districts and production centres, and the relationships among stakeholders and identify suitable approaches and tools to foster engagement.

The text is divided into two parts. Part I relates to the theoretical background of the existing mutually interdependent relationship between the territory and the enterprises, especially SMEs, whose influence affects competitiveness (Chap. 1). More specifically, it analyses the contribution of classical economy, the theory of industrial districts, international marketing and territorial marketing researches in order to establish the value of the territory for business competitiveness.

By placing emphasis on the increasing belief that the territory is one of the key factors for strengthening the business competitive advantage, these studies seek to show that there are different ways for a territory to be competitive and various alternatives to create competitiveness. This part also identifies in social capital the strategic resource for the implementation of sustainability strategies in small- and medium-sized enterprises (Chap. 2). The relational nature, typical of these actors, has drawn attention to social capital and emphasised its significant strategic role, which, with a responsible view, would enable these actors to reinforce their relational resources. Relationships are thus vital connectors and the stakeholder engagement among the best viable approaches for sustainability development in small-sized enterprises. This chapter covers a literary review on the concept of corporate social responsibility, identifies the distinctive features of the sustainability strategy, describes business advantages and stakeholders' benefits, and highlights the distinctive aspects to be applied to supply chains, business clusters and local systems.

Finally, the next part covers the major role of engagement in the decision-making process and its undisputable value in the implementation of strategies and management tools to achieve sustainable development (Chap. 3). Different theoretical views on this topic have been investigated: the proposed model considers engagement as the foundation of modern knowledge as well as a means to develop cognitive capabilities by focusing on the individual subjective sphere through *intentionality processes* and on the social and collective dimension through *interaction processes*. This chapter provides principles and tools to manage engagement and ensure the sustainability and governance of business clusters.

Part II focuses on the empirical research of the eight main industrial districts and production centres in Campania, ranging from the leading *Made in Italy* industries, namely food and fashion (textile, tannery and footwear), along with jewellery products for their traditional value in the manufacturing sector and significant contribution to the local economic system. The purpose of the research and survey methods (Chap. 4) also includes direct interviews with the examined business clusters and production centres' representatives, and paves the way for a cognitive analysis of the current state of sustainability policies in compliance with the ISO 26000 guidelines for business clusters and production centres in Campania. At the same time, it provides an insight into the 'network projects' and their relevant operating procedures, objectives and benefits achieved (or meant to be achieved) in relation to the project beneficiaries, namely the network enterprises and the involved external actors (Chap. 5).

The final part of the work tackles the role of local public policies that brings to light a series of critical aspects in clusters' and production centres' sustainability management while investigating local institutions' initiatives to improve their current performances. This analysis shows that local authorities should find the right balance between legislation and the promotion of sustainable actions, thus enabling production centres and business clusters to adopt 'unique' models, which, as part of the cultural heritage of the region, would contribute to the social and

economic development of the community, while boosting their competitive advantage on a global scale.

The industrial policy should therefore enhance the production traditions of clusters and local expertise and take advantage of the full range of their unparalleled resources.

This book concludes by suggesting potential courses of action institutions should embrace to make the clustering-based approach a viable solution that enables SMEs to foster the implementation of adequate policies that would, in turn, confirm the validity of the so-called sustainable competitive model (Chap. 6).

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Part I
From Corporate Social Responsibility to
Cluster Sustainability

Chapter 1

The Territory and Business Competitiveness

Abstract This chapter examines the various theoretical approaches on the existent and mutually interdependent relationship between the territory and its businesses. More specifically, it analyses the contribution of classical economy, the theory of business clusters, international marketing and territorial marketing researches in order to assess the value of the territory for business competitiveness. Ultimately, by placing emphasis on the increasing belief that the territory is one of the key factors for strengthening the business competitive advantage, studies on this topic seek to establish that there are different ways for a territory to be competitive and various alternatives to create competitiveness. The chapter also investigates the valuable contributions of economic actors to the welfare of the community and explains how economic competitiveness/social compatibility and social wellbeing/economic wealth are inseparable pairs. By focusing on small-sized enterprises, of great importance is the mutually interdependent relationship between economy and society that becomes even more relevant when the economic system embraces the world of small businesses.

1.1 The Value of the Territory for Business Competitiveness

The influence of the territory on business competitiveness has been widely investigated in the theoretical debate, which has examined all salient aspects from different angles, and agreed on the undeniable value and power of the territory over business competitiveness.

The territory is a set of participants, interconnected individuals and constituencies (stakeholders) who influence the way a company is governed (Freeman 1984) and at the same time the business is influenced by the entire set of these relationships (Pivato et al. 2004).

A few authors have introduced the term *milieu* to underlie not only the set of natural conditions characterising a given territory, but also all permanent socio-cultural aspects rooted in a specific geographical area due to the historical

evolution of their intersubjective connections and ties to local environmental ecosystems (Becattini and Sforzi 2002). Actors, resources, activities and relationships are thus the territory core elements, which has led the territorial dimension to progressively emerge as a significant key of interpretation of how production is organised and implemented in different contexts.

Before examining the influence of the territory over business competitiveness, further consideration should be addressed to the concept of competitiveness in a particular geographic area. A useful insight into this concept can be found in the review of Aiginger et al. (2013), which defines competitiveness as “the ability of a country (region, location) to deliver the beyond—GDP goals for its citizens” (Aiginger et al. 2013, p. 9). Amongst the other proposed definitions (Table 1.1), there are those highlighted in 1992 by OECD, which suggested that the competitiveness of a country depended on its ability “to produce goods and services that met the test of foreign competition while simultaneously maintaining and expanding domestic real income” (OECD/TEP 1992, p. 237). Later in 1996, OECD described competitiveness as: (...) “the ability of companies, industries, regions, nations or supra-national regions to generate, while being and remaining exposed to international competition, relatively high factor income and factor employment level on a sustainable basis” (Hatzichronoglou 1996, p. 20).

The World Economic Forum defines competitiveness as “the set of institutions, policies, and factors that determine the level of productivity of a country” (World Economic Forum 2000, p. 4). On the same line, the Institute for Management Development (IMD), in *The World Competitiveness Yearbook*, reports that “competitiveness is the ability of a country to create added value and thus, increase national wealth by managing assets and proximity and integrating these relationships into an economic and social model” (Institute for Management Development 2000, p. 37). In 2011, the European Commission stated, “Ultimately, competitiveness is about stepping up productivity as this is the only way to achieve sustained growth in per capita income—which in turn, raises living standards” (EC 2011, p. 26).

These definitions seem all to agree on the idea that the competitiveness of a country becomes apparent under two major conditions: the position of international trade and the improvement in human wellbeing in terms of employment rates and economic wealth. There are critical voices on the interpretation of a country’s competitiveness based on its economic capacity to sell more abroad than its ability to buy abroad. In fact, some researchers believe that the trade surplus might be perceived as a country’s weakness. At the same time, competition between countries, unlike those among businesses, is not a zero-sum competition. However, the economic and productive growth of a specific region may be a source of opportunities for other economic systems¹ (Krugman 1994). Put it another way, the strengthening of a territory does not necessarily mean the weakening of others, on

¹Krugman asserts that the real comparison amongst geographic areas lies in the level of internal productivity. A country’s major objective is to improve citizens’ standards of living, based on its level of productivity, labour management and capital used. Productivity depends, in turn, on the quality of products/services offered in the country and the efficiency of the production in place.

Table 1.1 The most relevant definitions of competitiveness of a territory (adapted from Aiginger et al. 2013)

<i>Scott-Lodge</i> (1985): "...a nation state's ability to produce, distribute and service goods in the international economy... and to do so in a way that earns a rising standard of living"
<i>Aiginger</i> (1987): "Competitiveness of a nation is the ability to (i) sell enough products and services (to fulfil an external constraint); (ii) at factor incomes in line with the (current and changing) aspiration level of the country; and (iii) at macro-conditions of the economic, environmental, social system seen as satisfactory by the people"
<i>Hatsopoulos et al.</i> (1988): "The proper test of competitiveness, then, is not simply the ability of a country to balance its trade, but its ability to do so while achieving an acceptable rate of improvement in its standard of living"
<i>Porter</i> (1990): "The only meaningful concept of competitiveness at the national level is national productivity"
<i>Competitiveness Policy Council</i> (1994): "The ability to sell products on international markets, while incomes in the domestic markets increase in a sustainable way"
<i>IMD</i> (1994): "World competitiveness is the ability of a country or a company to, proportionally, generate more wealth than its competitors in the world markets"
<i>European Commission</i> (1995): "...ability to increase or to maintain the living standard relative to comparable economies (e.g. developed industrialised countries), without long run deterioration of external balance"
<i>OECD</i> (1995): "...the ability of companies, industries, regions, nations or supra-national regions to generate, while being and remaining opened to international competition, relatively high factor income and factor employment levels"
<i>Oughton-Whittam</i> (1997): "long run growth in productivity and hence rising living standards, consistent with increasing employment or the maintenance of near full employment"
<i>World Economic Forum</i> (2000): "Competitiveness is the set of institutions and economic policies supportive of high rates of economic growth in the medium term"
<i>European Commission</i> (2001): "the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis"
<i>Porter</i> (2004): "True competitiveness, then is measured by productivity ... Here, we define competitiveness concretely, show its relationship to a nation's living standard.... The micro-economic foundations of productivity rest on ... the sophistication of competition in the country ... and the quality of micro-economic business environment in which they operate"
<i>European Commission</i> (2011): "Ultimately, competitiveness is about stepping up productivity, as this is the only way to achieve sustained growth in per capita income—which in turn raises living standards"
<i>Janger et al.</i> (2011): "... define competitiveness as the ability to raise standards of living and employment, while maintaining a sustainable environment and sustainable external balances"
<i>Delgado et al.</i> (2012): "Foundational competitiveness" is "the expected level of output per working-age individual that is supported by the overall quality of a country as a place to do business" and "Competitiveness is what underpins wealth creations and economic performance"

the contrary, if different areas are mutually interconnected, they all may benefit from the development achieved by one of them. Furthermore, worthy of note is Porter's (1990) interesting view based on the assumption that no country manages to be competitive in all sectors: it is not the entire production system of a nation to be competitive, rather each single sector or supply chain.

Recently, much consideration has been paid to the assumption that the analysis on regional competitiveness cannot exclusively focus on objective factors (per capita GDP or per capita benefit) as they may have different meanings for all subjects and therefore, subjectivity might inevitably lead to a divergent interpretation of these parameters. Furthermore, viewed through another prism, some researchers assert that a specific region's competitiveness may be measured in terms of the quality of the provided conditions along with those factors indicated as having a positive effect to its physiological growth (Vallesi 2010). Indeed, other researchers claim that for a territory to be able to attract external investments it definitely needs to understand the rationale behind the choices of business location involved in global growth (Napolitano 2000).

Ultimately, there are different ways for a territory to be competitive and various alternatives to create competitiveness. However, it is also worth considering those who believe that the geographical comparison cannot be examined in terms of "competition" alone and that even more frequently "the physiological evolution of a region and the use of its resources take place through the development of adequate forms of cooperation with other territories (trans.)" (Caroli 2006, p. 41).

Returning to businesses, they are part of the territory in which they operate and develop; they receive positive impulses from it and yet are subjected to its constraints. The analysis of the relationship between the business and its territory shows that the relationships between public and private actors are capable of determining the evolution of the environmental context and their businesses. From the systemic-vital perspective (Golinelli 2002) a territory is the result of a constantly evolving presence of different actors and resources in a given space able to develop activities and relationships (Cafferata 1996; Garofoli 2003; Rullani 2003; Caroli 2006). The territory, while playing an active role in the production dynamics ceases to be considered as a container and becomes a real reservoir, a complex and unique relational space able to attract resources to the benefit of all participants contributing to its evolution.² The territory is thus, viewed as a relationship system, which is consistently and functionally built up and reshaped by all its actors, who all together help create a sense of identity and belonging (Del Baldo 2012). The enterprise does not relate to the territory passively, but considers it as a complex entity that creates an industrial atmosphere in which it is assisted and supported towards achieving a long-lasting and sustainable competitive advantage (Simone and Barondini 2012).

²The competitiveness of a geographical area lies in its ability to ensure market competition amongst all its actors. In order to foster that potential, the territorial system implements lifelong learning strategies to contribute towards enhancing its heritage with material and immaterial resources and facilitate their use with all players involved (Caroli 2006).

The business, firmly rooted in a specific territory, reflects the place it lives in, or rather, it is the result of all its territorial, demographic, cultural, social, institutional and economic variables. However, its competitiveness will not only depend on its internal resources, but also on the system operating in that specific area, which is nothing but the reflection of the ongoing interrelation between the environment and the business. It is clear that major business performance cannot simply be inferred to its ability to establish relationships in the socio-cultural context in which it is embedded, but it is rather the strategic business approach that determines the development of these interactions (Vacca 1994).

The heated theoretical debate about how the different territories compete, involves various disciplines, which, while all complying on the assumption that the territory may contribute to enhancing business competitive advantage, they question at the same time when and what advantages the territory may be able to offer.

1.1.1 The Territory in Classical Economics and the Concept of Comparative Advantage

Starting from the classical theories of mercantilism, the wealth of a territory has been measured in terms of its gold and silver stocks and governments have always been striving to expand such stocks by maximizing the gap between export (promoting) and import (discouraging). According to Smith's *absolute advantages theory* (1776), the wealth of a country was linked to free trade including import, which allowed the acquiring of unavailable resources that would otherwise compromise production in specific sectors. However, a country needs to export goods and services where high productivity is guaranteed and import those goods and services where productivity is lower. Later Ricardo, in 1817, affirmed that rather than consider the absolute advantages, it was necessary to observe the productivity differentials and relate them to the opportunity costs, namely the actual purchasing value of goods. On this basis, each country should specialise in what they can do best and rely on the value of money in trade relationships. In 1933, Heckscher-Ohlin's *theory on the relative factor endowments* (Ohlin 1933), described the diversity of resources endowment among countries and stated that a nation will achieve a production advantage for those goods requiring an extensive use of resources (production factors) which are relatively abundant locally.

Territorial influence is mainly summarised in the concept of *comparative advantage*. From its first forms, in macroeconomics approaches, comparative advantage was determined by low input costs and later on by labour productivity. In classical approaches, the advantage was strictly tied to the availability of local goods and the differentiated endowment of resources coupled with technological expertise and managerial skills. These definitions have therefore explained the regulatory factors in international trade relationships.

The evolution of theoretical thinking then embraced approaches that would contemplate a joint assessment of nation, sector and business determinants (Vernon 1966; Richardson 1977; Horst 1972; Hirsch 1976; Buckeley and Casson 1976; Dunning 1977). In seeking a response as to why particular nations achieve international recognition in specific industrial segments or sectors, Porter (1990) managed to give his contribution by explaining the role of domestic environment in international competition in *The Nations Diamond* model. The conditions, at all local level affecting the achievement of business competitive advantage on the international markets are outlined in this model and are as follows: actor conditions, demand conditions, related and supporting industries, strategies, structure and rivalry among businesses on domestic market, government policies and culture.

The most recent interpretations on the concept of comparative advantage go beyond the traditional constraint of factor endowments inalterability (Porter 1991; Hunt and Morgan 1995) and focuses on the transferability of such advantage, the replicability of international business general advantage, its mobility factors (geographical specificities) and their efficiency in the target country (tacit knowledge) (Hu 1995).

Nowadays, the study of a region's attractiveness is definitely more complicated because the examination of all factors expressing their economic advantage covers a broader set of determinants including economic, political, socio-cultural and religious variables (Stampacchia 2001; Caroli 2006).

1.1.2 The Territory in Business Clusters

Studies on business clusters have also shown how the variety of places and relationships from one location to another is essential to the creation of competitive advantages (or disadvantages) for both the country and its business clusters.

In the idea of business cluster there is an interconnection between economic-production and socio-cultural conditions, which significantly contribute to business profitability. With the term *industrial atmosphere*, Marshall, in 1919, encompasses the joint action of a value system, the institutions and the rules for the development of a local community. The author favours a holistic vision of the local system and explains how the exploitation of productive knowledge and the development of innovative incremental-based processes may be achieved through a thick network of relationships.

Subsequently in those contributions where the survey unit shifts from the district system, dear to Marshall, to the business integrated in a cluster, the business cluster should behave differently from the isolated firm or the firm belonging to another production system. As the district affects the business as a whole, it creates the basis for the industrial atmosphere to shape its socio-cultural, historical and production distinctive features, and influence the business behaviour accordingly (Ferrucci and Varaldo 1993).

The impact of socio-cultural and institutional context on business economy becomes apparent, mostly through human capital behaviour, which, in turn is shaped by the country traditions and intrinsic values rooted in a given environment. Hence, the ‘quality’ of the socio-cultural context, which is a key point in business cluster competitiveness, as it may give rise to formidable competitiveness differentials for those irreducible or hardly reducible factors that are fundamental parts of a system-nation cultural identity and cannot travel from one nation to another (Vaccà 1993).

The industrial district’s theory explains that external economies spreading throughout the territory are the result of the grouping of small-specialised businesses. Such status quo would enable SMEs to recover in particular those cost-effective economies, which would be otherwise the exclusive purview of larger enterprises.

Even though global markets tend to diminish the role of geographic location in competitiveness, Porter (1998) objects that configuration is a major factor in competition (*paradox of location*) and “clusters represent a new way of thinking about location” (Porter 1998, p. 78). It is nonetheless true that it would be no more sensible to resort to the traditional multi-functional cluster, considering the attractiveness of business functions fragmentation in geographical location, and therefore clusters should be designed around a solid specialised function/activity in order to better serve a large variety of industrial sectors. This very consideration has led many researchers to speak of “nodes” and “hubs” (Mills et al. 2008).

Nowadays, the renewed interest in clusters appears to have its grounds in its role as a development vector for local economies. In literature, the relationships between “businesses, external economies and economic development” and technologies, spillovers, agglomerations, and regional economic development have been extensively investigated (Feser and Bergman 2000). The position of regional clusters (Feser et al. 2009) for the economic performance of sectors, has shown how those sectors belonging to a strong cluster have significantly brought an increase in employment, income rates and innovative developments (Delgado et al. 2011). In this respect, the in-depth study on the business cluster is a good way to fully explain their major contributions toward boosting depressed areas, and the impact of regional clusters on local entrepreneurship (Porter 2000) competitiveness, and developing and transitional economies (Ketels et al. 2006).

The concept of industrial atmosphere can therefore boast additional contributions by identifying three ways clusters may affect competition (Porter 1998): (1) it increases business productivity by providing better access to workers and suppliers, which reduces transaction costs and ensures better access to technical information and public goods; (2) it drives innovation through interconnected relationships within the cluster; (3) it promotes the development of new businesses.

A growing number of researches highlights the positive tie between clusters and the number of patents (Feldman 1999; Braunerhjelm and Feldman 2006); between clusters and new business development (Saxenian 1992; Rosenthal and Strange 2003); between clusters, per capita GBP (Ketels et al. 2008) and income levels (Gibbs and Bernat 1997; Wheaton and Lewis 2002).

In brief, the regional business clusters are a formidable source of innovation, knowledge transfer and productivity improvement, and therefore their development needs to be widely supported by governments (Mills et al. 2008). The creation of a cluster is a major key factor in the economic growth of a region as it offers a way to see development, the role of enterprises, governments and institutions under a new light (Porter 1998).

Through clusters and their resulting advantages, both national and local governments need to “create an environment that supports rising productivity (...) they must ensure the supply of high-quality input such as educated citizens and physical infrastructure. They must set the rules of competition” (Porter 1998, p. 89). In short, a cluster faces a new public and private challenge while showing the interdependent relationship among all its actors.

The European Union has recently issued *The European Cluster Memorandum* report (2007), on a multi-country programme to promote innovation through clusters development. Public initiative has significantly grown worldwide: in 2003, the *Global Survey* identified more than 500 cluster initiatives, their level of effectiveness and the key factors of success (Solvell et al. 2003). In detail, they are as follows: the leading role of industry; State and local decision-makers’ commitment; the involvement of all interested organisations; the creation of a broad consensus on the vision; the initial financing and self-financing in the long-term period; the connection with other important actors including regional partnerships for the economic development and cluster initiatives in other areas.

Any public policy for clusters should support three factors viewed as critical for their success: skills and abilities (human resources), networks and partnerships (collaboration), and organisational capabilities to generate innovations (Mills et al. 2008).

1.1.3 The Territory in International Marketing Studies

The international marketing studies focus on the concepts of the *country of origin impact*, *made in*, and *country-of-origin effect* to stress the influence on the industrial origin of products in the purchasing decision-making process, taking into account consumers’ propensity towards those products whose technological and operational characteristics are highly recognised in the countries where they are produced.

In literature, the *country-of-origin-effect* among the goods’ extrinsic qualities may play a different role according to social contexts, the selected product and the specific consumer’s characteristics (Bertoli et al. 2005). This issue has however, been tackled from different angles.

The meaning of geographical origin seems to be essential for those businesses that nowadays tend to articulate the value-added chain on a supranational level. In this respect, as opposed to the first approach, which identified a product country of origin with the very place a specific good is manufactured/assembled (Bilkey and

Nes 1982), or where its registered office is (Johanson et al. 1985), by the term *country of origin*, the country/product identification takes place irrespective of the country in which the product is manufactured. On the other hand, the term *designed-in country* indicates the place where a product has been conceived, namely the product planning or design, whereas the *made in country* refers to the country of production (component manufacturing) (Nebenzahl et al. 1997).

In literature, another investigated aspect relates to the *country-of-origin-effect*, namely the impact a specific good of a country of origin has on consumers' choices.³ The underlying assumption is that the image of the country of origin of a product in a consumer's perception is used as a 'substitute of information'. It is then a factor that may have a *halo construct* in the decision making process in case the consumer has no direct experience with products coming from a specific country or otherwise a *summary construct* if it relates to previous purchasing experiences (Bertoli et al. 2005). In addition to the previous buying experiences, also stereotypes (globally widespread preconceptions rooted in specific aspects of local culture, economic and socio-political system, history, religion, etc.) contribute towards the creation of a specific image (Papadopoulos and Heslop 1993).

Furthermore, also the conditions empowering the information relevant to the country manufacturing the product exert some influence on the consumer buying process (Usunier 2002; Laroche et al. 2005). Amongst the examined variables there are⁴ the consumers' characteristics, such as socio-demographics variables (Johansson et al. 1985), ethnocentric and patriotic tendencies (Watson and Wright 2000), traditionalistic and nationalistic feelings (Gürhan-Canli and Maheswaran 2000), product features and/or associated country—the predicate *made in*, relying on the specific production tradition of the country of origin, can enhance the competitive advantage of national offerings (Roth and Romeo 1992), economic factors (Manrai et al. 1988) and brand features (Kotabe and Helsen 2009).

In theory, no doubts remain as to the need to adopt the so-called *multi-clue* approach when examining this issue, since it allows for assessing the impact of the made-in factor, not in irrefutable terms, but in relation to other variables, which as part of people's decision-making process mitigate the country of origin effect (Peterson and Jolibert 1995).

Another view on this matter relates to the *made in* appeal when planning and managing the relationship between the image of the country and its manufactured products. This, in fact, turns out to be rather challenging for businesses that wish to apply a strategic value to the geographical origin of a product. Roth and Romeo's contributions (1992) provide useful insights into managing the country of origin effects. The authors indicate different operational stages from the identification of product-country associations to the continuous measuring of target segments in major foreign countries along with the implementation of a specific plan and strategy to enhance or neutralise both positive and negative effects of product internationalisation

³For an in-depth analysis, reference should be made to the work of De Nisco (2006).

⁴For a detailed analysis, reference should be made to Bertoli et al. (2005).

accordingly. However, it is difficult to find proper management tools to implement an image strategy. A few Italian authors have given a significant contribution to these studies. In literature, business internationalisation often stresses the difficulties of SMEs in fostering marketing investments to achieve a clearly defined international profile (Cafferata and Genco 1997). Scarce financial and managerial resources (Krake 2005) and low awareness of strong brands effects (Merrilees 2007) are the limiting factors preventing SMEs from adopting a brand policy. On the other hand, beyond partnership and alliances (Becattini and Menighello 1988) the country of origin valorisation can be identified as another possible solution (Guerini 2004), although a few researches have underlined the problems linked to the need of portraying the image of a country, albeit its positive made in effect, through marketing and promotion planning (Dobni and Zinkhan 1990).

1.1.4 The Territory in Territorial Marketing

In the territorial marketing area, the starting point for the study of the territory, and the understanding of its value, is the very concept of territory, for which administrative requirements need to be overcome to the benefit of an in-depth analysis across the creation of its value networks. The shift from a static vision, which describes a well-defined framework, to a dynamic one, identifies the thick network of actors involved in it and makes it possible to highlight the creation of a relationship network (Casieri and Marotta 1998). The territory, however, is not a condition but an 'intermediate space', developed not only by the interaction of local players (enterprises, states, banks, trade unions, etc.) (Gilly and Torre 1998), but by a composite product, characterised by the co-existence of physical structured and transitional features and immaterial elements, as well as of relationships between actors and services, whereby those interactions add value to the territory (Caroli 2006).

The territory, intended as an interaction space, encourages reflection on the existing connection between resources, relationships and the ability to achieve a competitive advantage, which can be examined by implementing marketing strategies to the territory.

Some Italian researchers assert that the existence of global precompetitive dynamics and exchange of relations between the territory and its public (*stakeholders*) treat the territory as a business and justify the adoption of marketing policies to manage it (Valdani and Ancarani 2000). It has furthermore been pointed out that both local systems and large enterprises are social constructs that share similar purposes. From a static viewpoint, the common aim lies in reducing the transaction costs in societies and economies characterised by the growing fragmentation of decisional centres; in a dynamic setting, the analogy clearly finds its grounds in the need to reduce uncertainty in the decision-making processes of an evolving environment (Gibelli 1996).

The attempt of some authors to apply a hermeneutic approach, as suggested by the scientific discipline of business marketing, to provide all territorial players with

an analysis and intervention tools capable of generating a surplus of territorial value, in terms of costs, differentiation and quality, has not yet been welcomed by all. To the natural pairing of “marketing” and “territory”, others suggest to examine this combined relationship through the analysis of the *territorial market*: in so doing the territory becomes itself the active player with specific entrepreneurial functions (Kirzner 1973), designed to maximise the value of relationships. It is most likely that those differing positions are the result of a dissimilar interpretation of the *territorial marketing* concept. By examining only a few positions, it is possible to note that territorial marketing is much more complex than it might appear in the first place and that most certainly its scope stretches far beyond communications and territorial promotion (Flipo and Texier 1992; Kotler and Armstrong 2009). Other researchers assert that the key assumption lies in accepting that, from an epistemological standpoint, all principles, methods and marketing purposes cannot be uniquely applied to a profit oriented business, but need to be extended to any generally defined organisation interacting with a specific target community (Kotler and Levy 1969; Guatri et al. 1999). Another rationale includes the argument of *analogy* during the exchange processes between public and private organisations and *efficiency*, achieved through marketing efforts, which define the objectives for market penetration and interacting partners’ persuasion (Krantz and Schätzl 1997). The position of those who recognise the territorial marketing’s two-sided nature has been widely shared as it identifies a *method* for planning and implementing economic development policies for the territory while recognising its strategic operational and articulate *function* (Caroli 2006).

In order to talk about territorial marketing, it is essential to explain that the territory triggers exchange dynamics with its current and potential target community and as a no-profit oriented ‘common good’ that will not exclusively focus on the economic development, but support the creation of a public value to improve the quality of life of its residents. However, territorial marketing has the potential to enhance exchange relationship processes not only within a specific geographic area, but also on a broader level, allowing for the growth/maintenance and deterioration of territorial value. The key assumption, in this discipline, is that, in order to enhance the environment and the society it is essential to act on territoriality intended as the dynamic relationship between its social actors and the territory itself including material and immaterial factors. In so doing, territorial competitiveness will increase as the cohesion among the actors living within the territory strengthens. Its competitive capacity includes the ability to create or acquire, within its scope, both material and immaterial factors to best achieve a specific and sustainable development process; create the best ‘environmental’ conditions to those factors, which need to grow and express their potential on the territory (Caroli and Tantalo 2010).

The territorial system’s competitiveness is thus the synthesis of territorial *attractiveness* of resources and the ability to *metabolise* them to the benefit of all its players, contributing, in turn, toward its physiological evolution.

Nowadays, the economic actors are more commonly referred to as *territorial systems* as they are made of a production system in a specific area, towns,

infrastructures, universities and services located in the same territory, along with businesses, institutions, which, even if geographically distant can be included in that network system. The territorial competitiveness is then progressing toward establishing itself in differentiation and specialisation, which relies on its ability to create internal and external relationship networks.

Among these competitiveness system factors, strategies of local actors also come into place to foster territorial competition and business advantage within the territory in order to attract new investors.

1.2 The Value of the Territory for Small- and Medium-Sized Enterprises

The mutually interdependent relationship between the business and its geographic location within its community is even stronger in SMEs, often described as ‘local businesses’, deeply rooted in the territory where they belong and from which they draw on resources, often unavailable or difficult to be produced internally.

The territory then plays a new crucial role in the production dynamics, being no longer seen purely as a container, but a reservoir, a complex, unique space difficult to emulate (Rullani 1999). Subject to the different social ‘intelligences’ and abilities it encompasses, the territory is a major resource in the face of the new uncontrolled complex escalation that needs to be turned into a global competitive advantage (Rullani 2003; Becattini 2000; Garofoli 1999).

SMEs would not be able to be innovative without ‘working together’ with other local system’s players, and therefore, the territory and business mutually shape one another. The territory becomes an active participant able to attract and keep all production investments to increase employment and available income rates to globally support local development (Morelli and Monarca 2007).

Focusing on the studies of business management, the theory on industrial districts mostly relates to SMEs as it well explains the proximity among enterprises to extended benefits in terms of production and innovation by lowering the transaction costs, improving dissemination of information and drawing the attention of local institutions. The three keystones of the cluster theory, highlighting the territorial value for SMEs’ competitiveness, are external economies, collective efficiency and social innovation (Garofoli 1983).

The external economies depend on the build-up of knowledge and specific skills acquired over the years, which allow a privileged access (often at zero cost) to particular resources and ensure a competitive advantage for industrial districts (Garofoli 1983). Such economies would enable SMEs to recover those cost-effective economies, which would otherwise remain an exclusive preserve of large enterprises.

The collective efficiency, achieved through the relationship of the division of labour and the complementarity among businesses, whereby the relative efficiency

of each business relies on its partners' efficiency, improves the productivity of each business and increases the system effectiveness as a whole.

Finally, social innovation describes the socialising process that leads to the integration of technological innovation, knowledge and expertise as well as the technological and organisational adjustment process, which with specific innovative notions and their small incremental improvements are consistent with the level of knowledge gathered in the local system.

The cluster relationship culture and the advantages gained by SMEs' participation may create a competitive advantage not only nationally, but also worldwide. The relationship network SMEs are involved in, triggers cross fertilisation mechanisms that foster the development of adaptability and explorative learning required by the internationalisation processes (Cantù and Gavinelli 2008).

There would be a strict correlation between the competitive strength of a territory and the international competitiveness of its businesses as described in the territorial heritage of material and immaterial resources affecting efficiency. This has all been identified in input costs and their conditions of use, its production capacity conceived as a learning opportunity and innovation and in the quality of location meant as relational system and quality of life that would bring about a competitive advantage in terms of productivity and differentiation capacity (Caroli 2006).

The studies on SMEs' international development have highlighted the importance of the territory as a source of unavailable resources and competences that are hard to be produced internally (Cavusgil 1980; Czinkota and Tesar 1982). In small-sized enterprises, the internal production of knowledge and capacity, especially on international markets, appears to be severely compromised by the diseconomies of scale, which emerge as the level of expertise exceeds a certain threshold (Grandinetti and Rullani 1992). However, the major barriers to SMEs' international activities development are not the challenges/opportunities posed by the market since businesses themselves provide limited resources and capacities all the same (Nothdurft 1992). Other researchers relate to SMEs' difficulty in implementing the necessary marketing investments so as to achieve a clearly defined international recognition (Cafferata and Genco 1997). Therefore, they have hypothesised the possibility of resorting to the enhancement of geographic origin along with the use of partnerships and alliances (Guerini 2004). In reality, for several SMEs, the territory is the very differential against foreign competition or rather the resource to focus on to consolidating their presence internationally.⁵

The geographic area may then show potential benefits for its central role in the business, in competitive advantage terms, through the relationships with other enterprises in other regional contexts.

Business competitiveness, especially in the case of SMEs, is also connected to the quality of local economic systems. Local systems become cognitive systems

⁵Plenty of references can be found in the industrial cluster theory and in the studies on SMEs' international development processes (Cavusgil 1980; Czinkota and Tesar 1982).

(Rullani 2003) and in an economy of intangibility and knowledge, they are the real and genuine opportunity for the Italian SMEs (Rullani 2004). Considering the economic variables, several researches stress the importance of social and territorial variables connected to conditions determined by structure and social cohesion, territorial organisation and institutional governance and relations among enterprises, respectively, in order to explain SMEs' competitive and innovative capacity (Becattini 1989; Fuà 1983).

In local systems, the environmental, territorial and institutional factors are paramount in the process of knowledge internalisation as they develop the ability to relate on a local and global level. The survival of local systems highly depends on the ability to manage two borders (Rullani 2003). Internally, through inclusion, allowing the inhabitants who work in a given region to gain access to its background (tacit, contextual and shared knowledge), available at low cost (either contractually or not), considering the cognitive permeability of the local system. Externally, through exclusion, preventing those who do not live or work in the local system from having access (even paying) to specific knowledge produced by local activities.

The territory is thus, a breeding ground, a resourceful reservoir that creates an industrial atmosphere with its social, cultural, historical and productive components.

In hindsight, the impact of the territory is even more significant for SMEs' competitiveness if the local system is an industrial district or, just as importantly, the territory is an essential productive factor, suffice to say the many *doc* (controlled designation of origin) and *dop* (protected designation of origin) products manufactured in specific areas (De Chiara 2012). However, the business responsibility to examine the existence and the beneficial characteristics of a particular area and how effective they may be in the different target markets-countries. The uneven domestic assets distribution (resources, capacities, relationships) of the structure of demand and technology in different foreign markets results in a different efficacy of comparative advantages for the business (De Chiara and Minguzzi 1996).

The business ability to 'tie relations' and build consensus and confidence around the organisation and the entrepreneurial project allows for the continuity of business activities, although the mutual interdependent relationship between enterprises and host communities is also valuable for the local system. As already indicated, SMEs create a tangible return to the community, through for example training courses, local cultural events, environment friendly initiatives (EC 2007). SMEs have a major impact on the surrounding community and their efforts significantly contribute to the civic participation in the economic development of the area (Joseph 2000). Therefore, as crucial as the relationships among businesses might be SMEs' involvement in the local system and the radicalisation of the region it resides in is strategic. From different sources and scientific perspectives, the importance of keeping relations with the system, businesses, the local environment and the entire community has been widely emphasised. The "re-coupling" between business and external/local environment (Iannone 2007), is essential to SMEs: "Economic and social responsibility, but also gratuity, solidarity and participation are the

ingredients for the development and economic upturn of local regions driven by SMEs, which, also draw from the territory the conditions of diversity and identity (trans.)” (Del Baldo 2009, p. 91). The relationship of mutual exchange between businesses and communities often disrupts, and the territory inevitably goes from being a positive asset, as it is central to the competitiveness of business and vice versa, to a negative resource whereby the local area and the community stops supporting businesses. On the other hand, businesses may also be unbeneficial to the territory. In this event, the examples are plain to all: instances of polluted regions and local governance policies that are inconsistent with the industrial identity of territories are considerably increasing. Likewise, businesses exploiting and polluting their territory without providing any real benefit for its development is becoming an even more widespread practice.

In these circumstances, the arising questions are the most varied: what happens when the territory goes from being a resourceful pool to a hostile enemy?

In what circumstances would the negative image of a country undermine its business competitiveness, both on the domestic and international market?

If the territory ceases to be a breeding ground and becomes hostile, the different economic actors operating in it will not only be unable to benefit from its resources and achieve a comparative advantage on foreign markets, but they will also be affected in terms of investments and costs to stem the inefficiencies caused by the local system. On a global level, if the relationship between product/enterprise/country is discouraging, literature suggests that the business itself should take steps either to improve product performances efficiency or borrow a different country-image, for example by operating in other countries, or more simply cooperating with businesses of different origins (Roth and Romeo 1992).

1.3 Social Capital and SMEs' Competitiveness

The relationship factor is a distinctive feature in SME (Birley 1985) and at the same time a significant vector for the development of strategies based on the ability to maintain informal relations through networks participation (Marchini 1995). Size and the informal nature of relationships weaved within a small-sized enterprise facilitate internal interactions whereas external relations contribute to increasing stakeholders' reliability and building trusting relationships with partners. The small-sized enterprise has hardly any bargaining power to superimpose its own conditions unlike larger businesses, namely multinationals, that can influence the communities in which they operate. Therefore, the ability of a small-sized enterprise to build a good trusting relationship, develop consensus, legitimisation and reciprocity with its partners is essential for pursuing long-lasting performances (Spence et al. 2003).

The concept of *social capital* relates to “the connections among individuals to social networks and the norms of reciprocity and trustworthiness that arise from them” (Putnam 2000, p. 19), “to improve society efficiency and the coordination of

their actions” (Putnam 1993, p. 167). It is a concept that has caught the interest of economists (Woolcock and Narayan 2000), sociologists (Coleman 1988), political scientists (Ostrom 1994) and managers (Nahapiet and Ghoshal 1998) since, as Putnam says, “(...) bringing together people from different backgrounds and perspectives (...) are better for linkage to external assets and for information diffusion (...) is good for undergirding specific reciprocity and mobilizing solidarity” (Putnam 2000, p. 22).

Trust is a key factor in social capital: Putnam and Fukuyama classify various paths of development that were popular during the post-war period in the industrialised countries and base their theory on the analysis of this component. Dasgupta as well stresses the important role of trustworthiness and argues that the presence or absence of trust has a bearing on whatever we choose to do and especially what we can do.⁶

SMEs ability to network with other businesses relying on relational skills is viewed as a major aspect in the face of growing competition (Spence et al. 2001), to offset the lack of efficiency of small-sized enterprises, to broaden product and service offering, reduce market response times, improve supplies efficiency and counteract the bureaucratic difficulties (Goffee and Scase 1995). Nowadays, businesses, especially the small ones, are increasingly being required to beat off competition not so much at business level, but regionally. Thus, a new territorial competition in which the strategic role of external economies and local policies is at play begins to emerge. Local actors’ strategies are also amongst business competitiveness’ factors to win competition (Caroli 2006; Napolitano 2000). As the relationships between businesses supply chains, interconnected supply chains and the surrounding context, (local institutions) get stronger, the social capital value becomes more important, whereas networks appear “multi-faceted”, in their effort to achieve major objectives to the benefit of businesses and the community (Spence and Schmidpeter 2003).

The intangible resources of reputation, trust, legitimacy and approval are the social capital basic ingredients (Spence et al. 2003, 2004), which tend to be self-reinforcing and cumulative. The ability to create virtuous circles among businesses and institutional players naturally leads to social balance, high levels of trust, cooperation, civic engagement and collective wellbeing. “Social capital is a potentially critical aspect for small business life” (Spence et al. 2003, p. 18) and therefore SMEs do not reflect a micro-cosmos, on the contrary they justify their operational activities by interacting with the social and environmental context in which they are integrated.

While businesses operate to broaden their relational circle with other economic and institutional players, institutions work to develop policies and services for businesses with the aim of exploiting networks, their backgrounds and improve territorial skills and vocations (Iannone 2007).

⁶References for analysis are to be found in the work of Pollitt (2002).

Institutions play a major role: “local solutions of civic-engagement and self-regulation are playing an increasing role in guaranteeing successful interaction in everyday-life” (Spence and Schmidpeter 2003, p. 96); “role of associations in generating growth depends on their ability to improve the performance of individual firms through offering selective benefits (such as information and advice), through collective supports it is important for society also to build-up structures where SMEs will be enabled to enhance their contribution to the common good” (Bennett 1999, p. 593).

It is thus possible to observe, on one side, the role of business in its effort to exploit its social capital to create a single network, impregnated with the regional cultural traditions and background only if capable of enhancing the relational, social and cultural tissue of production sites. On the other side, institutions striving to find balance among all players integrated in a network, which is bound to become a trusted resource for local development.

The entrepreneurial and social/institutional world cannot and must not live separate lives, as it is essential to develop relations between businesses, the system and the environment, in other words the “re-coupling” between business, the external and local environment (Iannone 2007).

Economic competitiveness and social compatibility as well as social wellbeing and economic welfare are pairs that can fully explain the interdependent relationship and mutual exchange of economy and society whose value becomes particularly significant when the economic system is primarily made up of small-sized enterprises.

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Chapter 2

Social Capital and Sustainability Strategies

Abstract The chapter identifies in social capital the strategic resource for the implementation of sustainability strategies in small- and medium-sized enterprises. The relational nature, typical of these actors, has drawn attention to social capital and emphasised its significant strategic role, which, with a responsible view, would enable these actors to reinforce their relational resources. Relationships are thus vital connectors and the stakeholder engagement amongst the best viable approaches to sustainability development in small-sized enterprises. The chapter covers a literary review on the concept of corporate social responsibility and identifies the distinctive features of the sustainability strategy while describing business advantages and stakeholders' benefits. It is highly important for a SME to be part of a network or a business cluster considering their amplifying impact on relationship-building strategies. Supply chains, clusters and local systems are thereby privileged survey units especially in the view of the growing productive processes de-verticalisation and the Italian economic and productive tissue primarily characterised by small and medium-sized entities. Through an overall review of literature, the chapter investigates the concept of sustainability in these networks, from their conceptions to the underlying motivations and conditions for success. It also identifies the need to establish a link between business social capital, productive systems competitiveness and institutions in order to create to "unique" sustainable networks bearing the economic and cultural characteristics of their local contexts.

2.1 Engagement and Social Capital for SMEs' Sustainability

The prospect of social capital is a useful means for identifying and altogether suggesting SMEs' sustainability paths.

In literature, the study of corporate social responsibility (CSR) in large enterprises should be based on the *stakeholder theory*, whereas SMEs should focus on the concept of *social capital* (Perrini 2006) while engaging in responsible conducts

by virtue of their strong ties to the local system (Harvey et al. 1991; Perrini and Tencati 2008).

It is undoubtedly more complicated for a single small-sized enterprise to adopt responsible conduct compatible with the standards for the protection of the environment and human rights as outlined in the international guidelines (Global Compact 1999; OECD for multinationals 2000, 2001, ISO 26000, etc.). By contrast, social responsible behaviour in supply chains and networks is more likely to be feasible for SMEs, considering their opportunity to share costs, gather the contributions of each actor and make a real impact on sustainable development. In this respect, precisely because SMEs play an important part in the supply chains, the adoption of ethical conduct in line with environmentally friendly production processes and strategies along with the respect for human dignity and social inclusion should not exclusively be the concern of a single actor. Conversely, such behaviour should apply to the majority of entities in the supply chain to increase the level of sustainability with positive impact on the entire community while preventing the unethical misconduct of others from undermining their efforts.

This insight, although influenced by the different production chains, may be applicable to several organisational structures of production processes. Nowadays, the tendency to refer to business in terms of “processes” clearly shows that the running of production processes goes generally beyond the organisational boundaries and requires the active participation of different units either inside or outside the business. Furthermore, the logics of competition and global research excellence have nourished the unbundling of production processes along with supply chains de-verticalisation and encouraged businesses to oversee primarily those highly effective activities or processes whose distinctive resources and skills may significantly boost their competitive advantage. The supply chains showing an increased division of labour and a high business specialisation in different activities widely support the aforementioned rationale (De Chiara 2013). In these circumstances, therefore a low environmental impact, human rights protection and recognition may be the effective outcome achieved by the joint efforts of all parties within or outside the supply chain in a broader network dimension.

In SMEs, the ability to maintain relationships and build confidence among stakeholders is considered the strategic resource par excellence. If social capital is a strategic asset, its management is strategic too (De Chiara 2012). For the purposes of responsible social capital management, SMEs will be able to strengthen the relationship nature of these actors (De Chiara 2012), in other words, the corporate social responsibility will help increase SMEs’ social capital. Several scientific contributions have underlined the existent positive relationship between responsible behaviour, its ecologic and/or social value and the possibility to enhance businesses relational nature by improving the social capital (Thompson and Smith 1991; Spence et al. 2003; Perrini 2006). In a self-referenced circle, the higher the confidence gained by management and/or entrepreneur, the less complex the governance (Jones and Thomas 1995). If social consensus and the enterprise’s overall credibility is

high, the conflicts with stakeholders and transaction costs will be consequently minimised and the image of the business on the market inevitably enhanced.

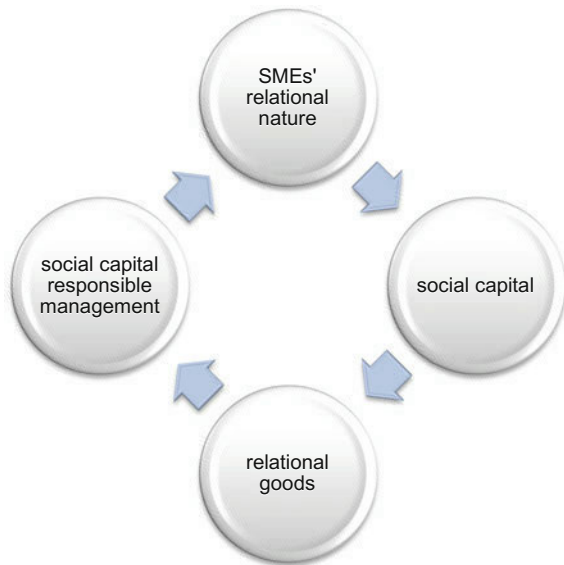
The abovementioned resources are non-material, exclusive, non-replicable, inimitable and the result of interactions fuelled by the continuous proliferation of well-established professional relationships between the business and the stakeholders. These resources are thus, at the base of the long-term performance of SMEs. Their undisputable value is also measured in terms of business evolution, which is even further down the road of virtual relationship implementation where trust becomes essential to the smooth running of activities and relation development (De Chiara 2005).

This virtuous circle describes the relational nature, typical of small-sized enterprises and brings *social capital* and the *relational goods* to the fore while stressing the strategic importance of social capital management and its function in responsible conduct. In fact, such conduct aims to enhance both social capital and the relational goods value—confidence, consensus, credibility, etc.—making clear for SMEs that sustainability principles should be applied through a network-based approach (Fig. 2.1).

These accounts clearly indicate the way forward to foster sustainable behaviour in SMEs: by developing socially responsible processes and policies on the base of their social capital asset.

In literature, several contributions have identified in some characteristics of SMEs' compatible traits for the adoption of socially oriented behaviours placing special emphasis on the influence of subjective sphere, the importance of internal and external relatedness, the rooting enterprises and their entrepreneurs (Spence et al. 2004). At the same time, their inclination to the good of the community, their

Fig. 2.1 Virtuous circle: identity, social capital and SMEs' sustainability



strong sense of identity and attachment to the land and relevant socio-economic background, contribute altogether to the definition of SMEs as “territorial enterprises” in terms of their abilities to intertwine with their local contexts (Del Baldo 2009).

Thus, relationships are vital connectors and stakeholders’ engagement has increasingly become the most viable approach for the implementation of sustainability plans. This approach meets at least two objectives: (1) it enables SMEs to apply corporate social responsibility strategies; (2) it has a clear and effective impact on the entire community through the implementation of sustainability basic principles, namely respect for the environment and human rights.

In this highly globalised scenario, sustainable-driven strategies become, among other things, a safe differentiation factor and a generator of competitive advantage, ensuring the enterprise enhanced visibility and increased profit margin (Molteni and Todisco 2008). Unfortunately, as pointed out by several international organisations, SMEs hardly engage in responsible conduct, probably due to cultural or financial barriers. In this respect, United Nations Industrial Development Organization (UNIDO) (2007) prompts the need for SMEs to provide a forum for dialogue with internal and external stakeholders to enhance confidence through consensus building and mutual satisfaction of needs.

In fact, all those advantages, extensively illustrated in literature, are the result of direct engagement and collaboration of different actors allowing cost sharing and effectiveness of sustainability operations. Furthermore, by pursuing cross-business synergy initiatives it is possible to identify and implement common activities including training programmes, professionalisation of human resources or joint actions for suppliers, customers and local communities. Sharing initiatives with other partners is crucial to effective cost sharing and the success of operations.

Being part of a local network or a business cluster is particularly significant for SMEs from a relational standpoint. A cluster facilitates interrelationships within the social, historical and business contexts, and contributes to the tightening of the bond with the actors involved. Social capital reinforces itself through proximity to businesses, which enables them to share knowledge and economic, human and material resources.

The business cluster also creates the conditions for enterprises to operate as meta-organisations (Battaglia et al. 2010), namely as single entities bearing the homogeneity and proximity of their industrial activities. Clusters may then encourage the dialogue with institutions and act as drivers for an integrated approach of all the actors to pursue common goals (Iraldo 2002). It is therefore essential for those SMEs integrated in a multi-stable system, including more interacting systems, to build collaborative relations with the existing local players— institutions, suppliers, sub-suppliers, trading systems—in order to quickly and easily manage both processes of adaptation and change. Institutions, in turn, act

either as mediators or as active proponents of dialogue to foster common sustainable development strategies (Antoldi et al. 2008; Battaglia et al. 2010).

Establishing a special bond between the business social capital, the production systems competitiveness and institutions is the pre-condition to enhancing territorial specialisation and regional distinctiveness, which allow the identification of sustainable paths to requalifying regional processes and products, boost local economy and improve its competitive advantage.

The collaboration with institutions, community and businesses is crucial, especially at a time of limited economic resources, private and public alike, and therefore, the creation of networks and the development of new synergies are the key premise to improve efficacy and efficiency of operations. The crisis of recent years has led to serious difficulties that are plain for all to see, i.e. business closures and staff reductions, which can all the same act as incentives for businesses, especially the small-sized ones, to open up to different forms of collaboration (Villa and Antonelli 2009; Massaroni and Ricotta 2011). On this line, European researchers have identified a steady increase of networks and clusters (EC 2009) and the European Commission, while backing up the operations of each enterprise, primarily favoured the implementation of accompanying measures in support of business networks and production centres to foster sustainability strategies, growth and competitiveness.

Enterprises and stakeholders—trade unions, workers, consumers, third sector organisations, and civil society—play indeed a key role in facilitating the processes of change and the involvement of the financial sector to encourage access, especially by small firms, to capital and credit (EC 2011).

A few Member States have developed new models to promote business co-operation. *The network business agreement* is an Italian example, which was set up to help entrepreneurs cooperate with each other by exchanging information or industrial, technical and commercial services to implement activities and projects in their respective fields of expertise so as to increase both individual and collective competitiveness.¹

Trust is an essential ingredient for collective action and yet it does not ensure alone the effective implementation of operations, neither does it in terms of benefits for all partners. With a view to sustainable planning, it is necessary to adopt plans and joint sustainability actions and entirely integrate them in the cluster strategic planning (UNIDO 2008). Individual practices have limited results, whereas partnerships' collaboration with supply chains also internationally, and public/private multilateral agreements, are critical for the development of exhaustive programmes ensuring better business performances and good results for all the stakeholders involved.

¹This measure enables businesses to come together while maintaining the autonomy and the independence of each so as to enter into a collective agreement, which fosters aggregation between micro-enterprises and SMEs.

2.2 The Theoretical and Institutional Background of the Concept of Sustainability

The main stages of the international project leading to the definition of sustainable development are outlined in the Table 2.1.

Reference should also be made to the UN Secretary General's initiatives: in 1983, the World Commission on Environment and Development was set up to develop a global agenda on change while the Global Compact, a sort of 'global agreement' based on a more inclusive and sustainable global economy, was being launched in 1999. In 2000, the OECD issued *The Guidelines on Multinational Enterprises*, later updated in 2011, with the aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide (OECD 2011); in November 2000, worthy of note is the initiative of the International Labor Organization with the *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social policy*.

Europe, in line with the above-mentioned initiatives, defined its strategy for sustainable development in 2001 (Commission of the European Communities 2001), later reviewed in 2005 (Commission of the European Communities 2005), and established, among other priorities, the principle of the integration of environmental concerns into those European policies indicated as having an impact on

Table 2.1 The main stages of sustainable development

1980—World Conservation Strategy Report prepared by the International Union for the Conservation of Nature and Natural Resources (IUCN), with the advice, cooperation and financial assistance of the United Nations Environment Programme (UNEP), and the World Wildlife Fund (WWF)	Sustainable Development is maintaining essential ecological processes and life-support systems, preserving genetic diversity and ensuring the sustainable utilisation of species and ecosystems
1987—World Commission on Environment and Development (United Nations Brundtland Report)	Sustainable Development has been defined as “the development which meets the needs of the present without compromising the ability of future generations to meet their own needs” (p. 16)
2000—Millennium Summit 2002—World Summit on sustainable Development	The concept of sustainable development has been broadened and divided into three specific scopes including the environmental, economic and social dimensions
2002—OECD	“Consumption of goods and services that meet basic needs and quality of life without jeopardizing the needs of future generations” (p. 2)
2010—Centre for Sustainable Enterprise	“A way of doing business that creates profit while avoiding harm to people and the planet” (web site)

the environment. The strategy, completed in the Communication of Lisbon 2000, intends to become the reference point for policy-makers and public opinion alike, in an attempt to contribute towards changing the community's attitude. It focuses on the promotion and protection of human rights, solidarity among generations as well as on the principles of a democratic society involving citizens, economic/social actors to ensure politics consistency, dissemination of the best possible knowledge and precautionary and causality principles. The "knowledge society" Europe intends to build, needs to rely on sustainable development through an extensive training programme enabling a significant number of actors to pursue shared objectives and scientific and technological innovation with the collaboration of universities, researches institutes and other bodies. In this respect, in order to foster production and products/services consumption with low environmental impact affecting consumers' behaviour accordingly, economic and financial means need identifying. Furthermore, the Commission and Member States need to carry out a joint action programme to improve European funding efficiency and encourage the dialogue among public bodies, national and European, including ONGs, the private sectors—consumers and social partners—for a full mobilisation of efforts by all stakeholders.

A broadening of the concept of sustainability to the social dimension ensures fair distribution, adequate standards of social protection, human and civil rights protection as well as respect for minorities, gender equality and international relations balance (Tencati 2007).

The double environmental and social dimension embedded in the concept of sustainable development is also expressed in the concept of sustainable consumption. This term, adopted at the Symposium in Oslo in January 1994, refers to: "The use of services and related products, which respond to basic needs and bring a better quality of life, whilst minimizing the use of natural resources and toxic materials, as well as the emissions of waste and pollutants over the lifecycle so as not to jeopardise the needs of future generation" (Sustainable Development Knowledge Platform-UN). In so doing, the institutions intend to define the purchasing behaviour of green and ethical products as well as identify responsible conduct in terms of consumption, usage and disposal of goods.

On a business level, the origins of the sustainability concept, better known as corporate social responsibility (CSR), go back even further and its historical evolution is characterised by an embarrassing number of scientific contributions.

The criterion used to describe the main evolutionary stages of this term lies in the identification of those definitions, which serve as a guidance for its origins and cover different scientific, institutional and geographical viewpoints.

The origins of the CSR concept can be traced back to the American school. Around the 30s, a few schools of thought encouraged primarily managers to fulfil social obligations over and beyond the profit from use of goods or services. Among major contributions, *The Function of the Executive* by Barnard in 1938, the *Social Control of Business* by Clark, in 1939 and in the *Measurement of the Social Performance of Business* by Kreps, in 1940.

The first author who stressed the social role of enterprises was Barnard in 1938. In fact, he highlighted the importance and the influence of the external environment on manager's decision-making processes. However, Bowen (1953) offers his best contribution by underlining the importance for the entrepreneur to pursue policies, make decisions or take actions in line with the objectives and values of our society.

Even though the reference addresses exclusively the manager's individual responsibility, these approaches offer some insights into an innovative way of doing business, for which the enterprise is seen as an entity capable of affecting, more or less directly, the other aspects of the surrounding reality.

During the same years, however, literature also provides controversial and opposite views to the abovementioned vision. In particular, Friedman, in his book *Capitalism and Freedom* (1962), claims this vision to be rather subversive as it diverts the enterprise from its key task of maximising shareholders' profits, also known as the business owners. Later, in 1970, such a position became apparent in the article *The Social Responsibility of Business is to Increase its Profits*, where the author affirmed that "There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud".²

Friedman's strict viewpoint has gradually been overcome by other authors: in the 60s, Davis defined CSR as "the businessmen's decision and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis 1960, p. 70), in which both the power and social responsibility bond was crucial. During the same time, Frederick (1960) emphasised the business impact on the territory and claimed that the economic meaning of production lay in the possibility to enhance global socio-economic welfare. McGuire, in 1963, reaffirmed the need for businesses to oversee not only economic and legal obligations, but also the responsibilities beyond them. Walton (1967) defined CSR as "the new concept of social responsibility recognizes the intimacy of the relationship between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals" (Walton 1967, p. 18). Walton's merit lies in introducing for the first time the voluntary nature of business, which, in fact, should act on a voluntary basis and not under the effect of any external coercion while being able to sustain all costs, not necessarily profit-related.

In the last twenty years or so, the responsibility ownership was entirely attributed to the enterprise, whereas at the end of the 70s, Carroll provides an enlightening insight into the topic. Through a pyramidal structure, he illustrates the priorities all businesses should consider while defining their conduct and pursuing their objectives. In a bottom-up structure, *economic* responsibilities, which are the enterprise's primary and unescapable priorities, lie at the ground, followed by the *legal* responsibilities, considered the essential prerequisite in a functioning society and the *ethical*

²The work and the quote can be found on the University of Colorado Boulder website.

ones calling for the adoption of proper and fair conducts. Finally yet importantly, come the *discretionary* responsibilities meant to improve the standards of living beyond legal requirements (Carroll 1979). Later on, in 1983, the author rectified his previous definition by replacing the *discretionary* with the *philanthropic or voluntary* responsibilities, namely free business actions set to improve the community's quality of life by means of funding and human resources.

Around the 80s, the impulses provided by these contributions fostered the development of some branches of research, that is to say the *stakeholder theory*, *business ethics* studies and the *corporate social performance*.

The stakeholder concept, firstly used in 1963 by the Stanford Research Institute to indicate all actors involved in business activities (Rusconi 1988) was furtherly explored by Freeman, in 1984. Freeman, in fact, defined stakeholders as a group of individuals expected to be influenced or influence the achievement of corporate goals. He classified them into two types: *primary stakeholders*, including groups or individuals as being functional to the enterprise's survival—shareholders, employees, customers, suppliers and public institutions—and *secondary stakeholders*, namely each identifiable subject affecting or being affected by business' operational activities in terms of products, policies and work processes (Freeman 1984). The *stakeholder theory*, in Freeman's initial approach (1984), does not take people's value system into consideration. It was not until 2005 that, after many attempts to re-define and overcome the limits of the first contribution,³ a more explicit characterisation of business responsibility with a view to stakeholder relationship management was developed.

According to Donaldson and Preston (1995), ethical problems are indeed crucial in furthering the stakeholder concept. The authors claimed that it is important to specify which version of the stakeholder theory one is referring to. In fact, the stakeholder theory can be applied, in descriptive terms, considering the business as a combination of cooperative and conflictual interests among stakeholders; in functional terms, ensuring the effectiveness of stakeholders' relationships management whatever the purpose of the business; in regulatory terms, identifying in stakeholders' concerns the aims and not simply the corporate means.

Between the end of the 70s and mid-80s, a line of research called *business ethics* in America began to focus on the role of moral aspects and ethical values considered as the foundations of business behaviour. In general, *business ethics* studies have strongly contributed to furthering the notion of business social responsibility, especially by favouring CSR's double approach: the so-called *strategic vision*, which identifies potential advantages, not necessarily in economic but reputational terms, and the *ethics vision*, which prompts businesses to adopt proper conduct first because it is right, just and fair.

³One of main criticism made of Freeman's contribution is that it overlooks moral and value aspects while focusing exclusively on a business strategy for profit maximisation. Furthermore, the lack of a precise definition of useful means to identify the real stakeholders' characteristics has been subject of criticism too. The risk is to create a broader and Omni comprehensive theory.

The mainstream of studies on *corporate social performance* (CSP) starts spreading at the end of the 70s in the United States thanks to Carroll's valuable contribution (1979). The corporate social performance is due to the integration of three dimensions: *corporate social responsibility*, *corporate social responsiveness*, complying with the expectation of societal mores and ethical norms, and the *social issues*, namely the objectives or specific key areas of concern the enterprise aims to address. In this respect, in 1979, Sethi, in his article *A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Response Patterns*, splits the corporate social performance into three-dimensional framework, which includes: *social obligations*, assessing the business responsiveness to legal and market requirements, *social responsibility*, namely complying with social values and moral norms beyond societal obligations and *social responsiveness*, which describes the active role of businesses in anticipating social needs and expectations.

At the beginning of the 90s, *the stakeholder theory* and *business ethic* studies had paved the way for further reflections on the issue.

At institutional level, the Committee for Economic Development (CED), as already in 1971, in the *Social Responsibilities of Business Corporations* states "business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. In as much as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public" (CED 1971, p. 16).

Also Europe delivered a contribution on this subject, earlier in 2001, by publishing a CSR definition in the Green Paper whereby it describes social responsibility as "(...) businesses' intention to integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (CE 2001, p. 7). Furthermore, in the last communication, *A renewed EU strategy 2011–14 for Corporate Social Responsibility*, the European Commission defines CSR as "the responsibility of enterprises for their impacts on society" (EC 2011, p. 6).

Several Italian authors have given their contribution to further investigate this concept. In this respect, worthy of note is Sciarelli's contribution, who in 1999 and later on in 2007, depicted business social engagement through tridimensional model based on the principles of solidarity and trust (*corporate social responsibility*), processes (*corporate social responsiveness*) and policies (*issues management*).

According to Sacconi (2005), corporate social responsibility is "an enlarged corporation governance model for which, who governs the corporation has responsibilities concerning the observance of trust duties regarding both property and in general all stakeholders as a whole (trans.)" (Sacconi 2005, p. 114). Furthermore, the author redefines the business ethics concept as "the study of the set of principles, values and ethical standards that govern, or should govern, the economic activities (trans.)" (ibidem-p. 257). Under this definition, business ethics is considered as a form of 'ethics applied' to institutions and economic practices.

During the same period Molteni (2004), referred to social responsibility as “the tension of the enterprise and, therefore, of corporate executives to meet, in ever-increasing extent, going beyond the law requirements, the various stakeholders’ legitimate social and environmental expectations as well as the economic ones, by carrying out its activities (trans.)” (Molteni 2004, p. 4). In the Italian debate, Perrini (2007) argues for responsible businesses to pin down, measure, monitor and assess the environmental, social and economic impact of their own practices. CSR is thus, based on “the integration of economic, environmental and social objectives (triple bottom line) while leaving a discretionary choice to the interaction with all stakeholders involved (trans.)” (Perrini and Pivato 2007, p. 77). On the other hand, Gallino (2007) reaffirms the limitations arising from the adoption of responsible conduct that would exceed the legal requirements enforced in a given territory. The author calls into question businesses sensitivity and asserts that corporations need to focus on all those cases in which local law is inconsistent with internationally accepted moral values and principles. This aspect refers to the principle laid out in the report on social responsibility of transnational corporations published in 1999 by the United Nations Conference on Trade and Development (UNCTAD). Therefore, Gallino summarises the CSR definition: a responsible enterprise is considered as such on an economic, social and environmental level, when it chooses to integrate in its decision-making process, including the strategies and the management of production units, the norms, the clauses, the suggestions, the prohibitions, recommendations, the obligations, ethical rather than legal, of international conventions and agreements. On this line the enterprise also needs to consider the consequences of their violation or avoidance, irrespective of the law enforced in countries in which they have headquarters and/or in others countries where they are represented by subsidiaries, or supply and sub-supply chains (Gallino 2007).

2.3 The Distinctive Features of a Sustainability Strategy

CSR is a concept intimately connected to the way an enterprise is conceived and therefore its purposes. It is certainly clear that it would have never appealed to a neo-classical type of business in which the owner/entrepreneur played the all-encompassing role and much less to that indicated by the Charnegie School, which, while relying on multiple business actors, it highlighted its submissive attitudes to adjust externally. Nor would it have broken through a vision of a corporation seen as a “third entity” endowed with self-regulation capacities, and yet, still unable to play an active role in its context and serve a social function that would be compatible with its economic objectives.

The most creditable corporate vision on responsible conduct and its contribution to the wellbeing of the community is provided by *the stakeholder theory* (Freeman 1984, 2005). Firstly introduced in all its meaning by the Stanford Research Institute (1963) and further re-interpreted by Freeman (1984, 2005), the stakeholder concept

identifies different categories of individuals, which, either are influenced or influence the achievement of business goals. However, it is in Clarkson's contribution, in 1995, that the classification broadens the concept to all potential stakeholders while considering them as those individuals or groups of people indicated as having expectations, shares, rights or interests in the past, present or future practices of a business.

The *stakeholder theory* is the foundation of corporate social responsibility, as it identifies the need in business management to comply with the concerns of all stakeholders involved. This condition prompts the enterprises to strike a balance between their economic objectives, maximise shareholders' profit and meet stakeholders' expectations. According to the concept of equity (fairness), which should guide the business in its management, and with reference to all stakeholders' categories, "the *stakeholder theory* opens up the field to an ethical governance by appealing to moral principles and values (trans.)" (Del Baldo 2009, p. 66).

A business has, by its very nature, a social function due to its internal and external relationships.⁴ It establishes external relations by retraining resources and offering goods and/or services. This exchange should occur in a competitive fashion considering the existing competitors, but at the same time, it should also meet a broader expectation that goes beyond the business ownership, namely that social and common interest critical to its survival.

The enterprise must be conceived as a social process within which an economic process develops (Bartels 1967): it needs to uphold the binomial "society and economy" (Sciarelli 2007).

In the business environment too, the enterprise enters into relations with the individuals operating within it and therefore needs to implement guidelines on social inclusion to ensure the overall coexistence among people (Ulrich and Maak 2000). Traditionally, the business had a social responsibility towards its employees and therefore it needed to find strategic and operative solutions to meet the workers' needs—e.g. the creation of houses, childcare facilities, cultural and sport centres around the factory. The concept has now widened to ensure survival, safety and professional growth. The enterprise needs to implement active prevention towards its employees to improve health conditions and safety measures (*do-no-harm principle*), must guarantee their survival, paying fair salaries (*the principle of fairness*), ensure professional growth through the training of staff and exchange of skills and abilities (*the benefit principle*) (Testa 2007).

The business is thus, an organ of society and serves a social function. The importance of this function has acquired the right value due to a growth in maturity of civil society that has high demands and expectations with respect to public and private institutions that, therefore, must find a balance and reconcile economic criteria with social objectives in the governance of their activities.

⁴"(...) businesses of all size must consider their role in today's society when making strategic and operational decisions" (Zadek and MacGillivray 2007, p. 13).

The business social function towards the community and external stakeholders involves the adoption of *do no harm* and *transparency* principles (Testa 2007). Business management practices relate to the first principle through the implementation of measures to secure the health, the safety and public wellbeing, namely the promotion of eco-friendly technological innovations, the sustainable use and disposal of resources as well as manufacturing processes respectful of human rights in the entire supply chain.

A transparent-based governance approach leads the enterprise to thoroughly assess and properly deliver the achieved performances' results to its stakeholders.

Although the prime responsibility of a company is generating profits, companies can, at the same time, contribute to social and environmental objectives by integrating corporate social responsibility: the business, as the most powerful institution in society, must be the instrument of social justice (Prahalad 2005). "Even the most private of business enterprise is an organ of society and serves a social function... the very nature of the modern business enterprise imposes responsibilities on the manager" (Drucker 1955, p. 375) and "it must consider the impact of every business policy and business action upon society" (ibidem p. 382). In the concept of the corporation as citizen stands out the corporations' social function, which can be able to bring benefits to society and environment while improving a firm's competitiveness (Porter and Kramer 2002; Husted and Allen 2004).

So economic responsibility is the first responsibility of a business, but economic performance is not the only corporate concern (Drucker 1992) and therefore the performance of a company should be measured on its combined contribution to economic prosperity, environmental quality and social capital, known as the *triple bottom line* (European Commission 2001).

Therefore, CSR is an essential element for doing business (Caselli 1998), regardless of the business size. It is clear that the bigger it is, the higher the level of social responsibility in its management (Harvey et al. 1991), but it is also important to examine the contribution of the small- and medium-sized enterprises.

Business purposes, well explained in *the stakeholder theory*, *business ethics*, *the systemic theory* and *the resource-based view* (Perrini and Pivato 2007), focus on value maximisation (*value theory*) while delivering that value to all stakeholders (*value dissemination*). As clearly stated in the last communication by the European Commission on CSR strategy 2011–2014, the enterprise must find the most viable solutions to create a shared value for owners, stakeholders and the entire society.

On a sustainable development level, the business behavioural model acts as a CSR strategy when it manages to uphold environmental issues and social inclusion, coordinate all business efforts towards environmentally friendly production processes and recognise the prime principle of respect for human dignity in the whole supply chain. It has already been affirmed: "CSR includes corporate social acts that satisfy social needs and at the same time are over and beyond just the legal

obligations of the firm” (Lii and Lee 2012, p. 66). Some authors, while recognising CSR strategy, have further examined two key elements: (1) a clear statement of social/environmental objectives in the business mission and strategies; (2) the formalisation of organisational solutions for strategy implementation (Porter and Kramer 2006; Contri and Maccarone 2009). By respecting the limits of exceeding law requirements, it is fair to add another two factors (Fig. 2.2): (3) the implementation of effective measures to reduce the impact of business practices on the environment or ensure a higher social cohesion—this refers to defining new products/services or a new way of organising the production/commercial process as well as all necessary investments and resources; (4) establish proper communication with all stakeholders on the ongoing business sustainability programmes. It is imperative for the business to communicate on sustainability objectives, performed investments, achieved improvements and expected results. Voluntary communication is in fact an essential element in the sustainability strategy, as the dissemination of social and environmental information, also according to the European Commission, facilitates stakeholders’ engagement, which may contribute toward enhancing public confidence in business (EC 2011). Business communications may take place through a communication plan including the most suitable means (public relations, sponsorships, green advertising or ethical publicity, social media, eco-label) and non-financial reports, namely CSR report, sustainability report, environmental report, social report etc.

The “responsible” strategic conduct is a competitiveness model allowing business to differentiate itself from competition in the sustainable development scope in



Fig. 2.2 Distinctive features in the sustainability strategy

order to gain visibility in the eyes of consumers. This approach may be classified as a competitive differentiation strategy based on the creation of the business offer through its ethical connotations, namely adding an “ecological value” or “social value” to the product/service it intends to provide. However, with reference to Porter’s observation (1980), sustainability strategy may be interpreted as (a) a differentiation strategy under which a business develops products/services for a particular sustainable-conscious market segment, combined with other offerings that meet specific market needs; (b) a focus strategy, whereby the enterprise strictly concentrates on a single offer to meet the specific needs of an ethical-oriented market.

The community and consumers’ concerns on social and environmental issues has been described as one of the best market opportunities allowing businesses to differentiate and re-position themselves, gain a competitive advantage and increase the economic return (Porter and Kramer 2011). The target market for enterprises applying sustainability strategies is a responsive sustainable-driven market, which has increasingly developed a moral consciousness in their purchasing choices (Eisingerich et al. 2011).

The adoption of this strategy implies a radical change of strategic and management perspective, which clearly has an impact on the decision-making process (Perrini and Pivato 2007). It actually requires implementing innovations not strictly product related, but more extensively, they cover the organisational and management structure in terms of how business practices and processes are sustainably driven. This approach will include all key areas of business management: production—environmental impact reduction, workers’ safety, product quality standards, etc.—marketing—design and product manufacturing, communications, labels, consumer satisfaction, etc.—human resources—career path management, training policies, management of redundancies, etc.—financial aspects to facilitate access to new resources, etc. (Perrini et al. 2006).

This strategy implies the regeneration of all resources and business capacities and consequently the enhancement of competitive factors. On the other hand, the enterprise can requalify its offer and address it to specific demand segments linked to sustainability issues, while tackling competition of medium/low quality products, especially coming from developing countries at a competitive price.

On this line, socially responsible conduct should not to be considered as an additional factor in business strategies implementation, but as an integral part of management, a safe differentiation element and a generator of competitive advantage (Molteni and Todisco 2008).

Along with the awareness of sustainable development issues, which defines the corporate culture (values system), a sustainability strategy distinguishes itself by identifying specific objectives, policies and activities through the adoption of proper communication and reporting tools. The preparation of the strategy must primarily focus on the “hierarchical” level of all potential decisions for planning sustainable



Fig. 2.3 The “credible pyramid”: effective relations between objectives, policies, operational tools and reporting on sustainability (adapted from De Chiara 2016)

projects that would comply with the business resources/abilities and be credible for all stakeholders. However, all preliminary decisions relating to sustainability goals and business conduct are therefore strategic choices, whereas production, marketing, reporting and operational choices are secondary. The enterprise should then follow a decision-making process based on the hierarchical level of the relevant decisions in order to build a “pyramidal” path as a reference model for all arising issues (Fig. 2.3).

Without a specific strategic path on sustainability, the business should not share eco-friendly communication, environmental labels, certificates, etc. namely all those operational tools supporting sustainability strategies and their differentiation choices (Ginsberg and Bloom 2004; Werther and Chandler 2005). By contrast, this approach might undermine business credibility with consumers and stakeholders and consequently jeopardise the possibility of building a strong brand identity (Benoit-Moreau and Parguel 2011).

A number of studies have examined the impact of corporate socially responsible initiatives and inferred the positive results to the business itself, its products and the purchasing consumers’ choices (Creyer and Ross 1997; Ellen et al. 2000; Sen and Bhattacharya 2001; Swaen and Vanhamme 2005; Mohr and Webb 2005).

On a business level, all advantages relating to a more direct involvement of employees, turnover reduction, transaction costs, minimisation and conflicts reduction among stakeholders (Freeman 2005) have been underlined. The business relations with the different actors and working people would efficiently improve and create a positive and more collaborative business climate. Furthermore, the resolution of conflictual relationships among employees would foster the creation of a good work environment, which, among other thing, might result in a valid support tool for building employees' confidence in the business (Berg and Gagliardi 1985).

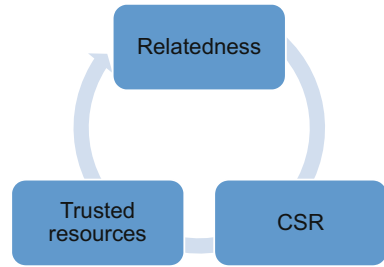
A peaceful and proactive working environment paves the way for a sustainable and responsible management, which brings about other positive results, namely, participation, involvement, professional growth and the proper identification of skills and abilities. In this light, it is possible to assume that working relations have a favourable impact on business performance and mood, which in turn contribute to creating a stimulating and rewarding environment. Sustainable human resources management also help reinforce the principle whereby the creation of a favourable working climate for employees upholds business innovation (European Parliament 2014).

It is no surprise that CSR has increasingly been referred to as a major asset in the core business, rather than a peripheral decision with philanthropic connotations (Sen et al. 2004).

Several increasingly important factors support CSR's economic implications: employees' expectations, consumer awareness, public and private markets trends, and the nature of innovation processes and the importance of financial markets on social and environmental issues. Furthermore, it has been widely shown that the enterprises surviving in the long term, also during downturn periods are those able to combine economic and ethical-social objectives together (Collins 1994): "At micro, individual business level, strategies that embrace the principles and practices of responsible competitiveness are increasingly recognised as having extraordinary potential for creating economic value and profitable outcomes" (Zadek and MacGillivray 2007, p. 11).

In terms of benefits from the business offers under CSR initiatives, the debate mainly focuses on brand effects issues (Knox and Maklan 2004). They actually include improvement of financial performances (Johnson 2003), better relationship with the market (Porter and Kramer 2002), *experiential benefit* in consumers and their perceived contribution to the general wellbeing (Hoeffler and Keller 2002) with the resulting reinforcement of their bond with the brand. In particular, the link between CSR and the brand has always been about building solid grounds for developing a brand value and its identity (Kitchin 2003) in terms of differentiation (Johnson 2003) while establishing at the same time a brand equity (Keller 2003).

Fig. 2.4 The virtuous circle
—Relatedness, CSR, Trusted
Resources



On a broader level, socially responsible behaviour improves the business image even though many believe the idea of a business operating exclusively to maximise the community wellbeing to be unfeasible (Sciarelli 2007; Freeman 1984).

Business social conduct generates a positive knock-on effect for consumers, which enables them to strengthen their commitment and loyalty to the brand. It is a trusted resource and corporations can resort to it only if they manage to build a high level of consumer satisfaction (Busacca 1994).

The abovementioned resources, namely the image, brand loyalty, trustworthiness, are all considered intangible resources, which, by their exclusive, non-replicable nature, enormously contribute to create a competitive edge and therefore they can neither be separated from the enterprise nor emulated by the competitors. Those resources are the result of all sorts of relationships the business weaves with its different actors, which in turn contribute to fuel them indefinitely. In a virtuous circle, the resources derived by the adoption of a responsible behaviour place emphasis on the business-relational dimension while developing it over time (Fig. 2.4).

Many researches underline the effects of socially responsible behaviours on enhancing business resources/expertise, creating synergies between society and economically competitive results, which help strengthen businesses' ability to handle stakeholders' expectations and accumulate immaterial trusted assets and knowledge ensuring higher and long-lasting competitive advantages (Waddock and Graves 1997; Orlitzky et al. 2003). Equally important are those studies that have identified those businesses capable of adopting sustainable conducts to attract a great number of investors (Brammer et al. 2005), or achieve better financial results (Aburdene 2007).

Finally, it seems now fair to call into question that part of literature that shows how CSR strategy manages to ensure a business' competitive advantage, and bring societal benefits to all people involved (Elkington 1994; Rodriguez et al. 2002; Smallbone 2004; Porter and Kramer 2006) (Fig. 2.5).

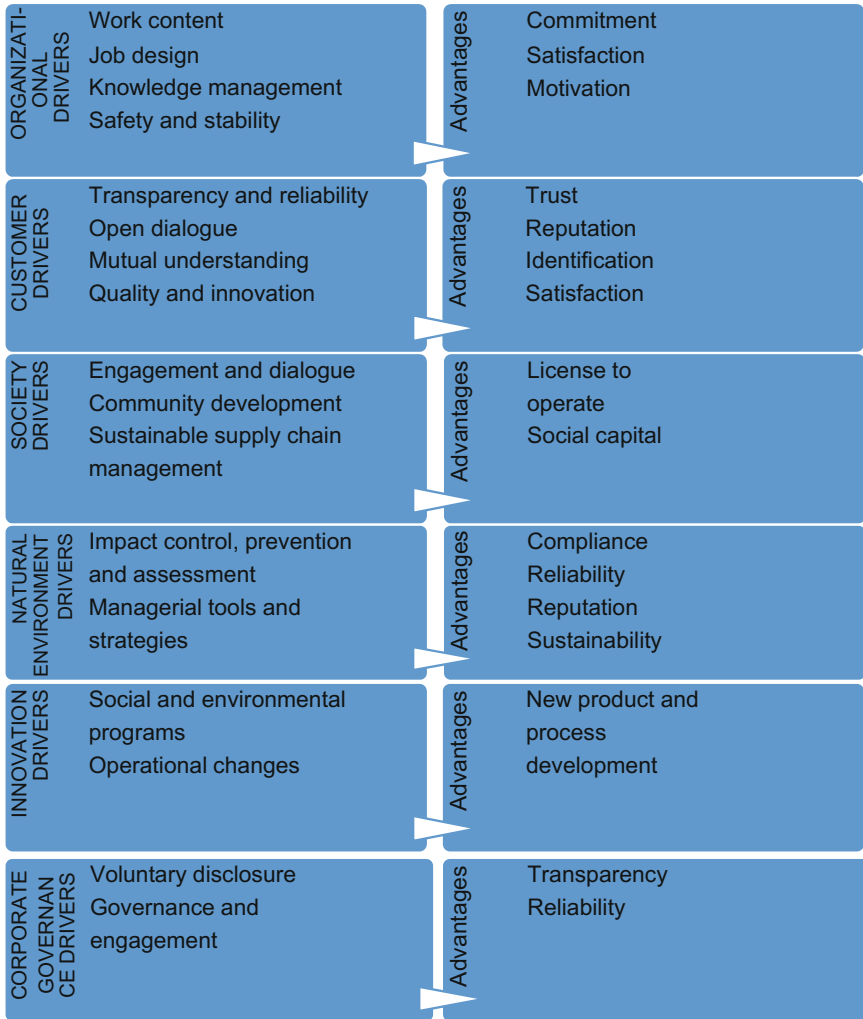


Fig. 2.5 Potential advantages in the CSR strategy (adapted from Perrini et al. 2009—EABIS)

2.4 From Corporate Social Responsibility to Supply Chains Sustainability

Sustainability strategy can also be applied to an entire supply chain, a cluster or a local system.

A sustainable behavioural analysis on a supply chain level is particularly significant due to de-verticalisation of activities, which is now a widespread practice in all sectors of the current production processes configuration. It substantially implies

the unbundling of activities among multiple actors within the supply chain including sub-suppliers, related activities and third sectors. These very actors, not always settled in the same territory of the leading enterprises or of those businesses operating in the downstream processes of the chain, are located in different geographic areas of the world, which show a comparative advantage. This organisational production process approach characterises almost all supply chains; furthermore, quite often the de-centralisation of production activities do not always coincide with the de-centralisation of decision-making processes. Thus, there are supply chains indicated as having their decisional functions positioning in developed countries and their production activities located in the developing ones.

Sustainability strategies applied within the production supply chains involve therefore, multiple actors, despite the fact that they operate in different geographical areas. The high fragmentation of production processes requires the engagement of all different professional actors involved, which can benefit from the specific experiences of each activity in the supply chain while giving their support in terms of resources and expertise. This collaborative approach also enables each productive chain to gain all the necessary support to foster sustainability strategy in all its facets and implement actions in line with the most appropriate ethical standards.

Furthermore, this approach finds it is fully applied at the level of the single enterprise, since, the high incidence of outsourcing make it necessary for all business supply chain partners to act in a socially responsible manner (Miles and Munilla 2004). The way supply chain handles environmental concerns, work conditions and health and safety issues affect (directly and/or indirectly) corporate customers' performances and therefore their image. At the same time, the global leading corporations in the productive chains exert competitive pressure to an endless race to the bottom upon the upstream suppliers, especially if settled in developing countries, to reduce manufacturing costs. This will inevitably lead to a reduction of labour cost, environmental investments and social expenditures to the detriment of production quality and value (Lim and Phillips 2008).

The abovementioned concerns have prompted the international institutions and the academic world to examine the CSR phenomenon throughout the whole supply chain.

In literature, the early CSR applications to the supply chain can be traced back to Poist, who, in 1989 combined these social concerns with the traditional economic aspects of supply. A few years later, three branches of researches have emerged and focused on specific issues: 1. the importance of business values and the key major role of suppliers for the implementation of a different value system (Lim and Phillips 2008; Gonzalez-Padron et al. 2008); 2. programmes and strategies for the development of sustainability within the supply chain (Carter and Jennings 2002), with an emphasis on cooperation among all operators in the supply chain (Carter and Jennings 2002; Faisal 2010) and the essential function of political institutions in providing an institutional framework and social responsibility regulations for businesses (Lawrence 2007; Lillywhite 2007); 3. the tools (codes of conduct, etc.) (Oehmen et al. 2010) and the specific activities related to implementation problems (Kolk and Van Tulder 2002), monitoring (Egels-Zandén and Wahlqvist 2007;

Boyd et al. 2007) and performance control (Nadvi 2008). The recent researches also include those studies that have explored the nature of ethical problems connected with the supply chain, e.g. respect for racial and gender diversity (Ibarra 1993) the impact on the eco-system (Shrivastava 1995), and local communities contribution (Jennings and Entine 1999).

The first line of research focuses on the influencing power of headquarters imposing their systems of values to the supply chain (Lim and Phillips 2008; Gonzalez-Padron et al. 2008). A few studies relating to the global supply chain and the location of suppliers in developing countries, address the cultural and economic imperialism of the big western enterprises (Khan and Lund-Thomsen 2011): “Such as when Western brands insist on eradicating child labor from the process of football stitching, without considering that such forms of labor might be a way for children to learn a new skill to help them support themselves and their families” (Lund-Thomsen et al. 2016, p. 17).

From a different perspective, some authors have pointed out that one of the challenges of ethical supply chain development lies in the distribution of benefits among the members of the supply chain (Lim and Phillips 2008), and therefore, in the mutual understanding and the pursuit of possible shared solutions. Citing the Mattel case, in 2007, the firm was forced to withdraw from the market a line of toys for having underestimated the supply chain’s cultural system of values. This real case has placed emphasis on the importance of understanding the partner’s cultural differences (Roloff and Aßländer 2010), and the need to operate on the grounds of shared solutions based on indicators and criteria provided by the headquarters rather than adopting control measures on suppliers (Russo Spena and De Chiara 2012).

In the second line of studies, Carter and Jennings (2002) identify the key factors each enterprise should consider in the responsible management of their supply chain including: corporate culture—as a reference guide to direct stakeholders—top management leadership, employees’ initiatives and clients pressure. However, their prime research focuses on how businesses, while striving to protect their reputation and production quality through the promotion of innovation and sustainability, are gradually shifting to a shared and more participated management of their productive chain. *Logistics social responsibility, purchasing social responsibility* (Carter and Jennings 2002, 2004), as well as *sustainable supply chain management* (Teuscher et al. 2006) are some of the main approaches highlighting the efficiency of social responsibility practices based on collaboration, and the strategic role played by suppliers (Maignan et al. 2002; Vurro et al. 2009; Andersen and Skjoett-Larsen 2009). These researches tend to agree on a sustainable supply chain definition that supports the voluntary integration of policies and tools promoting suppliers and distributors’ responsible commitment on social, environmental and safety issues.

The suppliers’ engagement enables them to implement a systematic approach to managing productive chains based on trust, safety and traceability as well as establishing solid partnerships with all actors involved, from the ultimate supplier, distributor to the ultimate customer (Perrini et al. 2006; Russo and Tencati 2009). Improving interaction abilities throughout the supply chain may boost, in some researchers’ opinion, the innovative potential inherent in cooperation (Dyer and Singh 1998;

Tencati and Zsolnai 2008), increase operation and process output value and quality (Dallocchio et al. 2010), and consequently, implement competitive models through differentiation (Burgess et al. 2006; Robinson and Malhotra 2005). In other words, better quality in terms of offer, improved production efficiency and enhanced capacity to create value for the final customers are the results achieved by reducing waste and enhancing business credibility (Carter and Jennings 2004; Morgan and Hunt 1994). Furthermore, going beyond the environmental concern, other benefits related to proper management and the upholding of human rights within the supply chain may ensure safety, respect for diversity and equal opportunities and thus, produce a positive impact on all local communities involved (Emmelhainz and Adams 1999; Mamic 2005).

Other issues tackled in this line of studies cover the role of government and institutional policies by providing an institutional framework of social responsibility rules for businesses (Lawrence 2007; Barrientos 2008). In this respect, a few scientific contributions have focused on supply chain sustainability and the role of suppliers in developing countries (Gereffi et al. 2005; Neilson and Pritchard 2009; Gereffi and Lee 2016).

The third line of researches deals with the implementation of standard measures—codes of conduct, implementation problems, monitoring and performance controls programmes—in the operation procedures. Some specific issues refer to social responsibility application to production, outsourcing and trade (Blowfield 2004).

On an institutional level, The United Nations Global Compact, drawing on the experiences gained in a wide range of market sectors has focused on the tools to achieve supply chain sustainability. The research underlines the need for businesses to adopt a strategic approach in choosing the appropriate instruments⁵ (Fig. 2.6).

The implementation of sustainability strategies within supply chains inevitably requires a preliminary analysis on the type of business-to-business relationship specific to each supply chain. However, the supply chain structure, the quantity of relationships and especially actors' positions in terms of their contractual power and influence, are the key factors of analysis (Oliver 1991; Rowley 1997; Neville and Menguc 2006). The work of Perrini and Vurro (2010) identifies different sustainability models based on the abovementioned elements and in relation to the supply chain's characteristics (Table 2.2).

Analysis of the supply chain features is thus a key topic of research and a preliminary element to understanding the ethical issues of the very supply chain, sustainability strategies implementation and management tool planning that best comply with the actors' characteristics and practices involved.

Extremely important for a business establishing its own supply chain is the choice of the supplier. Such choice is the result of an analysis that takes into account all preliminary conditions for a collaborative approach, namely the level of

⁵A wide selection of business cases relating to procedures and tools in terms of supply chain cooperation can be found on the Global Compact website.

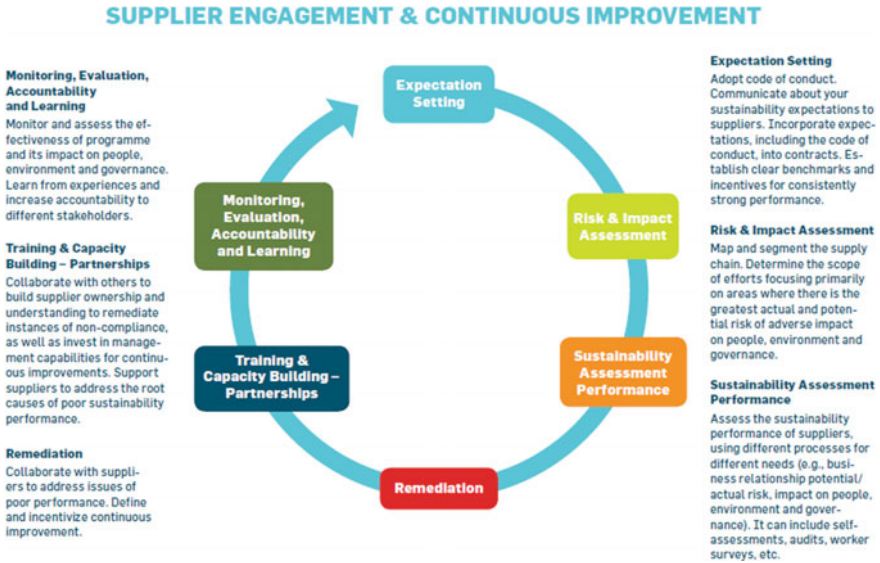


Fig. 2.6 Tools for the engagement with suppliers (United Nation Global Compact 2015)

mutual interdependence among the actors, the extent of objectives sharing and collaborative leadership.

Literature has focused on partners’ features investigation, including personal attitudes, previous experience of collaboration (Wang and Fesenmaier 2007), as well as, ethics and shared values (Bowie 2000).

Cultural diversity must also be an appreciation element in managing business-to-business relationships: culture⁶ influences attitude and preference patterns (Lovelock and Yip 1996) and plays an essential role in the long-term relationship between businesses and partners throughout the supply chain (Zhao et al. 2006). In the international supply chains, the ethical and cultural conflicts affecting the multinational enterprises in their host countries, have led a few researchers to highlight the multinationals’ power and their ensuing moral obligation (Hamilton and Knouse 2001) of influencing the standards of the foreign country, namely the market in which they operate (DeGeorge 1992).

A successful business-to-business relationship calls for transparent, trust-based communications among partners in order to achieve an effective and efficient level of exchange of knowledge. High control and monitoring measures not only are unnecessary, but they may turn out to be even counterproductive in business-supplier interactions (Wiemer and Plugge 2007; Russo Spena and De Chiara 2012).

⁶Culture is a set of values, norms and collective customs governing social groups’ daily lives (Pasquinelli and Mellino 2010), a value system shared by a group of people (Hofstede 2001).

Table 2.2 Sustainability models for types of supply chain (adapted from Perrini and Vurro 2010)

Type	Supply chain features	Models
Negotiating	Low power of influence for peripheral businesses. Dispersed supply chains with few and infrequent connections among single actors	Difficult dissemination of CSR practices in terms of their scarce visibility and high control and monitoring costs A prevailing implementation of short-term management practices for contingent socio-environmental critical points
Dictatorial	Spread supply chains managed by central actors with a strong countervailing bargaining power in interactions	The central position of the business will use its power for the implementation of CSR practices within the supply chain to their own benefits
Acquiescent	Supply chains based on a thick network of relationships with peripheral actors. Intense interaction and flow of information between partners provide visibility to each contribution	Businesses passively accept the requests for adaptation on third parties to avoid supply chain exclusion
Active	Presence of central actors involved in a dense relationship network	Central businesses play an intermediation role between upstream and downstream businesses to foster cooperation processes, mutual understanding and common innovation Self-organisation rising from the existing connections

From an operational point of view, the most widely used communications tool applied by businesses to engage the supplier in sustainability paths is the code of conduct. It substantially defines the principles businesses adopt to relate with their own suppliers and thus, their behavioural principles. In this respect, the UN Global Compact has provided a set of codes of conduct for suppliers (Fig. 2.7).

2.4.1 *Networks and Sustainable Clusters*

By broadening the scope of the analysis and extending the interaction to multiple different actors, namely from other supply chains, it is possible to introduce sustainability to business networks.⁷ In this context, sustainability is intended as a

⁷In literature, the definition of network is extremely broad: it can be generally referred to as a form of flexible organisation, through which the involved businesses may exchange information, knowledge, goods and services more efficiently than the market or the enterprise as hierarchically defined. However, alliances, in facilitating the access to external knowledge, are a valid and

TOPICS AND REFERENCES TO CONSIDER IN WRITING AND ADOPTING A SUPPLIER CODE OF CONDUCT*

SAMPLE POLICY AREAS THAT ALIGN WITH THE UN GLOBAL COMPACT TEN PRINCIPLES		POTENTIAL SOURCES TO REFERENCE:
<p>Human Rights and Labour</p> <ol style="list-style-type: none"> 1. Forced labour 2. Child labour 3. Working hours 4. Wages and benefits 5. Humane treatment 6. Nondiscrimination and equality 7. Freedom of association and collective bargaining 8. Occupational health and safety 9. Emergency preparedness 10. Occupational injury and illness 11. Fire safety 12. Building structure and integrity 13. Industrial hygiene 14. Leave entitlements 15. Freedom of speech 16. Human trafficking 17. Privacy 18. Minority rights 19. Rights of specific stakeholder groups: indigenous people, women, children, older workers, workers with disabilities, migrant workers 	<p>Environment</p> <ol style="list-style-type: none"> 20. Material toxicity and chemicals 21. Raw material use 22. Recyclability and end of life of products 23. Greenhouse gas emissions 24. Energy use 25. Water use and waste water treatment 26. Air pollution 27. Biodiversity 28. Deforestation <p>Anti-Corruption</p> <ol style="list-style-type: none"> 29. Conflict of interest 30. Gifts, meals and entertainment 31. Bribery and kickbacks 32. Accounting and business records 33. Protecting information 34. Fair competition 35. Reporting misconduct 	<p><i>United Nations Global Compact</i> <i>Universal Declaration of Human Rights</i> <i>UN Guiding Principles on Business and Human Rights</i> <i>ILO Declaration on Fundamental Principles and Rights at Work</i> <i>ILO Tripartite declaration of principles concerning multinational enterprises and social policy (ILO MNE Declaration)</i> <i>ILO International Labour Standards on Occupational Safety and Health</i> <i>Women's Empowerment Principles</i> <i>Children's Rights and Business Principles</i> <i>OECD Guidelines for Multinational Enterprises</i> <i>The Rio Declaration on Environment and Development</i> <i>United Nations Convention Against Corruption</i> <i>ISO 14001</i> <i>ISO 26000</i> <i>SA8000</i> <i>OHSAS 18001</i></p>

* This list does not represent a comprehensive record of all existing issues under human rights, labour, environment and anti-corruption standards. Companies may need to consider additional areas depending on the circumstances.

Fig. 2.7 Codes of conduct indicators for suppliers (United Nation Global Compact 2015)

behavioural model common to different economic players upholding the key principles of protection for the environment and human rights, which is implemented in B2B or in network relationships in the same supply chain or other supply chains for the manufacturing of semi-processed and/or finished products. This co-sustainability model needs to be supported by the involved participants and by the exchange of knowledge and skills, which will not only motivate the network members to seek and implement better solutions, but also reduce the risk of opportunistic behaviours and the relevant transaction costs. When the sustainability project addresses a group of businesses in an industrial cluster, which are generally characterised by a high level of production interdependence and stable relations based on trust, it will foster resources and initiative sharing to improve businesses' performances and enhance competitiveness. The network approach allows for the creation of common visions and missions, the application of rules within each organisation with higher standards in terms of working conditions (Fichter and Sydow 2002), and reduced environmental impact.

(Footnote 7 continued)

strategic tool for the firm to face their own limits of power in the ever-increasing complex external scenario (Carnazza 2008).

It is now clearly recognised that the economic action is increasingly making its way through business networks and therefore, network and cluster sustainability issues are particularly relevant, although literature seems to favour a sustainability approach at the level of a single business (McGuire et al. 1988; Wheeler et al. 2003). Only in recent years, the theory has begun to focus on the existent bonds between clusters and sustainability (Knorringa and Nadvi 2016; Lund-Thomsen and Pillay 2012) placing emphasis on the role of SMEs (Battaglia et al. 2010; Hoivik and Shankar 2011; Testa et al. 2012) or complying with a sustainability approach to clusters in developing countries (Knorringa and Nadvi 2016; Lund-Thomsen et al. 2016).

A review of these scientific contributions allows the outlining of the main topics herein examined.

The first issue relates to the network creation. A few researches have classified the *top-down* type of network, for which an institutional body fosters the aggregation of multiple businesses sharing the same ethical principles for cooperation and common goals, and the *bottom-up networks*, where two or more private subjects, while sharing the same values and principles draw voluntarily together to develop and implement sustainability actions with the aim to minimise individual efforts and maximise the efficiency of individual projects (Caroli and Tantalo 2010; Zucchella 2007). However, the interest of the single enterprise in sustainable practices and responsible conduct may arise after or before the network creation. In the first case, the values and principles are the result of a positive contamination by the leading enterprises and the presence of networks sensitive to the issues. In the second case, the businesses themselves adopt socially responsible behaviours and create a network to promote their values with the collaboration of other actors for the implementation of sustainable initiatives.

In the branches of studies examining the issue on cluster sustainability in developing countries, the argument appears to suggest that responsible conduct on a social and environmental level are the result of a combination of factors (Blackman 2006; Lund-Thomsen and Nadvi 2010a; Tewari and Pillai 2005) for which command and control policies will serve little purpose (Blackman 2006). It is indeed in the *top-down* and *bottom-up* combinations that the best conditions for the development of sustainable behaviours in clusters may take place (Table 2.3).

Knorringa and Nadvi in their work (2016) indicate that the way business clusters react to social and environmental standards depends on local attitudes and values, national and international rules and the relationships within the global supply chains, namely it is inferred to the *social contract* nature⁸ the cluster is embedded in. The importance of values characterising the cluster businesses—defined as socially embedded within a particular milieu (Hess 2004)—of non-formal forms of local governance, including bonds of trust and the social networks, has also been

⁸“Such a social contract includes the formal and informal institutional arrangements, rules and norms in a society, and refers among others to historically and culturally shaped expectations concerning (minimally) acceptable social and environmental behaviour by various actors (Boucher and Kelly 2003; Donaldson and Dunfee 1994)” (Knorringa and Nadvi 2016, p. 59).

Table 2.3 Drivers and barriers to the development of clusters sustainability in developing countries (Lund-Thomsen et al. 2016)

Drivers	Barriers
Enforcement of national laws	Non-enforcement of national laws
Business associations	Cluster firms threatening or
Peer monitoring	Bribing law enforcement officials
Social networks	Cluster firms' suppression of trade unions
Informal regulation	SMEs lacking CSR awareness/capacity
Participation in global value chains	Intra-cluster subcontracting processes
	Participation in local value chains

referenced in other works (Battaglia et al. 2010; Laha 2014; Lund-Thomsen 2013) and delivers that *normative perspectives* on CSR (Khan and Lund-Thomsen 2011).

The recognition of those values and traditions typical of business clusters, namely Marshall's industrial atmosphere, is believed to be an essential factor to create sustainable and 'unique' networks due to their specific milieu.

Another issue addressed by the literature on sustainable networks/clusters refers to the reasons for adopting socially responsible behaviours within the networks, according to a joint business approach. Some researchers have distinguished two types of stimulus—internal and external—to support those reasons. The internal stimulus relate to the managers and entrepreneurs' ethical vision, whereas the external ones can be attributed to the pressures and tensions of activist stakeholders, namely those promoting sustainability behaviours (Zucchella 2007) including actors from the so-called ethical finance due to the increasing interest of financial investors in sustainable-oriented businesses and the external pressures by consumers.

The work by Gereffi and Lee (2016) addresses the governance characteristics in global supply chains and clusters in developing countries, which lead to combining the economic and social upgrading together. By economic upgrading it is meant the improvement in the value of practices, technologies, knowledge and skills (Gereffi 2005), whereas the social upgrading relates to the upholding of human rights and work conditions within the cluster (Barrientos et al. 2011).

The governance—intended as a complex structure including international and national standards, public and private institutions and social forms (Gereffi and Fernandez-Stark 2011; Mayer and Gereffi 2010)—expresses, in global value chains, the power exerted by global buyers for the implementation of international standards capable of producing the economic and social upgrading in developing countries (Gereffi et al. 2005). In clusters, governance describes the importance of socio-cultural factors, intra-cluster relationships, and local institutions influence (Lund-Thomsen and Pillay 2012; Schmitz 1995; Schmitz and Nadvi 1999). Furthermore, on an organizational profile, when it comes to clusters, researchers address greater importance to local actors, namely industrial and non-governmental fair trade organisations (Doner and Schneider 2000; Schmitz and Nadvi 1999). While governance seems to develop horizontally between business clusters and

local institutions, in global value chains, it would develop vertically involving global leaders and local suppliers all across the international production system.

However, clusters appear to be subjected to an opposing pressure by global buyers, which, while appealing to low production costs, expect local businesses to comply with high social standards (Barrientos and Smith 2007; Lund-Thomsen and Pillay 2012). Each cluster would adjust differently to those pressures according to their own characteristics, the efficiency of local institutions, the nature of their global/local connections and the different governance approaches (Khara and Lund-Thomsen 2012; Lund-Thomsen and Nadvi 2010a). Businesses may respond differently within the same cluster (Suresh 2010), which does not necessarily lead actors to reach common goals; indeed, it will mostly have a negative impact on social upgrading outcomes (Nadvi and Barrientos 2004).

The contrasting pressures by global buyers have led Gereffi and Lee (2016) to reaffirm the need to explore the governance role in global supply chains, and local clusters, to understand the repercussions on social upgrading.⁹ The authors, drawing from Puppim de Oliveira's model (2008), identify six social upgrading paths underlining the reasoning for initiating a sustainability path in clusters:

1. *Market-driven path*, to meet the market needs for improvement. Both buyers and consumers play a key role. Cluster businesses will comply by adjusting their competitiveness model based on products/processes social value
2. *CSR-driven path*, to fulfill global buyers' needs by adopting social codes of conduct. It is also defined as *the compliance paradigm path* (Locke et al. 2009)
3. *Multi-stakeholder path*, to satisfy multiple actors' expectations (global/local, public/private bodies, NGOs, etc.), by combining *compliance-monitoring* and *capability-building* together so as to allow cluster businesses to developing their own social upgrading paths
4. *Labor-centered path*, to face workers and work associations' pressures. The role of these actors, as catalyst for change, is particularly significant in countries like China (O'Rourke 2006)
5. *Cluster-driven path*, to comply with the very business clusters' needs, namely to improve the conditions of their own workers. It is a model based on collective practices inspired by the principles of trust and transparency characterising the bonds between cluster businesses
6. *Public governance path*, to reconcile public, national and/or local regulations with the aim of improving clusters' working conditions.

With reference to CSR practices for the protection of human rights, the work by Giuliani (2016), classifies clusters into three categories: *Low-road clusters*, *Window-dressing*, and *Rights-oriented clusters*. The major stimulating factors, namely the underlining reasons for their configurations are: local government ability and the role of the law, civil society and NGO's functions, global buyers'

⁹Several operational tools, namely codes of conducts (vertical private governance), require the integration of national norms (horizontal public governance) (Kolk and Van Tulder 2002).

pressure, monitoring procedures and global buyers support, the power of local institutions and industrial associations.

Literature also addresses another issue related to the conditions for cluster sustainability drawn from empirical researches. A recent survey by the United Nations Industrial Development Organization showed that out of seven clusters, the basic conditions for developing sustainability projects is the interest shown by the leading businesses, which, relying on their highly developed negotiating skills and leveraging on their already strong experience in planning, enjoy a dominant position in the cluster. Another core condition for a successful outcome is the key role of institutions, which foster the implementation of collective practices and common goals based on relationships of mutual trust amongst all actors involved (UNIDO 2008).

In 2011, in Italy, the research by Caroli and Tantalo (2011) examined four networking experiences that have implemented sustainability projects and they are as follows: Club di Modena (39 enterprises), Eticlab (8 enterprises), Sa.Rete (35 enterprises) and A.C.Ri.B (7 enterprises). The analysis shows:

- a. The importance of geographic proximity for the efficient implementation of socially responsible projects in networking. Partners, actors and organisations residing in the same province or region are more likely to outperform. Furthermore, the survey shows the significant role of public policies in project promotions and dissemination while indicating in local bodies and regional governments the most suitable premises
- b. Major activities mostly relate to human capital practices, communications and production management although other areas such as customers or supply chain management may be expanded into
- c. Financial tools are useful for sustainability practices implementation: European funding, public contributions and easier access to finance
- d. The use of operational/regulatory tools for sustainable initiatives implementation between businesses, which include: guideline definition, setting up a register of responsible businesses, acquisition of brands and certificates, best practice dissemination; on a regulatory level, streamlining bureaucratic procedures, rewarding system structures or the possibility of reaching a more advantageous position into public procurement
- e. The achieved benefits relate to the ability to exchange information and expertise, implement more efficient and reliable projects, the acquisition of more resources and skills, greater internal and external visibility, costs reduction in terms of money and time, the creation of human and relational capital, increased sensitivity on CRS issues both inside and outside the organisation. Such benefits have a clear positive impact on the territory and the community in which the businesses operate. All networks have stressed the necessity to improve information mechanisms and the community awareness raising process.

In literature, the work by Lund-Thomsen and Nadvi (2010b) raises the question of how the codes of conduct, considered the tool par excellence for fostering CSR practices in industrial cluster businesses, could be better implemented through global chains or local cluster governance. The first case relates, as explained earlier, to the power of multinational enterprises over business clusters, particularly in developing countries; the second scenario refers to government and the impact of a collective institutional approach, namely trade associations, chambers of commerce and other local bodies. The authors conclude that global chain governance may encourage the emergence of more independent forms of monitoring CSR in clusters, supported by the global brand's external control; however, local cluster governance favours the institutionalisation of monitoring initiatives on a local level.

Moreover, in the studies of cluster sustainability in developing countries great emphasis is placed on national contexts and more precisely: “the rules of the game in society or, more formally (...) the humanly devised constraints that shape human interaction” (North 1990, p. 3). Campbell literally states that “socially responsible or irresponsible behavior is mediated by several institutional conditions, including public and private regulation; the presence of non-governmental and other independent organizations that monitor corporate behavior, institutionalised norms regarding corporate behavior, associate behavior among corporations themselves, and organized dialogs among corporations and their stakeholders” (Campbell 2007, p. 946).

The importance of a broad engagement of public and private actors including NGOs and international organisations has been widely covered in several research studies (Pyke 2010; Gereffi and Lee 2016). Knorringa and Nadvi (2016) speak of *institutional context* including public and private organisations, rules, public regulations and industry practices as well as informal norms and values; and that universities and educational institutions should raise awareness of the importance of protecting human rights and environmental norms in clusters (Gereffi and Lee 2016).

Some other researchers, always referring to clusters in developing countries, have pointed out that the cluster involvement in global economy has highly influenced the implementation of CSR initiatives (Schmitz and Nadvi 1999; Lund-Thomsen and Nadvi 2010a), whereas local or international monitoring ensures their actual implementation (Coe and Hess 2013; Carswell and De Neve 2013). Likewise, *social contract* and public rules may create a fertile ground for the dissemination of standards as requested by the leaders of global supply chain (Knorringa and Nadvi 2016).

Another argument relates to the impact of cluster sustainability. Some authors have stated that little is known of the impact on local SMEs' profitability, work conditions or the level of environmental pollution in clusters, particularly in developing countries (Lund-Thomsen and Pillay 2012). Collaborative initiatives among clusters appear to have achieved the best result as proven by the greening cluster initiatives, which have contributed towards raising the environmental awareness among entrepreneurs and local communities (Accountability 2006; Blackman 2006; Crow and Batz 2006).

Sustainable-oriented networks share many similarities with the traditional ones and yet literature has identified another critical element related to the economic returns, and more specifically on the assumption that they may be achieved in the medium-long term, while being hard to assess. However, if business focuses on achieving a short-term profit rather than a value-oriented approach in the medium-long term, the dissemination of sustainability practices and their value in their reference market will be dramatically affected.

To conclude this analysis, it is fair to mention those who see a form of “cultural and economic imperialism” in the pressure exerted by the leading Western enterprises in global chains, without even understanding the existing differences at global level (Knorrinda and Nadvi 2016). However, from an opposite standpoint, but always under the pressure of global leaders, the so-called networked sustainable enterprises have started to adopt the *decoupling* approach, namely a symbolic socially responsible behaviour to uphold their good reputation while keeping their *business as usual* (Westphal and Zajac 1994, 2001; Fiss and Zajac 2006; Marquis and Qian 2014).

2.4.2 Local Systems Sustainability

The importance of a collaborative approach within networks and clusters for implementing sustainability activities is all the more appreciable in SMEs. Literature and institutions (UNIDO 2007) on several occasions have stressed the important function of networks for developing all the necessary competences to raise awareness of sustainability issues in defining business strategies (Molteni et al. 2006). One of the most significant advantages of networking activity lies in the exchange of information and dissemination of knowledge among all actors involved. The inter-organisational relationships are capable of spreading knowledge in an informal and tacit manner.

A few scholars believe that amongst the different forms of proximity between enterprises, the geographic aspect is what simplifies the dissemination of knowledge between enterprises with poor cognitive abilities and encourages the strengthening of the *absorptive capacity*, namely the capacity to assimilate and exploit knowledge from the environment (Cohen and Levinthal 1990). In so doing, complementary resource processes may take place (technological, market related, etc.) among all those businesses favouring the network fertilisation of knowledge, which would result in reducing the risk for innovation processes.

If the objective is not exclusively to pursue the economic development, but to strengthen a joint action approach between economic and social competitiveness through responsible practice, it is sensible to assume that this challenge would be unbearable if it had to rely on the efforts of a single player. The only way forward is for multiple actors to draw together and build upon their different abilities and skills. Businesses cannot make it on their own (Moon 2002) no matter how effective the practice of a single actor may be, either by reducing, beyond law requirements,

manufacturing processes in terms of environmental impact or protection for human rights. All its efforts would go to waste in the face of an entire productive chain or economic, institutional and social system, which would risk behaving in an inconsistent and non-sustainable manner. However, the level of the analysis must extend to those sustainability paths that can be designed and implemented within a local system, referred as to a “clearly defined territory characterised by infrastructures and physical capital. The contextual knowledge is what describes a specific local system, which although differing from one another, can be classified in *ideal-types*, e.g. the industrial districts. Each and every one of them is defined not necessarily by their structural and organisational features, but rather by specific contextual knowledge’s characteristics (trans.)” (Beccatini and Rullani 1993, p. 25).

Sustainable behaviours within a local system call for a broad-based participation of all stakeholders including institutions and local communities. The essential condition is achieving shared objectives and practices and implementing activities with a clear impact on sustainable development for a common good. In this respect, sustainable development and responsible conduct become real opportunities for building collaborative interactions and partnerships between public and private actors. It basically deals with what some authors have defined as a *relational state* (Mendoza 1996; Albareda et al. 2004) or, by others, from a different perspective, *collaborative governance* (Zadek 2006), or *responsible competitiveness* and *corporate responsibility cluster* (Zadek et al. 2003).

Public-private interaction advantages are apparent in the possibility to pursue a sustainable local system development, consistent with local economy’s distinctive features (Pulci and Valentini 2003; Del Baldo 2009) and major projects development through the engagement of multiple actors which, while stimulating the exchange of individual expertise and specific expectations, will legitimise those projects and provide all necessary conditions for an efficient implementation (Caroli and Tantalo 2011).

These forms of broad-based participation are widely investigated in literature and range from *multi-stakeholder processes*, which “(...) aim to bring together all major stakeholders in a new form of communication, decision-finding (and possibly decision-making) structure on a particular issue; (...) based on recognition of the importance of achieving equity and accountability in communication between stakeholders; involve equitable representation of three or more stakeholder groups and their views; based on democratic principles of transparency and participation and aim to develop partnerships and strengthened networks between and among stakeholders” (Hemmati 2002, p. 19); to *global action networks* (GAN) (Waddell 2007), defined as a “civil society initiated multi-stakeholders arrangements that aim to fulfill a leadership role in the protection of a global commons or the production of global public goods” (Glasbergen 2010, p. 130).

With reference to sustainable paths calling for a public/private broad engagement, literature has focused on exploring the actors’ features and collaboration methods.

Partners’ composition and selection essentially contribute towards the good operation of networks: many studies have considered Agenda 21’s suggestions

(United Nation 1992), and identified in public engagement the essential pre-condition for sustainable development. On this line, fundamental groups of stakeholders, the so-called *major groups* according to the *tri-sectoral approach*, identify themselves through institutions, businesses and society (Hemmati 2002).

As to the partners' features, literature suggests investigating individual attitudes, their previous collaboration experiences (Wang and Fesenmaie 2007) and shared ethical values, indicated as the essential drivers contributing to the success of an enlarged network (Bowie 2000). It also emerges that the analysis of these factors should also consider the different forms of collaboration. In fact, as already pointed out by Zucchella (2007), the adoption of CSR initiatives can be an input conditioning the network setting-up or otherwise, its output.

Besides the characteristics, participants' resources and skills need also investigating and more specifically: coordination abilities (Ritter et al. 2004), relational abilities (Espino-Rodríguez and Rodríguez-Díaz 2008) and a visionary leadership approach, for which potential advantages may be envisaged (Stam et al. 2010).

In terms of collaboration, the debate focuses on the necessity to embrace a perspective based on mutual exchange to achieving better solutions (*ethical perspective* and *social learning*) as opposed to the mere exchange intended as a means to avoid conflicts and potential stakeholders retaliations (*utilitarian approach*) (Mathur et al. 2008) and their engagement in project legitimisation (Collins et al. 2005). Cooperation should be conceived as a dialogue-based *habermasian approach* (named after the German philosopher, Habermas) (Noland and Philliphs 2010), namely a strategic-free involvement, for which stakeholders are not strictly linked to social responsibility conditions and their interaction is exclusively functional to reaching a common agenda beyond their personal interests (Greenwood 2007).

From a different angle, another study on local system sustainability examines a few scientific contributions that have explored public/private actors' ability to influence the local system in adopting virtuous conduct (De Chiara 2012). While relying on the engagement of active businesses (Del Baldo 2009), capable of operating as meta-organisations, and on institutions for their key intermediation role between businesses and the local context (Antoldi et al. 2008), these actors manage to create platforms for sustainable development to improve competitiveness in the local system and promote common sustainable strategies.

The last study approach herein examined is supported by the *Collective Impact approach*, which stresses how cooperation, as insofar broad and diversified, would outweigh the implementation of sustainability paths in the face of serious environmental or social problems. It is therefore assumed that a "large-scale social change requires broad cross-sector coordination, a commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem" (Kania and Kramer 2011, p. 36). The authors are not implying necessarily that all social concerns would be sorted out on the *collective impact* basis, but rather that no single enterprise has the authority or owns enough resources to enable change when dealing with *adaptive problems* (e.g. the reform of

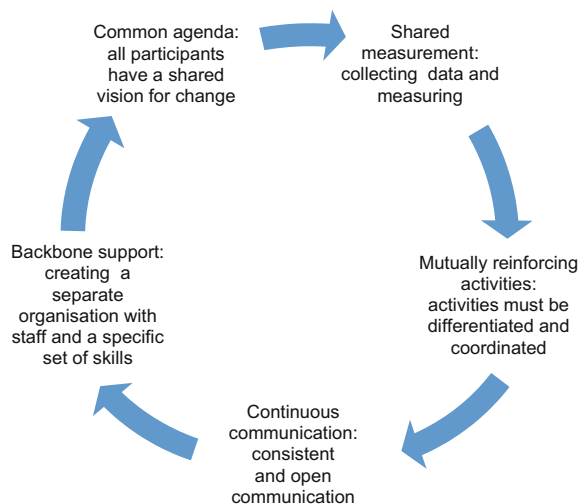
public education, restoring polluted environments or improving the health of the community).

This approach lays down the collective impact's main characteristics by identifying the different traditional forms of collaboration (funder collaborative, public-private partnerships, multi-stakeholder initiatives and social sector networks organisations), which all seem to have failed in their mission to solve social problems. It outlines forms of cooperation characterised by their centralised structure, a dedicated staff and a structured process leading to a common agenda, shared measurements, continuous communications and mutually reinforcing activities amongst all participants involved (Fig. 2.8).

The basic idea of this approach and the ensuing positive outcome, highlight the compelling need for an enlarged engagement of different stakeholders, focusing especially on changing their behavioural patterns. It is not just about establishing inter-sectorial coalitions with everyone (Hanleybrown et al. 2012), "not merely a matter of encouraging more collaboration or public-private partnerships. It requires a systemic approach to social impact that focuses on the relationships between organizations and the progress toward shared objectives. The expectation that collaboration can occur without a supporting infrastructure is one of the most frequent reasons why it fails" (Hanleybrown et al. 2012, p. 41). Hence the importance of a backbone organization and the creation of adequate infrastructures with the financial sources necessary to ensure effective collaboration (*conditions of collective success*).

Engagement, sharing, organisation and coordination are thus, the essential factors to a co-sustainability plan of action in the local system, namely that behavioural model based on the principles of responsible conduct, environmental sustainability and respect for human rights typical of a local system. This model seeks to attain a "learning alliance", in which a number of participants (better from different

Fig. 2.8 The collective impact's main characteristics (adapted from Kania and Kramer 2013)



contexts), driven by a common goal, draw together to find solutions and explore new opportunities for sustainability actions.

To conclude this review, worthy of note is also the opinion of the European Commission, which, as already pointed out, insists on encouraging institutions and businesses to do all they can to create a shared value between owners/shareholders, stakeholders and society. This would imply starting from a real multi-stakeholders theory, a revision of the governance models, a redefinition of contents and measurements beyond the unilateral approach towards a dialogue-based approach within the supply chains and between public and private sectors. The Commission stresses the importance to bring multi-stakeholders network systems, the Chambers of Commerce, Entrepreneurial Associations, Trade Unions and all potential stakeholders to the table in order to identify approaches and managerial tools for single chains and cluster sustainability consistent with the culture of the territory.

It is with this view that, in the last decade, the European Commission has launched several supporting initiatives in this matter with the aim to foster: (1) multi-stakeholders' engagement in European platforms; (2) a structured public/private, sectorial and/or territorial partnership for a common goal; (3) a partnership between trade unions and businesses for the definition of framework agreements to promote CSR also in the sub-supply chain; (4) multimedia tools, events, seminars, thematic and sectorial workshops to disseminate CSR strategic logics and best practices; (5) training initiative programmes for businesses, institutions, third sector organisations and stakeholders; (6) awareness raising actions in technological supply chains and clusters for the development of joint projects planning.¹⁰

¹⁰A few examples are as follows: *Innovating for sustainable growth: a bio-economy for Europe* is an action plan based on an interdisciplinary and inter-sectorial approach. It aims to pave the way to a more innovative, resource efficient and competitive society, a low-emissions economy that reconciles food security, agriculture and fisheries with the sustainable use of renewable resources for industrial purposes, while ensuring environmental and biodiversity protection.

The EU 2020 flagship initiative *Innovation Union* defines a new tool for innovation: the European partnerships for innovation (EPI). The project aims to promote a competitive and sustainable agricultural and forestry sector for agricultural sustainability and achieve within 2020 a satisfactory operation level of soils in terms of productivity capacity, climate change mitigation and adaptation and eco-systems stability. The EPI concept and content have been widely discussed with a significant number of stakeholders, which have stressed the need for a European partnership for agricultural innovation aiming to bridge the gap between farming practice and the scientific world through a smart grid system. The EPI will encourage partners, at different institutional and geographic levels and in different sectors to collaborate and take advantage of synergies potential: at EU level, a specific EPI network will support the strategy implementation in Europe.

The *CSR Europe Business in the Community* is a voluntary organisation comprising businesses from different European countries, promoted and supported by the European Commission. The initiative aims at gathering and integrating all socially responsible experiences taking place in the Union.

The *European CSR Award Scheme: inspiring partnership for innovation and impact* is another example. The objective is to enhance the best projects in corporate social responsibility terms and more specifically, the initiative intends to award the successful partnerships among businesses and

Indeed, the European Parliament, in the Communication *Innovating for sustainable growth* on June 14, 2013, declared its intent to share the recourse to the PPP formula (Public/Private Partnership) and call on the Commission to allocate adequate resources for its development, considering it a key factor for the creation of new value chains enhancing the existing ones. Furthermore, it emphasises SMEs' major role and reaffirms the importance for them to obtain ad hoc financing at a local level and the need to support research and innovation within the framework of smart specialisation strategies, to promote funding instruments, but above all, networking opportunities. The Parliament also stated that regional and local economies should perform a crucial function towards the attainment of a smart, sustainable and inclusive growth. The regions have the competence and the understanding required to mobilise all actors according to their specific characteristics, and thus, they should be more closely involved in devising efficient regional strategies on research and innovation.¹¹ The integration and coordination of innovation and sustainability plans on a regional, national and European level is paramount.

Another side of the coin is that sustainability becomes an opportunity for building collaborative interactions and partnerships between public and private subjects.

The engagement, as close and broad as possible including all distinctive features, is a process that should lead to objectives and actions sharing by combining expertise, integration of functions, structures and processes, distribution of responsibility and the free flow of information. Furthermore, it should consider the context's characteristics, its social environment and its economic and productive tissue in order to stimulate resources renewal in local systems and restore that virtuous circle in which the local system plays an active role in boosting corporate competitive advantages.

2.5 Social Capital and Sustainability Strategy: A Two-Way Relationship

Social capital is an interactive concept, the fruit of cooperation between business human resources, business partners, institutions and communities.

(Footnote 10 continued)

stakeholders in the territory placing special emphasis on those programmes pursuing sustainability and cohesion through innovation.

¹¹In Italy, in 2012, the interregional project '*The creation of a network for the dissemination of corporate social responsibility*' was launched. Thirteen Italian regions, the Ministry of Work and Social Policies, the Ministry for Economic Development have joined. The project's main aim is to increase the dissemination of corporate social responsibility among businesses through a mutual exchange and learning process with all the public administrations involved.

Networks are the social capital source (Burt 2000). In networks, the social capital develops within through a networking relationship, namely the glue that holds it all together. However, a caution of building social capital is to be aware of the possibility that a cohesive relationship networking system may be hard to be modified (Kontinen and Ojala 2012). Outside the network, namely the external relations with the territory and the institutional arrangements have a clear impact on social capital (Spence et al. 2003). These relationships, otherwise defined in literature as *social capital bonding*—referring to those bonds among close or homogeneous groups—*social capital bridging*—based on ties between people from more diverse social groupings—and *social capital linking*—for those relationships created outside the examined community—explain how the network can be given access to resources that would be unavailable from the inside (Burt 1992).

Social capital is thus, a multidimensional concept characterised by: (1) a structural dimension referring to the social network structure building up within; (2) a relational dimension relating to the sum of elements influencing the actors' behaviour, namely trustworthiness, reliance, obligations and expectations, which will shape networking practices; (3) a cognitive relationship enabling all participants to set common goals by sharing functional language and codes for networking management and mutual benefits (Sorama et al. 2004).

Revolving around the concept of social capital, the notion of *relational goods* also introduces (Gui 1987), the key assets of its management, namely trust, legitimacy, reciprocity and consensus. Putnam (1993) in fact, relies on these resources to improve social efficiency as they facilitate the coordination of a joint action approach. Indeed network sociologists have stressed their important functions by asserting that strong bonds positively contribute to the flow of information and therefore improve the cooperation among structures (Granovetter 1973). Social capital acts as a physical capital (e.g. bridges, roads, etc.) and enables citizens to pursue their objectives effectively by reducing transaction costs and increasing economic wealth in a given area, which is also apparent in a democratic self-regulation framework (Putnam 1993).

The established link between networks, social capital and common good highlights that, while businesses should be concerned about the development of the society in which they operate, it would be in their own interests to find ways of improving collaboration and define a more active involvement for their growth. "Investment in social capital thus could be seen as a major contribution to the common good" (Spence and Schmidpeter 2003, p. 94).

"Economic and social responsibility, but also gratuity, solidarity, participation are the ingredients for the economic upturn and development of local areas driven by SMEs, which draw from the territory the conditions of diversity and identity (trans.)" (Del Baldo 2009, p. 91).

The territory can act as an incredible driver in sustainability paths. A number of researches have underlined the importance of quality in the socio-cultural context, which is a key point in industrial district competitiveness, as it may give rise to formidable competitiveness differentials for those irreducible or hardly reducible factors that are fundamental parts of a system-nation cultural identity and cannot

travel from one nation to another (Vaccà 1993). The place becomes a production area for specific knowledge (contextual) and social interaction mechanisms (interpersonal network relationships etc.) (Garofoli 1991), which support the business’ innovative capacity in a sustainable framework. By contrast, in case the territory loses its value, the quality of the citizens’ life diminishes and the mutual bond between economic and social competitiveness breaks. In these circumstances, a sustainable collaborative model may contribute to repair that bond. In fact, if sustainable projects are carried out through the broad engagement of different stakeholders in the local system, a cooperation process based on all envisaged shared objectives and actions will initiate the implementation of that virtuous circle that re-creates those conditions for achieving a competitive advantage, especially for SMEs (Fig. 2.9).

It is thus necessary to invest in creating a strong link between business relational capital, sustainability and production systems competitiveness and place additional emphasis on the territory’s distinctive characteristics, processes and product’s quality.

Social capital management is therefore, a crucial aspect, which strengthens the very relationships in the local system in terms of its strategic function for those businesses and network competitive models that foster sustainable development to find solutions on strategic and operational resources for a variety of stakeholders.

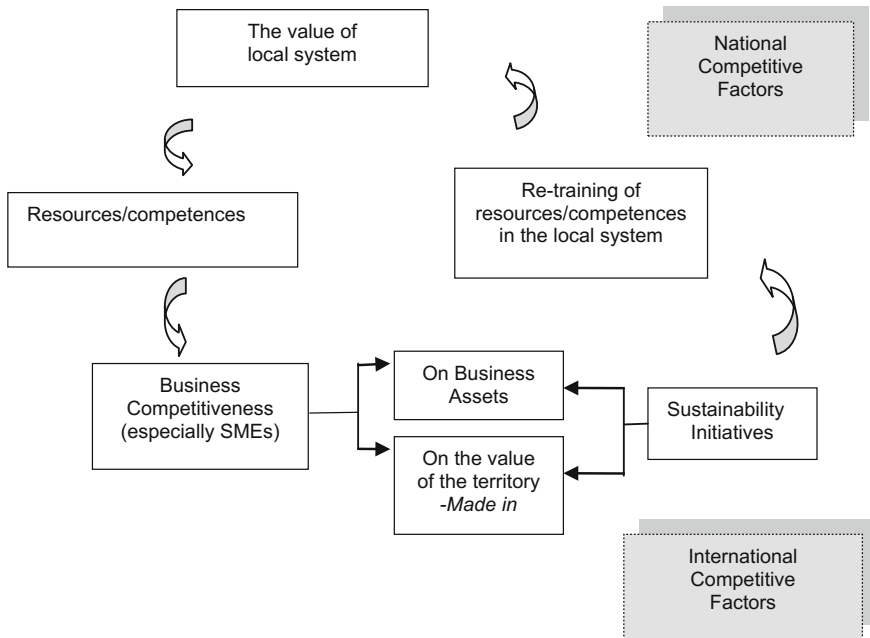


Fig. 2.9 Territory, Enterprises, Sustainability: building the economic development on social wellbeing

Sustainability, as widely pointed out, aims at legitimising the concerns of several stakeholder in not only economic terms, but on a moral satisfaction (Baldarelli 2008) and reputational level (Brennan 1994).

Social capital management, in terms of sustainability, can therefore lead to improved relationships throughout supply chains, networks and local systems by building up a virtuous circle, which strengthens and increases social capital potential.

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Chapter 3

Principles and Tools to Manage Clusters Sustainability

Abstract This chapter covers the major role of engagement in the decision-making process and its indisputable value in the implementation of strategies and management tools to achieve sustainable development. Different theoretical views on this topic have been investigated: the proposed model considers engagement as the foundation of modern knowledge as well as a means to develop cognitive capabilities by focusing on the individual subjective sphere through *intentionality processes* and, on the social and collective dimension, through *interaction processes*. With this view, technology advances identify in ICTs the perfect tools to maximise interaction mechanisms and ease knowledge sharing processes with society. This chapter also identifies the need to provide resources and adequate means to ensure the efficacy and efficiency of engagement in a clustering-based approach: it offers an insight on the selection of partners and group composition, the governance, the adoption of codes of conduct, communication and coordination tools. The analysis further extends to examine the different forms of co-produced governance including the collaboration of a large set of actors and the important role of multi-stakeholder committees, with special emphasis on the informal role of engagement that should embrace well-defined collaborative approaches to deliver tangible results.

3.1 The Principles of Engagement Management

Stakeholder engagement is one of the major factors in CSR practices (Pedersen 2006; Pedrini 2014).

It plays a crucial role in the decision-making process as it allows for the inclusion of different variables and needs, the choice of sustainable initiatives and policies to satisfy the expectations of all parties involved. Indeed, the engagement provides a powerful means of implementing decisions and strategies, and pursuing sustainability practices while ensuring a positive spin-off for sustainable development.

Sustainable behaviours can be mainly achieved through the active participation of all stakeholders who engage and cooperate to share objectives and common actions to offset responsibilities, costs and benefits with all the actors in the entire supply chain.

By broadening the scope to the market, the institutions and the whole community, the collaborative approach of all stakeholders sets the scene for the planning and implementation of sustainability projects for a common good. As already explained, co-sustainability is necessary because it allows flow, application of knowledge, exchange of expertise between the participants and motivates networks to pursue better solutions whilst mitigating potential conflicting positions of others that might preclude effective results. In fact, a project is reliable as long as it has a positive impact on the community as a whole.

In literature, the study of the stakeholder engagement has been focusing on different views (Mathur et al. 2008): (1) the *management perspective*, whereby the stakeholder engagement acts as a powerful catalyst for knowledge that fosters partnerships and innovation. From a different angle, this approach can also be defined as utilitarian in principle, namely a way to avoid conflicts or stakeholders' potential objections while boosting business market competitiveness (Ridley and Jones 2002); (2) the *moral perspective*, identifying stakeholders as citizens entitled to determine or influence social operations. The democratic nature of this view well suits public enterprises and clearly opposes the aforementioned approach; (3) the *social learning perspective*, allowing stakeholders to draw together and share information. However, some people see in the stakeholder engagement a convenient way for enterprises to maintain their '*business as usual*' mindset and particularly Collins et al. (2005), in their work, claim that the stakeholder engagement legitimises all managerial efforts towards a rather 'mild' sustainability practice.

A dialogue-based approach seems, so far, the most viable solution. The different ways stakeholders pave the way for dialogue have been accurately outlined by Noland and Phillips (2010), in two main different positions: (a) the *habermasian supporters* (named after the German philosopher Habermas), who claims that engagement has to be freed of all strategic bias for it to be morally accepted. Hence, the interaction becomes the only purpose for reaching an agreement beyond personal interests; (b) the *ethical tacticians*, who state that the stakeholder engagement cannot be separated from the business practice. On the contrary, it must become an integral part of its strategic planning if the business interests are to be met, otherwise the enterprise will have to pursue actions in a non-rational manner.

On this line, there are those who claim that stakeholder engagement does not necessarily need to be linked to social responsibility. Hence the description of four possible case scenarios (Greenwood 2007). In the first case, the engagement becomes a socially responsible behaviour, but if taken to the extreme, it may lead to unwanted outcomes; in the second opposite direction, enterprises engage in relationships with investors or customers exclusively to conduct market transactions and this situation may become quite delicate if their practices border fraud or illegality. The third scenario defines the enterprise as 'paternalistic', namely those firms that strive to meet stakeholders' needs with little involvement on their parts;

Table 3.1 Principles and stages for the stakeholder engagement

Body	Principles	Stages
<p>Accountability, UNEP and Stakeholder Research Associates (2005)</p>	<ul style="list-style-type: none"> • <i>Materiality</i>: acknowledging what is important to the organisations and stakeholders. (The principle is explicitly confirmed in stages A, B and D) • <i>Completeness</i>: understanding the organisation’s impact and what stakeholders think about it • <i>Responsiveness</i>: demonstrating adequate response on relevant issues 	<p>A. Think strategically To identify the strategic priorities for stakeholder engagement in the organisation and map them. Define the engagement potential benefits, the strategic objectives and understand stakeholders’ material issues</p> <p>B. Analysis and plan Draw on learning from other organisations and networks about how best to respond to these issues. Consider what the organisation is and is not able to do in relation to these issues and expectations in order to prioritise and further develop a strategic plan for engagement</p> <p>C. Strengthen capacities for engagement Consider the strength of the organisational systems and identify gaps. Consider the capacities and practical issues of stakeholders and identify ways to address them</p> <p>D. Design the project and engage with stakeholders Decide the best way to engage with stakeholders, design, and prepare for the engagement process</p> <p>E. Act, review and report Develop a plan of action and report back to stakeholders</p>
<p>Clarkson Centre for Business Ethics of Toronto (1999)</p>	<p>Seven principles for relationship management:</p> <ol style="list-style-type: none"> 1. Acknowledge and actively monitor the concerns of all legitimate stakeholders 2. Listen and openly communicate with stakeholders 3. Adopt processes and modes of behaviour that are sensitive to the concerns and capabilities of each stakeholder constituency 4. Achieve a fair distribution of the benefits and burdens of corporate activity among stakeholders 5. Work cooperatively with entities, both public and private, to ensure that risks and harms arising from corporate activities are minimised and optimise the results 6. Avoid altogether activities that might jeopardise inalienable human rights 7. Acknowledge the potential conflicts arising from a stakeholder manager favoured position (access to information and discretionary power) with the bearing that credibility is necessary to the trust and collaboration of all stakeholders 	

the last situation depicts the strategic case scenario in which enterprises satisfy the expectations of the stakeholders believing that they will contribute, in turn, towards the success of their own business practices. On the other hand, if enterprises openly declare their willingness to use engagement to pursue the interests of all stakeholders involved, their conducts may be perceived as misleading or morally unacceptable.

Maak (2007) in his research identifies the need for the business to expand both its internal and external relationships. The responsible leader is supposed to weave relationships inside and outside the enterprise to broaden and diversify its knowledge and thus increase its social capital. However, from an opposite perspective, the broader the engagement with third parties the greater the expectations on their part and the more restricted the freedom of action of the enterprise.

There are a number of contributions and ad hoc empirical researches (Habisch et al. 2011), complaining about the lack of a viable managerial model (Cropanzano et al. 2004); although several institutions are providing general guidance on the principles through a step-by-step process for the effective implementation of the stakeholder engagement plan (Table 3.1).

As we can see, the importance of interactions highlights two main features:

- The central and different roles played by individuals (employees, commercial partners, institutional agents, etc.) and their engagement in the cognitive process, which singles out not only their abilities, but also a number of factors on an intuitive, emotional and social level.
- The role of Information Communication Technologies (ICTs) has dramatically changed the individual's ability to express due to new languages and communication systems that have increasingly enhanced human interactions, their sharing abilities and social functions. These aspects are thus the keystones of a supra-individual knowledge.

3.2 Enhancing the Engagement: Intentionality and Interaction to Developing Cognitive Capabilities

The individual's involvement in the cognitive process has been interpreted by the relational concept in the first philosophical studies. At the core of the investigation is the interaction of people showing how individuals and the community alike may broaden their knowledge through experience, observation and mutual exchange.

The way this knowledge is transferred from one person to another has been investigated by various disciplines, such as the *diffusion theory* of anthropological leaning and *social learning* by Bandura (1977), which marked the transition from the *behaviourist theory* to *cognitivism*.

With reference to managerial studies, the approach that best interprets the enterprise's relational nature is the *stakeholder theory* (Freeman 1984), which, as

widely explained, emphasises the need for the business to consider the different stakeholders' concerns, find a balance between economic objectives, maximise shareholders' return and meet the stakeholders' expectations. The scope of this concept has been recently broadened to encompass all potential actors interested in business practices, including future generations (Clarkson 1995). All stakeholders—owners, managers, employees, suppliers, customers, institutions, associations, present and future communities—play therefore an active role in enhancing the business value without suffering from the consequences of its practice. The enterprise should then interact with all these actors and try to establish good business relationships with all of them.

The concept of network, starting from Barnes' contribution (1954), has been introduced to explain the existence of bonds between actors, although they differ very much from one another. It is a concept full of explicative potential and its further deepening has made it possible to apply it to structural analyses (Boissevan and Mitchell 1999; Burt and Minor 1998), the *exchange theories* (Homans 1958) and later to *the relational theory* and *social capital studies* (Coleman 1990).

Another important contribution to the doctrine, clearing the way to present perspectives, relates to all specific aspects characterising the business environment, for which the enterprise is said to live in a state of chaos, uncertainty and instability, and yet of great potential too (Luhmann 1977; Rullani 1994). Imbalance is thus the normal condition for a sound economy (*the complexity theory*). On this basis, the enterprise should not be managed according to the principles of absolute or limited rationality, optimality and balance, but rather treated as a complex system capable of being spontaneous (von Hayek 1988), adaptable to continuous evolving possibilities (Hirschman 1988) and prepared to adjust its strategic planning accordingly (Di Bernardo and Rullani 1984). Even more recently, literature has pointed out that the completeness of knowledge is neither important nor feasible considering the current complex scenario in which businesses operate, what really matters is to know how to learn through observation and have a thorough understanding of the context.

Knowledge allows the comparing of internal and external dynamics in businesses and networks alike, so as to attain that state of 'consonance' between the market segment, production system and the organisation (Normann 1979) that needs to be valuable and consistent over time. Businesses and networks cannot resort to adaptive behaviours, neither can they keep their initial systemic order. Indeed, they need to be prepared to explore innovative paths, disrupt their former business systems (Di Bernardo and Rullani 1984) and break out from their achieved symmetry towards new directions, to the point of changing their identities in terms of goals (telogenesis) and shapes (morphogenesis) (Di Bernardo and Rullani 1984).

Cognitive capacities accrued over time, along with individual creativity and interaction abilities, are the foundations of current knowledge, which can all the same be either related to a subjective dimension, namely *intentionality*, or included in a collective and social framework embedded in the *notion of interaction* that elevates individual knowledge to a supra-individual one (Fig. 3.1).

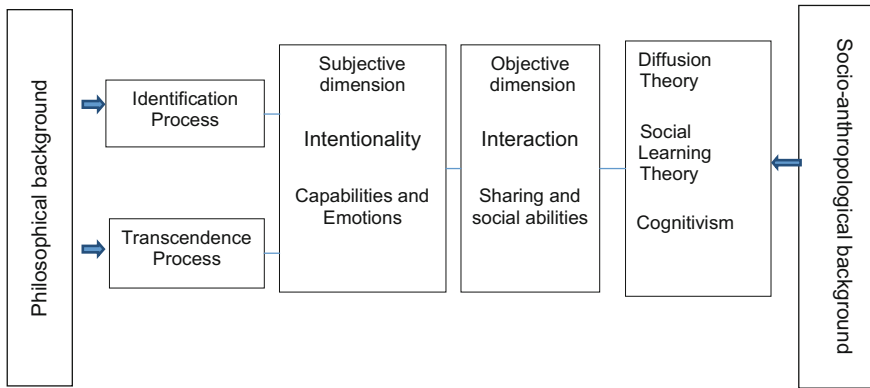


Fig. 3.1 The dimensions in the concept of knowledge

The first dimension explains that knowledge exists as long as there is an intelligence capable of using it while combining the information drawn on personal experience. In philosophy, knowledge is often described as information associated with intentionality although it is still debatable as to what extent it derives from experience or mental activity. The rationalist philosophers like Descartes and Leibniz have favoured the mind, claiming that knowledge is gained independently of sense experience and that reason, in some form or another, is the foundation of the principles of human knowledge. Conversely, empiricists like Locke, Hume and Berkeley, argue that the ultimate source of all knowledge comes from sensory experience.

Knowledge, more recently described as an appreciation, a predictable awareness of an event or a fact, is obtained through the individual's involvement in the cognitive experience (Abbagnano 1990). It tends, on the one hand, to identify or reproduce the object, and on the other hand, to transcend it. The first interpretation entails the production or creation of an object by an individual (*romantic idealism*); a manifestation of the individual consciousness, whereby the result is in the object (*modern spiritualism*); an action carried through the language (*logic positivism*).

In the second interpretation, knowledge means transcending the object, that is to say making it real while setting the conditions to predict its presence.

In the psychological studies, the classical notion of 'intelligence' is replaced by the concept of 'intelligent behaviour', relying on the ability to manipulate objects in a way that creates a connection between them according to a set order (Lazzara 2003). Another valuable contribution on this issue is provided by the *Sternberg Model*, which shows the clear impact of personality and individual motivation on the individual cognitive configuration (Lazzara 2003).

The relationship between intelligent behaviour and learning has broadened to the point of identifying, in the knowledge building process, a combination of multiple factors including intuitive, emotional and social elements without diminishing the nature of the cognitive process.

Another knowledge base lies in its objective dimension, included in the interaction concept. This notion explains that both individuals and cultures gain a wider knowledge through observation, inference and experience. The way knowledge is transferred from one individual to another has been investigated by several disciplines. The basic idea of *cognitivism* shows that the learning process does not occur exclusively by directly coming into contact with objects or people, but also through indirect experiences from observing others,¹ which stimulates the development of symbolisation, vicarious forecasting, self-regulation and self-reflection capabilities (Bandura 1986).

This rationale leads the doctrine to identify a confrontation between the traditional notion of knowledge—in scientific, objective and measurable terms—and a representation of knowledge more rooted in our complex experience.

On these assumptions, the possibility of a supra-individual knowledge becomes substantially more complicated, unless the relationship between individuality, practice sharing and social relations is further investigated (Lazzara 2003).

There are at least two main theoretical prerequisites for the most recent researches on knowledge in the business environment: the connection between intelligence and behaviour and the relationship between behaviour and learning (Lazzara 2003). The former, as already explained, emphasises the role of multiple factors involved in the cognitive process; the latter underlines the strategic aspects of interaction among people.

In this perspective, there should be a debate on the individual dimension and the crucial role of human beings, seen not only as mere users, but also as integral parts of the system. By contrast, forms of explicit knowledge cannot be eluded, as they can be expressed, or even better, transferred from one individual to another through the application of means (handbooks, courses, etc.) and knowledge management tools. Furthermore, there is a need to develop confidence and ethical conducts among all interacting parties. This idea has indeed been corroborated by a few studies that highlight how the good operation of the knowledge market enormously depends on relationships built on mutual trust (Davenport and Prusak 1998).

On this subject, the cause-effect relationship examined in literature through the connection between ethics and trust explain that ethics is essential to trust, and trust, in turn, strengthens the business relational dimension, opening the way for long-lasting relationships. It is therefore clear that if relationships develop on a virtual/digital level, trust becomes paramount to the very existence of the relationship (*trust paradox*²).

¹Bandura used the term ‘modeling’ to identify a learning process, which occurs through observation: from observing others, one forms an idea of how behaviours are performed and on future occasions this coded information serves as a guide for action (Bandura 1986). Furthermore, the stronger the identification process between the observer and the observed, the more effective the ‘modeled’ behavior (Bandura 2000).

²Trust is apparent, especially in long-lasting relationships and preferably between counterparties that are physically and culturally close to one another. On the other hand, it is in long distance relationships that trust is needed the most, although harder to achieve (Ugolini 1999).

The spread of knowledge occurs in an imperfect way, in space and in time, although the enterprise will have to implement the so called ‘knowledge brokerage’ to gain access (Cillo 2001) and consequently enhance people’s abilities, their relationships and communication technologies.

3.2.1 *Technologies: How to Learn and Interact*

At first, theory conceived the means for developing the business knowledge capacity simply as mere ‘tools’ before referring to them as real complex techniques. The *knowledge management* (Wiig 1993) has set itself the objective of improving the cognitive efficiency of cooperative groups by emphasising the need to show and share the expertise each member had gained throughout their professional careers. Initially, knowledge management was reduced to its instrumental function, namely *information technology*, which mostly focused on developing means that would ease the storing, the description and the transfer of data. On the assumption that the knowledge process cannot be reduced to data transfer, this approach has provided each member with more productive and flexible ways to share their individual skills with the whole business.

This rationale turns *knowledge management* into a sort of collaboration ‘philosophy’, which considers knowledge as a process generating further knowledge through sharing: (1) interaction and exchange processes between people; (2) sharing processes and the socialisation of knowledge (Nonaka 1994; Davenport and Prusak 1998).

The interaction among people is thus no longer a sufficient condition, since it does not automatically generate new knowledge, hence the important role of knowledge sharing.

To enable sharing processes, literature has indicated the following conditions:

- Enhance relationships in its learning environment on a business level, its standard procedures and technological and organisational innovation (Ciborra and Lanzara 1988). The learning environment tends towards an absolute natural and self-evident dimension for those who take part in it on a daily basis (Morelli 1997), all people involved are thereby influenced in their behavioural patterns and yet allowed to share experiences, knowledge (socialisation) and emotions (Nonaka 1994). Likewise, some authors have underlined the need for clusters to create the so-called industrial atmosphere that would facilitate mutual trust and foster co-production of knowledge (De Marchi and Grandinetti 2014);
- Effective distribution of knowledge for the development/implementation of learning processes, in both businesses and networks (Huber 1991), and for an understanding of cognitive maps behind the logics for action and standard procedures (Daft and Weick 1984; Levitt and March 1988). On this subject it is also fair to include explicit processes and the decoding of knowledge to create

an ‘organisational memory’ through, for example, the application of *total quality management*³ techniques—team-working, proceduralised activities etc.—in order to change knowledge from tacit to explicit (Nonaka 1994), and turn an individual’s acquired knowledge into a structured capital (Venier 2000);

- E-learning and knowledge management systems to enhance information and communication technologies (ICTs) including all of the abovementioned tools, which in turn will generate further knowledge. Such advanced technologies, which are now becoming more and more innovative, both on a technological and social level (Jouet 1991), emphasise a ‘spatial autonomy dimension’ and the removal of the barriers of time and space—virtual working methods—making progress accessible to all without any financial or cultural restriction (Scardigli 1991; De Chiara 2005).

Currently, ICTs’ strength lie in communications, which has become all the more important compared to data processing (Papa 1996).

ICTs enhance both businesses’ and networks’ capacity with the aim of turning knowledge into knowhow, considering both people interactions/exchanges and the sharing and socialisation of knowledge: whilst maximising confrontation and cooperation among individuals they contribute to creating ever-increasing virtual micro-communities aimed at sharing knowledge-expertise and socio-cultural experimentations. Furthermore, ICTs foster the creation of work networks viewed as connecting hubs for network relationships in which actors are equally bound and free. This necessitates that networks create fields of expertise and relational-communication environments upon which they no longer have control. In fact, they generate virtuous spirals of interconnected knowledge, which immediately produce, upon connection, new and broader knowledge.⁴

The interactions among actors, upheld by ICTs, may develop both in the market and within the internal management of exchange (hierarchy) (Malone et al. 1994), although, as many believe, their impact is more likely to improve market efficiency (Rossi 2004).

On-line interactions may also give rise to negative effects, namely, the blurred identity of the people involved, the risk of isolation, communications inflexibility, information overload—given the absence of contextual information and non-verbal communications—due to the lack of clear rules governing the flow of texts (Rocco 1997).

Another important issue is the existing bond between the interaction of people and social knowledge sharing for which ICTs may contribute through the implementation of an efficient communication and information exchange system. ICTs are, in fact, a powerful communication tool while offering ever-increasing sharing

³TQM is defined as a *learning system*, a model to improve individual, group and business skills (Shiba et al. 1993), a driver in a learning process framework both on an individual and organisational level.

⁴Telecentres have been referred to as the most comprehensive ongoing incubation generator of knowledge worldwide (Jester 1999).

opportunities for discussion and reflection over the experience: it has already been pointed out that on-line communications allow for a more democratic approach (*principle of alternation*) in the absence of a leader or main interlocutor, that is generally the case of regular face-to-face confrontations.⁵ It is therefore essential to positively consider what ICTs have to offer, namely innovative speech registers that might ease both communication flows and explicit decoded knowledge processes.

On the first point, and on the assumption that a standardised language throughout the whole network would ensure the good flow and understanding of information, especially in relation to its specific ‘context’, one should examine the issue more from a virtual perspective rather than from a physical standpoint. This entails that ICTs and virtual approaches may give rise to new speeches with shared meanings,⁶ which would shorten the distance in communication between partners.

Furthermore, ICTs also allow operating with the organisational memory. We are not dealing here with documental archives, nor with the memories collection of each member in a given organisation/network, but with a complex, and certainly not flawless system (Walsh and Ungson 1991), which subtly prompts the organisation to create new standard procedures and new ways of perceiving work (Ciborra and Lanzara 1988). This conceptual viewpoint is not without criticism. Some scholars, in fact, raise questions about the use of these technologies for the collection of expertise. In fact, if, on the one hand, such technologies allow for an improved acquisition of knowledge, on the other hand they make it shallow, ambiguous and context free, to the point of compromising its future implementation in critical situations (Nicolini 1997; Silver 1990). Moreover, e-communications can bring to life some forms of opportunism, which might make it harder for all people involved to build consensus and create a group identity (Rocco and Warglien 1995).

3.3 Managerial Tools for Clusters Engagement

Social responsibility is by definition a multi-stakeholder concept since it eases dialogue and interaction with the concerned parties. However, it is necessary to organise both resources and tools to ensure effective and efficient engagement.

Trust is an essential ingredient for collective action, but it needs to be integrated in a clustering-based approach aimed at pursuing and implementing joint sustainable activities that need to become drivers of the strategic planning process as a whole (UNIDO 2008).

Theory has not yet examined the conditions for improving clusters efficiency and competitiveness regarding workers, consumers and local communities rights

⁵By contrast, during on-line communications the flow of information is less ordered and predictable with more redundant information compared to a more sequenced and structured order as in F2F meetings (*principle of consistency*) (Rocco 1997).

⁶It has been asserted that social activities build upon speech, which in turn is the expression of emerging social forms in human experience (Morelli 1997).

(Giuliani 2016). However, it is undoubtedly clear that if interaction includes multiple partners of the same supply chain where clusters or local systems face the intense competition of SMEs, it is of the essence to call on the support of ‘the institutional mechanisms’ to ensure cooperation and dialogue (Knorrinda and Nadvi 2016). By ‘institutional mechanisms’ this refers to the inclusion of trade associations, public agencies and socially embedded norms of trust (Nadvi 1999) given that decisions and activities take place within a framework of multiple friendly-based relationships.

The group composition along with the very nature of sustainability initiatives is highly affected by its local and institutional context. A number of studies have pointed out that it is possible to identify different CSR approaches in several institutional contexts (Bondy et al. 2012; Habisch et al. 2011; Jamali and Neville 2011). For instance, in Matten and Moon’s work (2008), the CSR seems to be rather explicit in free market economies in its attempt to reconcile social and business values in enterprises pursuing policies and actions on a voluntary basis while placing emphasis on stakeholders’ expectations. Unlike coordinated market economies, the CSR aims at reaching social consensus, whereby norms, values and rules become the businesses’ prerequisites in the name of social consensus, achieved to meet stakeholders’ expectations (Pedrini 2014). The implications of these differences in stakeholders’ engagement are: (a) a broader number of initiatives addressed to priority stakeholders in explicit contexts, compared to a large set of stakeholders in implicit contexts; (b) forms of engagement and dialogue, pursuing a ‘light and open’ involvement in implicit contexts, compared to explicit contexts characterized by forums and committees (Pedrini 2014).

The shared conclusion of this work identifies the need to adapt the engagement to different contexts, avoid waste of resources, identify priority stakeholders and pursue intense dialogue.

The selection of partners seems also to rely upon the network characteristics. Some researchers have underlined that if sustainability practice is a prerequisite, an input, the selection of business partners should be based on values sharing (Geringer 1991; Denicolai 2008). On the other hand, if network sustainability projects depend on the adoption of specific governance practices we must consider it as an output. This implies that the various networking actors have given rise to an alignment process in terms of shared values, which in turn will become the social responsibility best practice (Zucchella 2007).

Beyond all considerations on the creation of sustainable networks and their implications, it is fair to (Fig. 3.2):

- Examine the characteristics of a business taking part in a network. It is then important to consider leaders’ personal attitudes, their previous work experiences and moral values (Bowie 2000). In literature, these aspects have been identified as preliminary indicators for potential collaboration, at least in its early stages (Wang and Fesenmaie 2007).
- Realise that business expertise and resources are equally important (Adler and Kwon 2002). For this matter, coordination skills in internal and external

relationships (Ritter et al. 2004), relational skills for knowledge sharing, routines, resources/capabilities (Espino-Rodriguez and Rodriguez-Diaz 2008), the visionary leadership—assessment of potential advantages deriving businesses’ networks—(Fyall et al. 2003; Groves 2006; van Knippenberg and Wisse 2010), leadership abilities for strategic planning and network operational coordination are paramount (Pittinsky and Simon 2007).

Another issue relates to the *network leadership*, which can also be inferred to a single central business. In global value chains, the leading enterprises affect profit and risk distribution as well as the ‘upgrading’ of other entities inside and outside the chain (Gereffi and Lee 2016). In networks, lead firms should be referring to an appropriate body in any case. This brings us to consider another crucial factor in the network stakeholder engagement, namely the *network governance*.

With respect to cluster governance, some authors have claimed that in order to achieve the ‘economic and social upgrading’, governance should be compelling in the global supply chain, especially considering the induced pressures or potential synergies⁷ all involved business clusters may be subjected to (Neilson and Pritchard 2009).

Fig. 3.2 Important features in partners’ selection



⁷Among the cases mentioned in this review, global leaders pressurise their supplier to comply with national laws (Kolk and van Tulder 2002).

Table 3.2 Typology of governance in clusters and in global value chains: aims and actors (Gereffi and Lee 2016)

Actor	Scope	
	Horizontal (cluster) governance	Vertical (GVC) governance
Private governance	Collective efficiency (e.g. industrial associations, cooperatives)	GVC lead firm governance (e.g. global buyers' voluntary codes of conduct)
Social governance	Local civil society pressure (e.g. workers, labor unions, NGOs for civil workers and environmental rights, gender-equity advocates)	Global civil society pressure on lead firms and major suppliers (e.g. Fair Labor Association) and multi-stakeholder initiatives (e.g. Ethical Trading Initiative)
Public governance	Local, regional, national government regulations (e.g. labor laws and environmental legislation)	International organizations (e.g. the ILO, WTO) and international trade agreements (e.g. NAFTA, AGOA)

While in the first case clusters governance is characterised by horizontal relationships between cluster businesses and local institutions, the latter weaves vertical relationships all along the global value chain between buyers and suppliers of different countries (Gereffi and Lee 2016) (Table 3.2).

The choice of the governance typology—either private, public or social—would differ in value according to the aim the cluster intends to achieve. In the presence of objectives connected to social upgrading, both public governance (local, regional and national actors) and social governance (cooperating with local civil societies and NGOs) should be favoured (Gereffi and Lee 2016). Public governances might, through regulations at various levels (nationally, regionally and locally), directly or indirectly affect the economic and social upgrading, whereas social governances would mostly exert pressure on other public and private actors through boycotting or protesting (Selwyn 2013). However, they distinguish themselves for their multi-stakeholder structure (O'Rourke 2006). Finally, the private forms of governance involving cluster businesses are based on trust, mutual interdependence and interpersonal ties (Schmitz and Nadvi 1999), with the prime objective to achieve a collective efficiency that small-sized enterprises on their own would struggle to obtain (Schmitz 1995).

In all forms, and relying on the assumption that all network actors keep their own distinctive features in business and cultural terms, it is essential to create and add further value to them all. On this line, the OECD laid down (2004) the principles that should govern the relationships among members:

- I. Ensuring the Basis for an Effective Corporate Governance Framework—promote transparent and efficient markets and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

- II. The Rights of Shareholders and Key Ownership Functions—protect and facilitate the exercise of shareholders' rights.
- III. The Equitable Treatment of Shareholders—including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
- IV. The Role of Stakeholders in Corporate Governance—recognise the rights of stakeholders and encourage active co-operation between corporations and stakeholders.
- V. Disclosure and Transparency—including the financial situation, performance, ownership and governance of the company.

Furthermore, the governance's role has been subjected to different interpretations in literature. Some authors have introduced the term of 'driving' to refer to global supply chains and their nature, the 'producer-driven' or 'buyer-driven' (Gereffi 1999), and the 'coordinating' notion to describe the nature of relationships, 'market' or 'hierarchies', and the 'normalising' dimension to underline the need for practices to be compatible with standards and norms (Gibbon et al. 2008). This normative dimension is particularly important in place-based industrial clusters, where underlying phenomena like the industrial atmosphere, a distinctive trait of the Marshallian industrial districts, facilitate mutual trust between people and the transfer and coproduction of knowledge (De Marchi and Grandinetti 2014). The normative power in fact lies in the ability of businesses to find feasible ways to implement activities, assess quality and identify the guidelines to be followed with respect to worker rights and factory conditions.

The governance has the important function to set the rules and the processes by which decisions will be taken. It is therefore crucial to select the actors responsible for choosing the governing methods and those in charge of overseeing and controlling the carried out activities (Humphrey and Schmitz 2002).

The network characteristics may affect the governance constituency, in fact, some studies highlight how the size of the network, the existence of a central hub and the nature of relationships between businesses have a major influence (Fichter and Sydow 2002). The dimension variable affects governance in all its complexity: smaller networks are less complex and therefore, easier to manage, while larger networks have to ensure better representability and provide suitable institutional and monitoring measures both in networks and in single businesses. Furthermore, it is also important to assess the distinctive features of each actor, namely the different stakeholders in each business, their missions and interests with respect to networks, their cultural and management dissimilarities and the specific power of each enterprise (O'Leary and Bingham 2007).

A core active role in networks is essential to define governance, promote network sustainability projects and motivate the network partners. In addition, central businesses allow for better resource organisation for the implementation of sustainability projects, standards and regulations; they are essential in the partners' selection process and define the codes of conduct accordingly (Fichter and Sydow 2002). Thus, lead businesses are essential, especially in the network start-up phase, to develop a hierarchical-based governance that ensures the smooth running of operations and the dissemination of common values.

On this line, the nature of the relationships between businesses within the network may affect the choice of governance. The stronger the bond between actors, the better the communication and proper use of acquired resources. It is therefore clear that the business forms of governance within a network may significantly enhance the overall network value (Nooteboom and Gilsing 2004).

Another tool used to manage the engagement is the *code of conduct*, which has been widely considered as an indispensable means for the definition of standards and values (Zucchella 2007) and the dissemination of behavioural principles within the network.

Codes of conduct combined with network ethical behaviour are the key factors determining the shift from the CSR to the *Network Social Responsibility* (NSR) (Fichter and Sydow 2002; Zucchella 2007). In fact, one of the major difficulties in network management is the definition of those shared values in which the conduct of each actor can align and find consistency considering that the traditional hierarchical mechanisms in businesses are less effective compared to networks (Zucchella 2007).

Other important factors relating to social responsible networks are *internal and external communication* (Currall and Inkpen 2002; Nooteboom 2004) and *internal coordination*, given the heterogeneous nature of objectives and strategies in networks. To address this weakness some authors have focused their attention on two main aspects: activities planning, primarily to define networks' areas of competence—including the identification of their major objectives—and the implementation of management and operation mechanisms to ensure network development over the medium- and long-term (Kickert et al. 1997).

Network coordination may also be pursued by identifying production and process parameters for each of the actors while recognising their specific features and nature (Humphrey and Schmitz 2002). The major tools to manage engagement in networks is outlined as follows (Fig. 3.3).

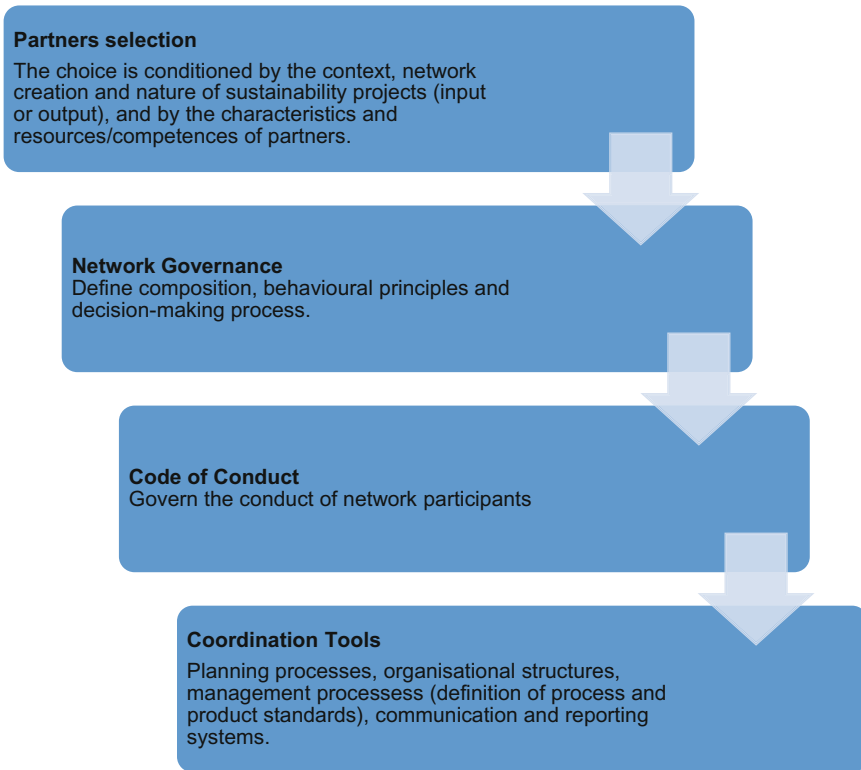


Fig. 3.3 Tools to manage engagement in networks

3.4 New Engagement Models: The Multi-stakeholder Committees

Co-produced governance is now becoming an increasingly widespread practice, which involves the engagement of public and private actors of different economic, institutional and social backgrounds (Lund-Thomsen and Nadvi 2010), identified as multi-stakeholder committees. Such committees have been referred to as a ‘learning alliance’, on behalf of which major and concerned stakeholders, inspired by a common interest, draw together to discuss opportunities and challenges on sustainability issues. These committees allow the exchange of competences, experience sharing and greater involvement in the decision-making processes, which is altogether a major step towards expanding learning opportunities for a better planning of future actions.

Committees with such characteristics have been defined in different ways: namely *global action networks* (GAN) (Waddell 2007), ‘global and multi-level networks’—for a global, national and local recognition—or ‘multi-stakeholder and

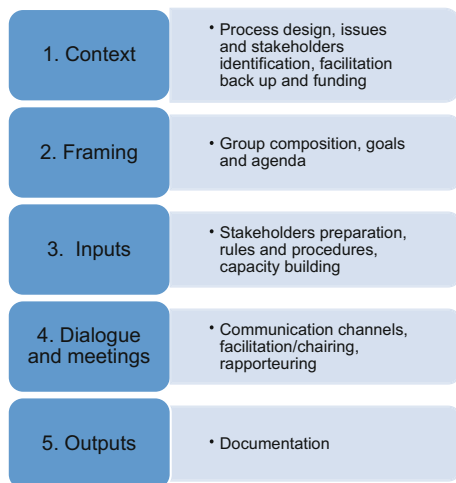
cross-sectoral networks’, to ensure a wider participation of public and private actors in different sectors (Glasbergen 2010), and *multi-stakeholder processes* (MSPs) (Hemmati 2002), relying on a broader involvement of institutions, businesses and societies.

These committee models and their management give rise to several questions that need addressing: Hemmati (2002) in his model outlines at least five process levels, which are in turn broken down into different contents. Both links and feed-back as well as meta-communication processes with external stakeholders and the general public have also been identified (Fig. 3.4).

The main concern certainly focuses on the stakeholder identification, which Hemmati (2002) tackles by examining various aspects: diversity (relevance, social mapping, balance of experts and non-experts), inclusion (openness, voluntary, clear criteria), structure (size, limits, focal groups, hierarchy, feedback loops), legitimacy (accountable, equitable, democratic, expertise), and participants’ identification (transparency, balances).

The setting up of a multi-stakeholder committee, as indicated by the international team ‘Making it Work’ (2006), unfolds along several steps: establishing the aims of the committee and the short-, medium- and long-term objectives, identifying, and at the same time foreseeing the specific knowledge and expertise required. Once the necessary abilities have been determined it will be possible to select the relevant organisations to include, such as research institutes and civil society groups. The other step covers the specific role of the committee, which is established through the selection of an advisory committee involved in monitoring and supervising the processes and of a steering committee responsible for approving the projects. Finally, the governance structure needs to define the specific roles and responsibilities of each participant. The latter will play a key role in defining the rules for the committee decision-making process and, before that, the guiding principles.

Fig. 3.4 Chart of a multi-stakeholder process (adapted from Hemmati 2002)



Furthermore, all the committee’s activities and its relevant running procedures will also have to be determined (Fig. 3.5).

The implementation of a collaborative process for achieving sustainable objectives needs primarily to extend the participation to the different operators/activities in the production chain. This enlarged participation allows, firstly, for the gathering of all information and/or concerns arising in each production and distribution phase and then the pinpointing of the relevant competences of each actors to find and implement solutions accordingly. The parties involved—the actors in the supply chains—should on the one hand minimise the risks of unethical conduct among them, and on the other hand maximise the impact of sustainability projects on the entire community.

If the sharing of information, competences and experiences take place during a multi-stakeholder committee, which plays the decision maker role, it is then vital to recreate the conditions for a larger representability. Some studies have shown that cooperation between businesses, local institutions and communities generates important results in the face of environmental challenges from local industries (Nadvi and Yoon 2012). Institutional actions enable business clusters to be either competitors or partners (Nadvi 1999). In fact, public institution engagement leads to a regeneration of industrial policies (Gereffi and Sturgeon 2013) especially for clusters in developing countries; their participation, beyond their formal role as legal representatives may call for a more innovative approach including the collaboration of local actors (Locke 2013; Amengual 2010).

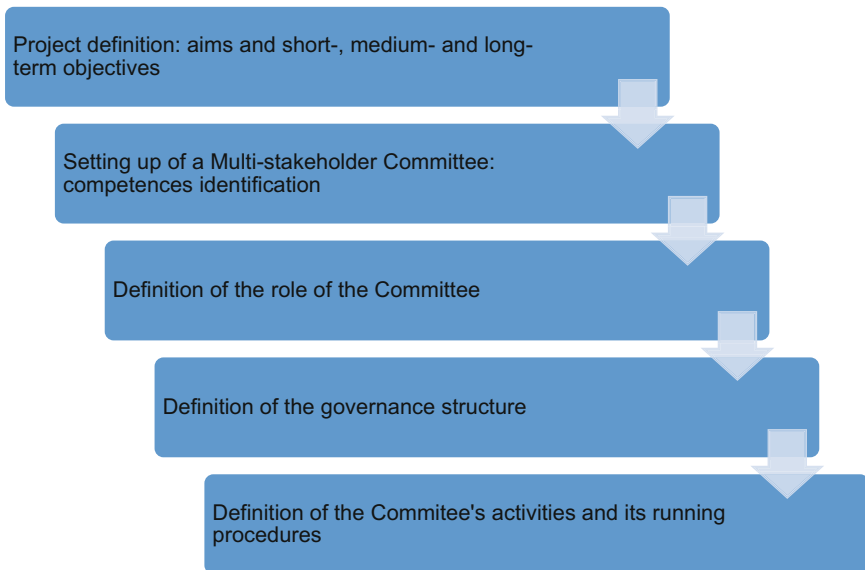


Fig. 3.5 Steps to set up a multi-stakeholder committee

It is therefore essential to assess how these committees will be managed. The Glasbergen model (2010) in fact identifies three key abilities for their governance (Fig. 3.6): (1) create a ‘psychological space’ to motivate participants’ commitment to the network by strengthening their sense of ownership and responsibility. Networks should act as sources of inspiration, union and moral support to achieve a shared vision on their mission; (2) create a ‘transaction space’ for knowledge sharing and actions development. It is important to establish the degree of involvement and responsibility of each actors and adjust coordination functions both internally and externally; (3) create an ‘enabling environment’ that acts both as a seed and as a driver for change. The involved parties have to develop a common agenda and enable change through activities for external actors. The participants must act as agents of change.

All three abilities need balancing between choices of ‘fixation’ and ‘flexibility’, namely between the necessity to draw up guidelines, values, codes of conduct and an innovative dynamic potential; between the necessity to set rules and facilitate members’ self-organisation; defining formalised internal structures while maintaining an open and productive window on the outside world.

The guiding principles for the governance members play a key role. Hemmati (2002) outlines them as follows: ‘(...) democracy, equity and justice (...) transparency, accountability, corporate social responsibility, solidarity, good governance, economic justice, gender equity, and so on’ (Hemmati 2002, p 40).

The issue of governance in committees, characterised by multi-representability, is certainly fascinating, but the major challenge for them is to ensure dissemination, guideline principles sharing and activity coordination, which strictly relate to a more functional approach. In this respect, several tools, including the non-technological ones, have been outlined. In the organisational framework, the creation of sub-workgroups in charge of specific ‘work packages’ in which the work may be shared, appears to be a good solution to ensure involvement and competence sharing. The exchange is compulsory to ease and enhance engagement, while ICTs are essential to fostering communications and facilitating dialogue between partners that are not physically close.

	Fixation		Flexibility
Psychological space	Emotional and Cognitive coherence	↔	Emotional and Cognitive diversity
Transaction space	Central rule system and decision-making	↔	Self-organization of participants
Enabling environment	Internally closed	↔	Externally open

Fig. 3.6 Governance capabilities (Glasbergen 2010)

The path previously laid down for the creation and operation of a multi-stakeholder committee is not deterministic in nature, and therefore the outcome is not at all a foregone conclusion. However, the abovementioned characteristics may be referred to as pre-conditions facilitating the adoption of sustainable solutions. Additional expertise from various sectors, responsible conduct based on mutual respect, commitment to the project, honesty and open-mindedness, is believed to ensure the multi-stakeholder committee to pursue and achieve common goals. Examples of sustainable initiatives carried out by multi-stakeholder committees are numerous. In fact, different committees with these characteristics have been created in the jewellery and goldsmith sectors.

Multi-stakeholder Committee in the jewellery and goldsmith sectors

Major ethical challenges in the jewellery supply chain have prompted international institutions to offer their contributions to *due diligence processes* in order to achieve sustainable gold, diamonds and precious stones distribution chains. These initiatives deliver examples of co-sustainability and multi-stakeholder committees, designed and developed with the enlarged cooperation of stakeholders to share objectives and actions as well as the implementation of traceability standards/systems for gold and diamonds.

This is the case of the *Kimberley process*, namely the agreement approved and implemented with the joint effort of governments of different countries interested in diamond mining activities, multinational diamonds enterprises and civil society. Enforced since November 2002, and following the endorsement of the United Nations (March 13th 2002), the *Kimberley Process Certification Scheme (KPCS)* is an effective certification system for the traceability of diamonds to secure the legal provenance of the mining plants. Today the certification system is the sole instrument in the diamond sector able to prevent mining activities from financing the procurement of weapons and stirring conflicts, hence the so-called definition of ‘blood diamonds’ or ‘conflict diamonds’ (ONU 2001).

It is worth mentioning also the Responsible Jewellery Council (RJC), an international no-profit organisation founded in 2005, with the aim of setting up a sustainable production chain for diamonds, gold and PGM (platinum group metals) ‘from the mine to the consumer’.

The organisation, which has implemented the *Code of Practices* and the *Custody of Chain* to promote exchange of responsible good practice in the sector, operates through the *RJC Standards Committee* composed of 14 members and more precisely: elected RJC Member representatives, two from each Member Forum, and up to 12 external participants from NGOs, related standards organisations and other experts (web site). The committee’s major role is to plan, implement and increasingly improve *RJC Certification* and support engagement of stakeholders during standards development activities.

Another significant example is given by the OECD (Organisation for Economic Cooperation and Development), that issued the *Due Diligence*

Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2011–2013) and a specific supplement for the mining activities of gold through detailed guidelines for the responsible global supply chains of minerals. The working group is composed of OECD, partner countries, international organizations, industry at several levels of the gold supply chain, international and local civil society organizations, expert consultancy groups and other independent experts. It is the first example of a collaborative government for a responsible supply chain of minerals from conflict-affected areas, which is considered vital to the success of due diligence efforts for conflict-free gold supply chains. The participation of key non-member countries and companies in the gold supply chain based in those countries is recognised as a priority.

While it is true that the multi-stakeholder approach has become the indispensable pillar of sustainability strategies within supply chains, networks and local systems, some scholars have recently indicated it as being too reductive in principle. Engagement should evolve from an informal to a more collaborative-based approach with a well-defined organisational structure. Managing change in terms of complex problems such as pollution or social unease has prompted research to define new approaches, focusing on the pursuit of sustainability projects based on a regulated engagement, so as to effectively contribute to the wellbeing of the community. This is the case of the *Collective Impact* approach (Hanleybrown et al. 2012; Kania and Kramer 2011), which identifies the need to create a backbone structure with a dedicated staff to cope with complex issues or ‘adaptive problems’—i.e. the education reform, rehabilitation of polluted sites, improvement and protection of health of the community, etc.—preventing single enterprises from enabling change.

The setting up of a centralised structure should prompt the involved parties to implement a common agenda through a structured process that identifies the sub-objectives and strategies, shared tools, communications means and measuring results systems (Kania and Kramer 2011). The model suggested by the *Collective Impact approach* starts from the identification of some pre-conditions to establish the required contributions and work phases, which are divided into three major stages (Fig. 3.7). The first focuses on defining the initial preparation related to the group composition, history of the territory/the community and database collection. The second refers to the definition of a ‘backbone’ structure, the creation of a common agenda with specific objectives and strategies, promotion of the community engagement and implementation of measuring procedures; the third deals with the pursuit of actions for the implementation of objectives and strategies, community engagement monitoring and effective feedback processes.

In terms of sustainability initiatives based on the *Collective Impact* model, Hanleybrown et al. (2012) and Kania and Kramer’s (2011) work should be investigated.

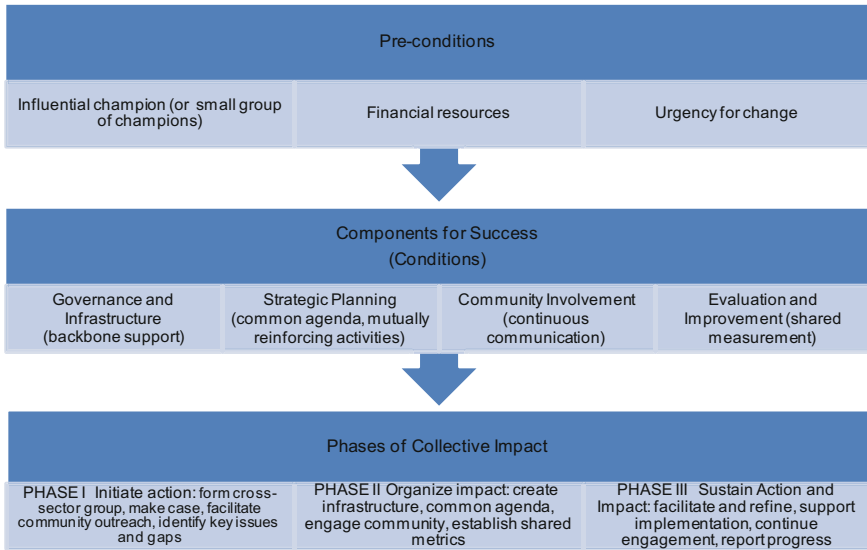


Fig. 3.7 Pre-conditions, components and phases for the implementation of the Collective Impact approach (adapted from Hanleybrown et al. 2012)

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Part II
Industrial District Sustainability in
Southern Italy: Results of Empirical
Research in Campania

Chapter 4

Research Methodology and Results

Abstract This chapter provides an insight into Italian districts from empirical research that finds its justification in the current unbundling of productive processes and the nature of the economic tissue characterised by the almost exclusive practice of SMEs in highly specialised production areas, known as industrial districts. The strong tie to the socio-cultural features of the region (*milieu*), would enable districts to foster the sustainable development of local community, and through the implementation of viable business practices enhance their local resources so as to give life to ‘unique and irreplaceable’ competitive models. The survey has been conducted with eight production centres of the typical ‘made in Italy’ supply chains in Campania, a region of southern Italy. The methodology/approach has relied on the analysis of public sources available, as well as on a number of direct interviews with the representatives of both districts and production centres.

4.1 The Research

The empirical research has sought to investigate sustainability issues in industrial districts for two sets of reasons. Firstly, the unbundling of productive processes among multiple actors, including sub-suppliers and related activities cannot focus exclusively on the individual effort of single sustainability-driven businesses.

In fact, for a viable plan to be successful it needs to shift from an ‘individual practice’ of a single entity to a clustering and networking one. In so doing, all actions achieved with the collaboration of multiple actors will be more significant, the risk of unethical conduct minimised and the impact on sustainable development definitively enhanced.

In order to legitimise projects in the pursuit of a common good, it is essential to share sustainability with more actors, create public/private partnerships and cooperate with the supply chains. On this line, sustainability becomes a real opportunity to establish collaborative interactions and partnerships between the public and the private sector, which, in turn can cooperate to enhance the specific industrial processes whilst boosting business and local system competitiveness.

The second reason for examining district sustainability behaviour stems from the nature of the Italian economic-productive tissue, almost exclusively characterised by the practices of small- and medium-sized enterprises in highly specialised production areas known as industrial districts.

Literature, like institutions, suggest that these actors might well contribute towards the sustainable development of their territory through the adoption of concerted policies and clustering-based approaches. As earlier explained, while large enterprises should focus on the *stakeholder theory* logics, SMEs should aim at enhancing their social capital and improve dialogue with stakeholders (UNIDO 2007). The creation of business combinations (e.g. networks and production centres) appears to be the most viable solution for ensuring local growth and global competitiveness (EC 2011).

In Italy, the high concentration of production systems bearing the characteristics of a *milieu*, namely indicating the strong ties to the socio-cultural features of a territory (Beccatini and Sforzi 2002), reinforce the idea that districts, by pursuing sustainability practices, may take full advantage of their local resources, thus contributing towards the development of the local community. Districts are integral parts of the territorial heritage since they mirror the area they are embedded in. At the same time, places reflect the specific characteristics of a productive business network. Therefore, the comparative advantage arising from the specific resources of the area in line with sustainable strategic approaches would not only foster districts upgrading and businesses/local system competitiveness, but also strengthen the district-interconnected relationships with its cultural background (Beccatini 2000).

In the Italian districts, the socio-cultural context is considered a driver for business competitiveness if no less the expression of those advantages that are difficult to replicate in other environments. Those advantages, which can be easily recognised in several supply chains of the ‘made in Italy’ industries, namely the textile, clothing and accessories, furniture, food and jewellery sectors promote the development of local policies and increase their territorial value on a global scale.

It would then be necessary to support district strategies to better exploit and re-qualify local expertise while respecting the traditions of the area, retrain local resources and improve social competitiveness in order to build unique and irreproducible social and economic models. In other words, in order to improve the economy and the wellbeing of society the mutual relationship between the territory and its businesses should be focusing on the development of viable competitive approaches. This is the case of the ‘made in Italy’ industrial districts that can enjoy the advantage of being embedded in the economic and cultural heritage of their region.

Within districts, the common geographic relationships need to evolve towards a relation-based and shared management approach. Common social roots, competences and knowledge sharing may indeed reinforce social interactions, but this transition does not occur automatically considering the overall competitive network of business clusters relationships. Therefore, clustering activities, while relying on a high level of productive business interdependence and relationships based on trust,

turn out to be an asset for the implementation of sustainability plans aimed at improving district performances, local system wellbeing and enterprise competitiveness. It is equally true, however, that they arise significant governance concerns and considerable problems in the adoption of suitable tools to foster engagement.

The empirical research addresses these issues with the aim of highlighting their critical features while indicating areas for improvement, especially with regard to local institution guideline policies on district sustainability.

4.2 Survey Objectives, Methodology and Analysis Phases

The survey has been conducted with eight production centres of the ‘made in Italy’ supply chains in the food, fashion (textile, footwear, tanning) and jewellery sectors (Table 4.1), in the Campania region. At present, only two of them are still defined as industrial districts.

The choice of the survey units finds its prime justification through the observation of the industrial districts in Campania. Their subsequent modification has led to an expansion of the research to the goldsmith and jewellery supply chains whose historical manufacturing traditions and value for the local economic system bear witness to significant productive activities in the region. In this respect, the analysis also encompasses the jewellery, the precious stones (Naples and Caserta), fine coral crafts and cameo work production centres (Torre del Greco).

The objectives of the empirical research focus on:

- The state of sustainability policies in districts and production centres in Campania in line with the ISO 26000 guidelines
- The operating procedures underlying the ‘network projects’ on social and environmental sustainability (developing methods, criteria selection of the involved parties, coordination and communication tools) and their future activities

Table 4.1 The survey units

District/production centre	Sector
The tannery district of Solofra	Tanning
The textile district ^a of Sant’Agata dei Goti, Casapulla, S. Marco dei Cavoti, Aversa, Trentola Ducenta	Fashion-textile/clothing
The industrial agrifood district of Nocera-Inferiore, Gragnano	Agrifood
The textile district ^a of San Giuseppe Vesuviano	Fashion-textile/clothing
The footwear district ^a of Grumo Nevano-Aversa	Fashion-footwear
The consortium Borgo Orefici	Jewellery
Il Tari	Jewellery
Assocoral	Jewellery

^aNo longer defined as district

- Reasons and benefits achieved, or meant to be achieved, both for the beneficiaries of the project—district and network businesses and external actors
- The role of public policies and local institutions' actions and their level of importance for the development of sustainability projects in districts and networks.

The survey's *modus operandi* has sought to analyse the available public sources and direct interviewing methods with the representatives of districts and production centres respectively.

All information district-related¹ has been retrieved from the National Observatory of Italian Clusters² (2015) and Rete Cartesio³ (2015). Under the Regional Council decision No. 59 of 02 June 1997, the National Observatory of Italian Clusters has identified five industrial districts in Campania. Four of them operate in the fashion sector (textile, clothing and accessories)—the Tannery district of Solofra, the Textile districts of Sant'Agata dei Goti, Casapulla, S. Marco dei Cavoti, Aversa, Trentola Ducenta, the Textile district of San Giuseppe Vesuviano and the Footwear district of Grumo Nevano-Aversa. Only one refers to the agrifood sector—the Agrifood industrial district of Nocera-Inferiore, Gragnano.

However, the presence of different production centres in the region, deeply rooted to the land due to their production origins and dynamic economic activities, has led to investigate other supply chains including the goldsmith and jewellery sectors operating in three important production centres: the Consortium Borgo Orefici in Naples, Il Tari in Marcianise (Caserta) and Assocoral in Torre del Greco.

The direct survey has been conducted from March to June 2015 by means of a semi-structured questionnaire addressed to the legal representatives of districts and

¹In Italy, the first attempt to specify and coordinate the activity of industrial districts dates back to 1991 according to L. 317 Art.36, which defined them as “the geographic concentration of small-sized enterprises especially considering their strict relationships with local population and their specific business productions”. The task to identify districts was the responsibility of the regions, following the implementing decree of 1993. District specification according to the abovementioned parameters was still difficult to assess even after the L. 140 of 1999. In 2005, both L. 266 and budget law in 2006 under Prodi administration established that a ministerial decree would set the rules for the characterisation of business districts, which were thereby defined as free business aggregations articulated both on a territorial and functional level. Although the implementing decree had never been enforced, the law referred to above introduced two innovative changes: the broadening of the district concept from the manufacturing to the service sector (namely production centres rather than industrial districts), and the shift from a previous legislation ‘top down’ hierarchical to a ‘bottom up’ association-based approach, which defined districts as free business combinations.

²It is the Italian official districts database set up in 2009 by the Federation of Italian districts and Unioncamere.

³It is a network coordinated by the regions of Emilia Romagna, Lazio, Liguria, Lombardy, Sardinia and Toscana for sustainable development and territory management.

Table 4.2 Examined issues

Issues	Contents
District information	Production specialisation, number of enterprises, turnover, new markets and organisation
Sustainability on:	Existing and future initiatives; reasons; benefits
• Governance	Set-up, selection criteria of participants, guiding principles and roles
• Human Rights	Due diligence; situations of risk for human rights; avoid any complicity; conflict resolutions; discrimination and vulnerable groupings; civil and political rights; socio-economic and cultural rights; fundamental principles and rights at work
• Relationships and working conditions	Employment and work relations; working conditions and social protection; social dialogue; health and safety at work; human resources development and training activities
• Environmental sustainability policies	Pollution prevention; sustainable utilisation of resources; mitigation of climate change; environmental protection, biodiversity and restoration of natural habitats
• Proper management practice	Fight against corruption; responsible political engagement; fair competition; fostering social responsibility in the added value chain; respect for property rights
• Consumers' aspects	Honest communications based on real and non-misleading information; fair contractual agreements; protection for health and safety of consumers; sustainable consumption; services and customer care, complaint handling and dispute settlement; protection and confidentiality of consumers' personal data; access to essential services; education and awareness
• Community engagement and development	Community engagement; education and culture; new employment opportunities and competence development; technological development and access to technology; wealth and income creation; health; social investment

production centres, or in their absence, to institution representatives from the chambers of commerce, the provinces or mayors of all municipalities involved. It is therefore clear that the district governance level of responsiveness to business contexts might have influenced the collection of information. As claimed in several literature reviews, if the district summit works in harmony with the production needs of all concerned businesses, the gathered information will appear as a pure reflection of their behavioural patterns. On the other hand, the absence or inefficiency of district governance will show little about their actual behaviour considering that their responses, based purely on perception, would be affected by the detachment of the summit from the business districts (Mio 2012).

The research has examined districts'/production centres' sustainability issues in compliance with the ISO 26000 guidelines (Table 4.2) and outlined existing and future projects.

4.3 The Aggregated Research Results

The unitary and transversal interpretation of survey results on each production centre highlights similarities and differences of all factors related to the creation, reasons and sustainability activities management (Table 4.3).

The investigated production centres are all sustainable pre-existing networks and, more precisely, *bottom up* types of networks created in the past by the voluntary aggregation of businesses in specific geographic areas. The tanning activities in Campania have ancient origins and date back to the XVI century; even before then, in the XIV century, the association of wool shearers and tailors gave birth to textile processing and in the XVIII century the production centre of San Leucio became home of top-grade silk furnishing fabrics manufacturing. The goldsmith centre in Campania dates back to Federico II of Swabia with the presence of a few goldsmith workshops.

The formal recognition of these business networks as industrial districts occurred much later (1996–1997), following the resolutions of the Campania region. The research has thereby shown that the path towards the creation and recognition of districts has not always been brought to a conclusion. In fact, the full operation of districts and the strategic implementation of its committees have never been officially approved.

Amongst the industrial districts in Campania, only the agrifood district of Nocera Inferiore–Gragnano distinguishes itself for a well-defined governance and a centralised location with a district mark, unlike most of the investigated districts that are characterised by sporadic committees in charge of implementing single projects.

Table 4.3 Sustainability in industrial districts and production centres

Issues	Results
Network setup	Pre-existing sustainability
Presence of a district agency	Not always present (with the exception of the agrifood district—Nocera Inferiore–Gragnano and the jewellery production centres)
Presence of sustainability governance	Not always present When it is present, it coincides with district/production centres' governing bodies
Creation of sustainability projects	Bottom-up approach
Reasons for the selected projects to develop	Enter new markets; reinforce their presence in international markets
Typology of developed sustainability activities	Environmental and social. Leading sectors and served markets
Critical management on a district level	In the governance
Public support on sustainability issues	Not always present but deemed essential

In the respondents' opinion, the lack of a defined business district governance, shared and supported institutionally, is a decisive factor in the demise of some districts while undermining the future development of others.

It is a slightly different case for the goldsmith centres which all show specific legal bases—consortia/consortium entities and regulated associations—for which their governing bodies can be easily identified.

Furthermore, the research has shown that those networks adopting sustainability practices can all be referred to as bottom-up networks. As already explained, due to the ancient traditions of those districts and pre-existing centres, very few of them may rely today on a centralised district agency.

In terms of reasons and benefits achieved by networks—or intended to be achieved—concerning both the project beneficiaries and external entities, all investigated productive centres believe that the main reason for implementing sustainability activities either lies in penetrating new markets or in strengthening their presences internationally, particularly in sustainability-driven foreign markets. For many investigated networks, this leaves no doubts as to how sustainability actions might be the viable solution for new competitive models that will strengthen businesses and production centre performance. However, the undertaken projects cannot be viewed as philanthropic actions or mere improvement for network reputation.

Moreover, the analysis shows the prevailing behaviours in districts and production centres based on Gereffi and Lee's model (2016), through the following paths:

- “Market-driven path”, to meet the market's ever-changing needs
- “CSR-driven path”, to meet global buyers' expectations
- “District-driven path”, to meet the needs of businesses adopting collaborative approaches.

In some circumstances, networks have identified the need for a wider opening of foreign markets and adopted sustainability practices to face the challenges posed by their internal stagnating markets (the tannery district and the jewellery centre of Torre del Greco); or in different cases, to comply with the sector-specific regulations of foreign markets (the agrifood district).

The achieved benefits, in most investigated cases, show a facilitated access to new markets, positive externalities on the community and improved district and regional reputation. In fact, in Torre del Greco, the bond between the coral production centre (Assocoral) and its home territory, as well as the mutually interdependent relationship between businesses and their regions is significant. The support of the community is essential, especially because the association constantly engages on its behalf to ensure improved competitiveness of local sector businesses, both in Torre del Greco and all over the region.

With reference to the ongoing development of sustainability policies in the investigated districts and production centres, it would be more accurate to speak of sporadic and uncoordinated actions rather than well-defined policies. In fact, all the

Table 4.4 Main performed sustainability initiatives in districts/production centres

Districts/centres	Subjects (ISO 26000 guidelines)
The agrifood district of Nocera Inferiore—Gragnano	Governance, Environmental sustainability policies, Fair management practices, Community engagement and development
The tannery district of Solofra	Environmental sustainability policies, Community engagement and development
The jewellery production centre (the consortium Borgo Orefici)	Community engagement and development Consumers' aspects
The jewellery production centre (Assocoral)	Environmental sustainability policies, Community engagement and development Consumers' aspects
The jewellery production centre (Il Tari)	Environmental sustainability policies, Community engagement and development

initiatives carried out on environmental and social sustainability initiatives are strictly related to the specific network production (Table 4.4). The analysis of the supply chain characteristics is thus a preliminary topic of research to achieve greater understanding of the 'ethical' issues in production centres, the potential sustainability actions to pursue and the relevant adoption of the most suitable management tools.

Environmental sustainability policies are very important, especially in the international consumers' opinion as they appear to be more environmentally minded—the Tannery district of Solofra and the Agrifood district of Nocera-Gragnano—which, unlike multinationals and big retailers, put sustainability issues at the centre of their development strategies. In particular, the agrifood district identifies the need for creating a highly eco-friendly supply chain, while the tannery district focuses on the potential benefits deriving from the interaction of institutions, financing bodies and the community.

The research has also shown that, in a few cases, the examined production centres have strategically pursued community-benefit initiatives to reinforce their sense of belonging to the territory, with a positive spin-off for both districts/production centres and relevant businesses.

This is particularly true for the goldsmith production centres and more precisely the Consortium Borgo Orefici, which has engaged in the renovation and upgrading of the historic centre of Naples to build a protected microcosm and create new job

opportunities for young people. Furthermore, many Assocoral associated businesses—the coral production centre in Torre del Greco—have also developed initiatives aimed at rehabilitating the local geographic area and improving social and business competitiveness.

The research, however, highlights fewer sustainability initiatives from the consumers' perspective, although it is possible to note that several actions towards eco-labelling programmes have been pursued to ensure the ecological value of products. This is the case in the district of Solofra, with its eco-label programme, or the PREFER project carried out by the agrifood district. Similarly, the “True value, the jewel is guaranteed” logo for the Consortium Borgo Orefici, the goldsmith centre in Naples, highlights the ethical/social value of its production.

Alongside these initiatives, it is important to address Assocoral's ongoing effort to establish effective communication with its target market and also the agrifood district's determination to obtain EMAS certification.

In addition, it is also important to note that an Integrated Project (IP), conceived upon the creation of the Textile district of San Giuseppe Vesuviano, had been developed to improve the internationalisation process of all its associated businesses. This project failed in its mission and the district itself ceased to exist due to several administrative problems, although all its planned initiatives appeared to tackle major sustainability issues, namely human rights protection, relationships and work conditions, environment, fair management practices, consumers' aspects and community engagement and development.

Governance weaknesses and concerns have emerged in all districts and production centres, and in particular, the Tannery district of Solofra has identified a need for a more centralised structure to pursue business policies and foster the district development, while the Agrifood district of Nocera-Gragnano has called instead for legal recognition.

On the other hand, the well-defined legal structures of the goldsmith production centres enable all sustainability initiatives to be managed by the production centres' governing bodies, whilst Il Tarì can count on an ethical code and a controlling committee consistent with the terms of LD 231/01.

Furthermore, the research highlights that business engagement in project planning follows an informal procedure including a first phase where all business districts receive the formal communication of all would-be activities and a second one registering the spontaneous participation of each business (the agrifood district of Nocera Inferiore-Gragnano).

In the case of the jewellery production centre of Naples (The Consortium Borgo Orefici) businesses are required to provide, upon membership, the ISO 9001 certification. Moreover, in these production centres, communications between both consortium associates and external stakeholders is vitally important.

With reference to the IP practice in the Textile district of San Giuseppe Vesuviano, which has never been implemented, it is interesting to show an example

of good practice on environmental issues. In fact, the Project was supposed to be based on explicit principles and basic criteria for all the actors in the district:

- Participation, knowingly and intentionally, of all social actors to the definition of objectives and commitments and the relevant sharing of responsibilities throughout the planning and implementation processes based on a profit system ensuring continuity and a strong base for negotiating processes during consultation
- “Eco-labelled District” pursuing “common quality values amongst the business districts in quality performance (ISO 9000) and environmental terms (ISO 14000 e EMAS), in order to create a district supply chain ‘label’ to identify and assess the specific performance level of the operating businesses in the region” (Integrated Project).

The Integrated Project was also meant to be focusing on setting up an environmental forum, which, through appropriate consultation procedures would have played an active role in identifying the critical points and adequate resources, in other words, the objectives, the targets and intervention strategies aimed at reaching a common agenda on sustainability.

From the “propositions and expectations” perspective, the research identifies the agrifood district’s need for both a governance reorganisation and a legal recognition towards the sharing of expertise with political actors. This new composition might have well ensured the district’s strategic orientation, especially with a view to sustainable development.

The tannery district of Solofra calls for creating a district governance composed of district and business supply chain representatives capable of pursuing sustainable development initiatives. The key guiding principles for the involved parties are engagement, honesty, responsibility and open-mindedness. The latter is particularly important considering that governance will have to pursue and develop sustainable development projects based on a proactive and innovation-driven approach.

The production centre of San Giuseppe Vesuviano needs to create a district committee, a control and coordination body composed of municipalities representatives, trade associations and trade unions in order to create a governance capable of meeting all stakeholders’ concerns. The governance guiding principles include good common sense and history of the territory for the sake of all operating businesses.

Finally, the research concludes by pointing out the major emerging points:

- (a) Great awareness of sustainability as a competitive model to create new opportunities especially in foreign markets
- (b) In some cases the lack of an operation plan makes it difficult to coordinate actions on a district level and sometimes it is not possible to speak about policies, but merely of single and occasional activities
- (c) Clear management problems undermining the internal and external engagement based on informal project planning and implementation

- (d) The need for districts to create legally recognised governances while relying on broader stakeholder participation
- (e) The need for connecting with the local institutions capable of upholding competitive, unique and non-replicable models, enhancing their cultural heritage to improve districts/production centres' performances and thus contribute to the sustainable economic development of the entire territory.

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Chapter 5

Levels of Sustainability in Industrial Districts and Production Centres in Campania

Abstract The chapter shows the results of an empirical research conducted with six production centres and two industrial districts of the Made in Italy supply chains in the Campania region, namely the food, the fashion (textile, footwear, tannery) and the jewellery sectors. The research objective was to examine the state of the districts' sustainability policies consistent with the ISO 26000 guidelines, the network project procedures, the underlying reasons and achieved results for the internal and external stakeholders. It also highlights the major role of public policy and local institutions for the implementation of sustainability projects in both production centres and industrial districts.

5.1 The Agrifood Industrial District of Nocera Inferiore—Gragnano

The Agrifood industrial district of Nocera Inferiore-Gragnano covers an area embracing the volcanic cone of Vesuvius and the Sarno Valley in the north and the Lattari mountains in the south.¹ The territory forms a triangle that stretches over a surface area of 293 km², at the points of which are the provinces of Salerno, Naples and Avellino (Fig. 5.1).

The district owes its spontaneous development and growth to the great agrifood tradition and the soil fertility of the region.² With the passage of time businesses have concentrated around the municipalities of Nocera Inferiore and Gragnano to take advantage of the pooled efforts of several actors in the sector.³

The production specialisation of the industrial district is outlined as follows (National Observatory of Italian Clusters):

¹The author thanks Mrs. Silvia Delli Carpini and Mrs. Maria Laura Nazzaro for their valuable contributions to the analysis of the empirical research and the interviews conducted in all districts herein investigated. Their dedication and commitment to the drafting of this chapter has been admirable.

²The author of this book thanks Mr. Aniello Pietro Torino, the Leader of the district and Mr. Aldo Vastola, the Director of 'Patto agro Spa' for their precious contributions.

³Data are available on the district website.



Fig. 5.1 The geographic area of the district (the Agrifood district website)

- Processing and storage of fruits and vegetables, (the San Marzano tomato—also known as ‘red gold’ and the Corbara tomato), the *cipollotto Nocerino* DOP (the spring onion PDO—Protected Designation of Origin)
- Production of macaroni pasta—The pasta of Gragnano (PGI), also known as ‘The city of pasta’
- DOC Wines (CDO Wines—Controlled Designation of Origin) from Lettere, Tramonti and Gragnano
- DOP Olive oil production from the hills surrounding the area of Salerno. This cluster is renowned for the typical products of its land and the strong international vocation of its businesses. In fact, almost 85 % of total turnover comes from foreign sales.

The figures from public sources in 2012 confirm the presence of roughly 4000 businesses in the district (Istat 2012—the National Institute of Statistics). Other and more up-to-date sources in 2014 (Food and Beverage 2014) show that about 30,000 agrifood businesses were actively operating in the district area. In size terms, the research reveals that only 10 % accounts for large enterprises, 30 % is made up of medium-sized enterprises and 60 % is represented by micro and small-sized enterprises.

As pointed out, the overall turnover of these businesses highly relies on foreign markets: in 2014, the research showed that 80 % of sales came from export compared to 20 % of total domestic revenues (Fig. 5.2).

The district target markets include the EU countries (60 %), non-EU developing countries (30 %) and non-EU industrialised countries (10 %) (Fig. 5.3).

In Italy, local sales account for 60 %, followed by 20 % of the regional and national markets respectively (cf. Fig. 5.4).

The district provides administrative assistance and services to sustain innovation and business competitiveness. More specifically, the district institutional communications offers the following services (The Agrifood District Website):

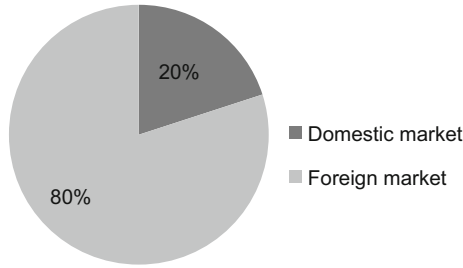


Fig. 5.2 Industrial district turnover 2014

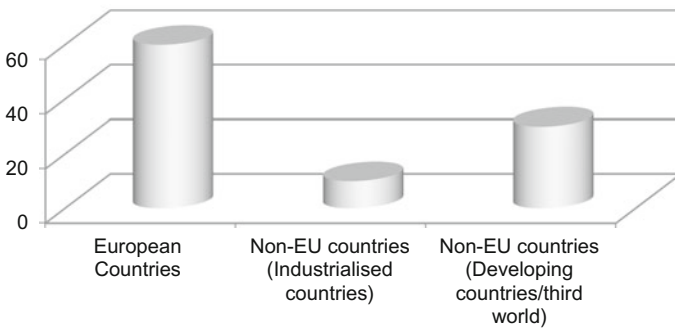


Fig. 5.3 Foreign target markets

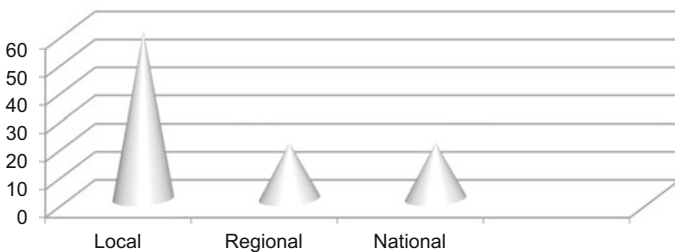


Fig. 5.4 National district target markets

- A Business Service Centre
- Production and process innovation
- Businesses internationalisation, marketing and promotion
- Associated business services management for the research and development of new products and transfer of knowledge

- Business Assistance Bureau on tax incentives based on regional, national and community contributions
- New business incubators
- Facilities and labs support for the promotion/quality certification of research activities, policies development and staff training.

The Agrifood district of Nocera Inferiore—Gragnano has been officially recognised as such by the regional resolution no. 25/1 of 15 November 1999, following the approval of provision no. 59 of 2 June 1997. Amongst the industrial districts in Campania, it distinguishes itself for its well-established governance and a representative headquarter. Furthermore, its products meet transparent environmental leadership criteria based on the eco-labelling model (Fig. 5.5).

The district headquarter is at Palazzo Marciani, an historical building of the 18th century located in Roccapiemonte—province of Salerno. On the ground floor, the building hosts spaces for promotional activities and meetings (the kitchen, a tasting room and the conference hall); the secretariat and management offices are on the first floor while the guest rooms for foreign entrepreneurs and buyers are on the top floor.

According to the Leader of the district, the historical palace of Roccapiemonte appears to be located in a strategic area, which can only contribute to strengthening the corporate culture in the territory.

From an organisational viewpoint, the district top management is entrusted to a Leader, appointed by the Provincial Council and an agency (Patto dell'Agro S.p.a.).

By decision of the Regional Council, the district should set up a committee composed of trade unions, trade associations, businesses and local bodies.

In this respect, the committee should be developing district programmes and implementing integrated projects for the request of funds (PON 2000/2006) and on an infrastructural level, it should set up a head office, initiate renovation works of Palazzo Marciani and create an industrial area whilst promoting activities to uphold the internationalising process of all relevant businesses. Furthermore, the decision has also identified the need to secure a district regulation for the smooth running of operations.

Unfortunately, the whole business management has been impaired because neither the Committee nor the legal recognition of the district and the official appointment of a district Leader have ever been approved. In fact, in order to carry out major duties—e.g. budgets approval—the Leader was bound to convene a

Fig. 5.5 The district eco-label (the agrifood district website)



meeting with all the district members including the twenty mayors in the territory as provided by the resolution of June 1997.

In other words, the survey has highlighted that, despite the legislative action to secure the district recognition, the lack of a well-defined and coordinated leadership could only lead to increased inefficiency of district services and activities.

The major objective of the district, as indicated by its Leader, was to convey weight to networking businesses, namely to create a sort of ‘business house’ that could increase the overall industrial district competitiveness.

5.1.1 Sustainability Initiatives

The district selected target areas for sustainable development in line with the ISO 26000 guidelines are: the governance, fair management practices, community engagement and the development of environmental sustainability policies highly shared and supported by the international eco-friendly consumers (Table 5.1).

Individual analysis of the main thematic areas has shown that in governance terms, the industrial district of Nocera-Gragnano can rely on the official figure of its Leader as well as on the support of an agency called Patto Agro Spa.

This entails that the district has a backbone structure capable of planning and developing sustainability activities. However, at present the district is going through a legislative evolutionary phase borne out by the region in order to establish quality agrifood rural and supply chain districts (DAC), in compliance with the regional Law No. 20 of 8 August 2014. By virtue of these changes, the district management is now working towards achieving both an individual and legal personality so as to set up a solid governance able to address multiple concerns as laid down in the regulation before the publication of the implementing decree.

This main objective is extremely important for the top management as it leads the district to reinforce its business relations within the territory, foster knowledge sharing and creation of new market opportunities.

With reference to human rights, relationships and work conditions, the research highlights that the district businesses have already gone beyond the gender

Table 5.1 Cluster sustainability initiatives divided into thematic areas

Thematic areas	Implemented	Planned	Rating Scale ^a
District governance	X	X	3
Human rights	X		1
Relationships and work conditions	X		2
Environment	X	X	3
Fair management practices	X		3
Consumers’ aspects	X		2
Community engagement and development	X		3

^aFrom 1 = less important to 3 = very important

discriminations in the recruiting and professional career framework. Actually, district businesses rely on the active and close involvement of their employees to enhance the product image and increase their sense of responsibility by literally showing the faces of all manufacturers on the product packages.

Furthermore, in March 2014, INAIL and Unioncamere organised an event on “The social responsibility of businesses—fire-safety environment” at the district’s headquarters. This event was an opportunity to launch the regional programme “From Social to Administrative Responsibility of Businesses—focused on the security-management systems and the control model 231/01”, which included complimentary seminars and management systems courses for auditors on health and safety at work in collaboration with accredited educational bodies for local SMEs’ representatives.

As for the environmental sustainability policies, the research has shown that the district management is strongly committed to pursuing practices of this nature. Analysis of the acquired documentation shows a number of environmental sustainability activities on water and energy-savings that were implemented during the years 2010/2011—2012/2013—2014/2015 (Table 5.2).

However, as the management points out, due to the lack of funding, not all the projects listed in the table could be implemented. The major objective of the industrial district of Nocera-Gragnano was to create a ‘green’ district capable of protecting and enhancing the excellences of its products while ensuring the sustainability and legitimacy of the entire supply chain. This approach is not only ethically correct, but it is supposed to provide businesses with an interesting insight into exploring new market opportunities in the face of their major international clients—multinationals and big retailers—that put eco-friendly practices at the forefront of their development strategies.

As globalisation has grouped together all environmental, social and economic challenges, businesses need to understand and anticipate these challenges in order to fully exploit their own resources and strengthen their competitive edge.

With reference to fair management practices, the district has pledged to extensively contribute to the fight against corruption and illicit phenomena. It has in fact signed a memorandum of understanding with the Anti-Mafia Investigative Directorate (DIA) of Salerno to boost competition and the economic development of the local production whilst fully respecting the competences of all. The district shall therefore collect all publicly quantitative and qualitative information for the DIA in order to ease agrifood businesses’ monitoring activities and prevent/repress any possible infiltration of organised crime in the district area.

Moreover, the analysis of the accrued documentation provided by the district has allowed the addressing of other potential actions contributing to the development of fair management practices (Table 5.3).

As for the consumers’ aspects, the district has signed a memorandum of understanding with the National Consumers’ Union that is the first ever-agreed protocol in Italy between an industrial district and a consumer association. With the aim to set up an information system on agrifood safety, the protocol focuses on

Table 5.2 District environmental sustainability initiatives

Years 2010/2011	<ul style="list-style-type: none"> ✓ The FEBO project—actions in support of energy production from renewable sources ensuring buildings energy efficiency—installation of PV systems to roofing the parking areas and the creation of a district heating/air-conditioning system within the MiSE (the Ministry for the Economic Development)^a ✓ The FEBO I project within POI^b (interregional operational programme)—actions in support of energy production from renewable sources to ensure building energy efficiency and energy public utilities or for public use ✓ The Gulliver project—Environmental education through innovative communication methods: social networks within the ministry for the environment^c ✓ The REA Project: archaeological and eco-friendly environment regeneration^d ✓ The PTI geo-energy project—the production of electrical energy through a highly technological geothermal system exploiting the heat from the subsoil^c ✓ The PEGASO Project—The broadband for the Industrial district no. 7 in Nocera-Gragnano—New generation networks for the Industrial Districts in Campania^f ✓ Three feasibility studies within PON MIUR: “research and competitiveness 2007–2013” for the convergence regions^e; new technological districts, public-private workshops and networks <ul style="list-style-type: none"> 1. ASCL and PIO Technological District^h 2. CO.BIOM.AGRO High-tech Workshopⁱ 3. GEOENERGY ESAP High-tech Workshop^j
Years 2012/2013	<ul style="list-style-type: none"> ✓ Rete Cartesio^k—the district becomes the reference point in Campania for the application of new environmental models both for sustainable development of the territory and product environmental safety
Years 2014/2015	<ul style="list-style-type: none"> ✓ LIFE programme + PREFER project carried out with the collaboration of partnerships with the Italian regions referring to Rete Cartesio, Erver, S. Anna di Pisa Secondary School, Ambiente Italia, Bic-Lazio and Bocconi University. The activities of this financed project started in October 2013 to be completed by the end of December 2016. The project aims at experiencing a new European methodology to assess the ecologic footprint of products and services. “PEF—<i>Product Environmental Footprint</i>”, approved by the European Commission, focuses on the life-cycle analysis and will be used to monitor the environmental impact of eight selected products in similar productive sectors. The industrial district of Nocera-Gragnano is the only partner implementing the project in Campania. The project intends to define the ecological footprint of the most representative products for these systems and adopt adequate measures to improve environmental performances accordingly. PEF implementation will lead to requalification and examine the eco-product features in terms of their impact on water and energy consumption, etc. This project refers

(continued)

Table 5.2 (continued)

	particularly to two products in the agrifood sector: the pasta of Gragnano and the peeled tomato productions including six pasta and tomatoes industries. The project will monitor the product during its entire life cycle, from birth to its packaging disposal. The European Commission is also committed to pursuing eco-labelling scheme projects ¹
	^a POI Project: ‘Renewable Energies and energy-savings practices 2007–2013’—line 1.3 in the year 2010
	^b POI: Interregional Operational Programme on Renewable Energies and energy-savings practices 2007–2013—line 1.3 in 2011
	^c Public notice for grants to public bodies, private, single or associate entities, foundations and associations for actions and initiatives on environmental issues
	^d Within the call for ‘The regeneration of touristic use of castles and valuable architectural elements in the province of Salerno’
	^e PON—Research and Competitiveness 2007–2013 on Energy and Energy-savings
	^f Decree of 7 May 2010 from MiSE
	^g Calabria, Campania, Puglia and Sicily
	^h Analysis, Safety, Logistics and protection-oriented data related to networks enhancing scientific and technological potential in integrated logistics
	ⁱ Composting waste biomass of agro-industry in the Agro Sarnese-Nocerino area; setting up of a public-private workshop for the rational management of agro-industrial waste biomass
	^j Use of energy from the subsoil for production activities to exploit geothermal resources, electrical energy production obtained by highly innovative geothermal technologies
	^k The major Italian network for the sustainable management of clusters, geographic regions and business systems
	^l For further information, please visit: www.lifeprefer.it

Table 5.3 District initiatives on fair management practices

Year 2010/2011	✓ The district held a conference on “agri-environmental safety in the district area” at the Italian Senate on 20 July 2011
Year 2014/2015	✓ Agri-mafia Seminar on the safeguarding of the territory, legality and environmental competitiveness of agrifood products in Campania with the collaboration of the DIA of Salerno ✓ Signing a memorandum of understanding with the DIA of Salerno

business ethics, food production responsibilities, identification of emerging issues and the important task of communicating with the consumers.

Furthermore, the district has raised businesses’ awareness of product safety issues, the use of transparent and non-misleading communication through the PREFER project to promote eco-labelling scheme programmes and educate the market on sustainable consumption.

As already pointed out, such a project refers to two specific production areas in the agrifood sector, namely the pasta industry of Gragnano and the processing of peeled tomatoes, involving six pasta and ten tomato industries respectively. The pilot project would apply an innovative European method to define the ecological footprint of products/services and develop eco-labelling programmes.

With respect to community engagement and development, the district has taken measures to launch several initiatives seeking the involvement of the local

community. In particular, it has carried out several educational programmes to raise awareness of healthy food products at the primary schools of Salerno. Moreover, it has been upholding professional development initiatives in the agrifood sector to favour the protection of the environment and the safeguarding of the local heritage. Analysis on documentation shows in fact a number of sustainability initiatives for the community (Table 5.4).

These initiatives are significantly important, as it seems they have succeeded in building a bridge between people and businesses; equally relevant are the vocational training programmes and the cooperation with the associations of the area with a view to improving the community standards of living (e.g. solidarity-based restaurant).

Finally, the district has established an ongoing dialogue with all public actors engaged in the environmental cause, territory upgrading and internationalisation programmes.

5.1.2 Sustainability Initiatives—Reasons and Benefits

The research has highlighted that the main reason for the district to adopt sustainability initiatives lies in the prospect of penetrating new markets, especially abroad in accordance with the relevant industry legislation. Actually, the eco-friendly approach of the district's foreign clients has led the district into meeting the market's emerging needs, hence the management determination to create a 'green' agrifood district and a supply chain with a low environmental impact.

The benefits deriving from adopting sustainability practices are new markets penetration, positive externalities on the community and reinforced district reputation.

5.1.3 Sustainability Engagement Management

The sustainability practices implemented by the industrial district of Nocera Inferiore-Gragnano do not involve the pre-selection of specific businesses.

The engagement of businesses in the various projects includes a two-step process: the first phase involves communicating with all businesses about the relevant developing activities and projects; the second step focuses on pinning down the number of all would-be member businesses.

The district does not have a code of ethics nor is it certified. The research has therefore emphasised the management need to provide the district with both eco-labelling schemes and EMAS certifications.⁴

⁴The province of Salerno had been asked to subsidise the issuing of the certification, with no results.

Table 5.4 District initiatives on community engagement and development

Year 2010/2011	<ul style="list-style-type: none"> ✓ Proposal of cooperation with the Economic Sciences and Statistics Department of the University of Salerno to offer and fund a scholarship on “analysis and data for The Industrial Agrifood District of Nocera-Gragnano” ✓ Request for accreditation for a continuous vocational education under the provision of the regional resolution 226/2006 for professional development in the agrifood sector, training programmes on technological innovation and administrative reorganisation, agrifood business internationalisation and management^a ✓ Participation in the <i>Komen Race for the Cure</i> event held by the regional businesses in the district to raise funds against breast cancer ✓ Consolidation plan with <i>Italia Lavoro</i> for the dissemination of educational projects in the territory ✓ Presentation of the <i>Fertility Festival</i>—rituals and mythology amongst the rivers, seas, volcanos of the <i>Felix</i> Campania—an agro-environmental issue to safeguard^b ✓ Planning the creation of local touristic systems (LTS) in the agrifood and cultural archaeological sector in the district area^c ✓ The district has welcomed and upheld the twinship between the “Passarelli” Foundation in San Marco di Castellabate, the “Antichi Virtuosi” Association of San Potito and the Pro Loco of Roccapiemonte ✓ Memorandum of understanding with Totem-film and Liemlu srl film studio to host the crew during the shooting of the agro sarnese-nocerino areas ✓ Participation in the <i>Neapolis New Marathon</i> event with the territorial district businesses—XIII edition
Year 2012/2013	<ul style="list-style-type: none"> ✓ Implementation of the project “Cucino anch’io” (It’s my time for cooking) to make the younger generation aware of the need for proper and healthy diets ✓ Participation in the <i>Cinecibo</i> (cinefood) event, the International Cinema Festival enhancing healthy food and quality cinema through a context of audio-visual works ✓ GWEEK project: classes, meetings and games focused on healthy diets and environmental issues. Young people have been involved in taking part in several exciting activities in order to give free rein to their creativity by interacting with: (1) Green comic strip characters, to help young people develop awareness of environmental issues; (2) Mrs. Kitchen comic characters to raise awareness of the issue of proper and healthy food
Year 2014/2015	<ul style="list-style-type: none"> ✓ Memorandum of understanding with the University Foundation of Salerno to develop an ongoing collaboration with public institutions, private enterprises and Universities so as to reconcile production needs with the educational ones ✓ A Project to create a solidarity-based restaurant for a specific audience, namely those families in need (single earner households) that can go out for dinner and pay just a €1 for their family meal

^aNo action was taken as the cluster’s headquarters—Palazzo Marciani—failed to obtain the compliance certificate, despite repeated reminders to the Municipality of Roccapiemonte

^bAs for the call POR FESR 2007–2013 operational objective 1.10—activity (A) addressing to festivals and/or international cultural events organisers. The aim is to mobilise the flow of visitors, also in terms of the deseasonalisation of the tourists flow

^cSuch planning is useful to enhance actions for the existing infrastructures, namely the Claudius aqueduct, the Christian Baptistery, the Hellenistic-Roman theatre, etc.

As already explained, the district can take its own measures to reformulate its governance. At present, the district management can count on a Leader and the “Patto Agro S.p.a.” agency, but the committee has never been operational, nor did it serve any specific function.⁵ However, the district is working to obtain a legal recognition within the new regional legislation in order to rebuild its governance, which should include the agrifood industry representatives, the entrepreneurs of the different agrifood sectors, the Chamber of Commerce, universities and local agencies for development. The idea is to create a governance made of participants with operational competences in the sector, in general beyond politicians, to ensure the district maintains a strategic approach on sustainable development based on the guiding principles of responsibility, open-mindedness and fairness.

Finally, with respect to the organisational and management processes, allowing for the contribution of businesses in sustainability projects, the research has shown that these processes generally develop in an informal fashion whilst being handled directly by the district Leader and the director of the agency “Patto Agro Spa”.

5.2 The Tannery District of Solofra

The Tannery district of Solofra⁶ has been representing one of the most interesting industries in southern Italy for a long time.

The origins of tanning activities in Campania date back to the XVI century, when the production system had its own structure and possessed 51 tanneries overall.

The rooting of the tanning activities to the district of Solofra has been made possible thanks to a number of significant local factors, namely water abundance, the proximity to the commercial harbour of Salerno and the chestnut forests from which it is possible to extract the tannin, essential element for leather preservation. Furthermore, since the beginning of the 20th century scientific findings have ensured the district’s production with significant technological advances. In the 50s, the increasing level of production along with the tendency for exploring overseas markets to buy cost-effective leathers have fostered competitiveness and employment. During the same years, the district had 70 production units, and this more than doubled between 1961 and 1971, employing 1600 people.

⁵Worthy of note is that the business cluster of Nocera Inferiore has never been funded by the Region, but later in 2010, it could count on the financial support of the V Senate Budget Commission.

⁶Many thanks go to Mr. Antonello Murru, in charge of the ‘Promozione e Agricoltura—II programme’—the Chamber of Commerce of Avellino—for his contribution and collaboration to the drafting of the following paragraph.

The favourable period of the tannery district lasted until the 90s when the crisis of Asiatic markets led to a dramatic drop in turnover and the inevitable breakdown of several enterprises. This critical situation passed after a few years thanks to new business restructuring plans, lower operating costs and rationalisation of production cycles.

More recently, from the year 2000 onwards the district has experienced a significant fall in demand from its traditional clients (European countries, USA and Japan), but in 2010 the district managed to reverse this downward trend and came back to the levels of the past. Such recovery, also driven by the growth in international exports, was no more than the result of a deeper reorganisation process combined with commercial and productive innovation.

At present, the risk for Solofra is the increasing competition of developing countries, which can rely on lower labour costs, cheaper raw materials and the absence of strong environmental constraints (Campania Industrial Districts).

The legal recognition of the tannery district of Solofra was granted by the regional resolution no. 70 of 2 June 1996. Located halfway between Salerno and Avellino, the district covers a 115 km² area comprising the municipalities of Solofra, Montoro Inferiore, Montoro Superiore and Serino. The core production point is the municipality of Solofra that has earned it the name of “The City of Leather”.

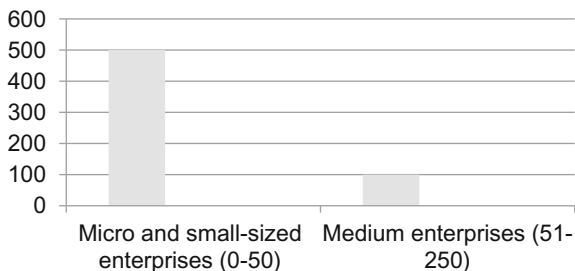
In this area there are about 600 operating businesses, 500 of which are mostly micro or small-sized enterprises (0–50 employees), less than 100 are medium enterprises (51–250 employees), but none of them exceed the number of 100 employees (Fig. 5.6).

The near entirety of the operating industrial district is composed of limited liability companies, partnerships and the sole-proprietor firms (Infocamere 2015).

At present, the number of employees amounts to 4000 units, which, following a significant drop in 2011, were reduced to a just over 3400 (Istat and the Statistics Archive of Active Companies).

The trend towards overseas markets had been influencing the overall district sales, especially in the past. The main current target markets are the European countries, even though a significant part of production is located in Eastern and African countries (Fig. 5.7).

Fig. 5.6 Enterprise size in the district of Solofra (graphic data processing on the Tannery district website)



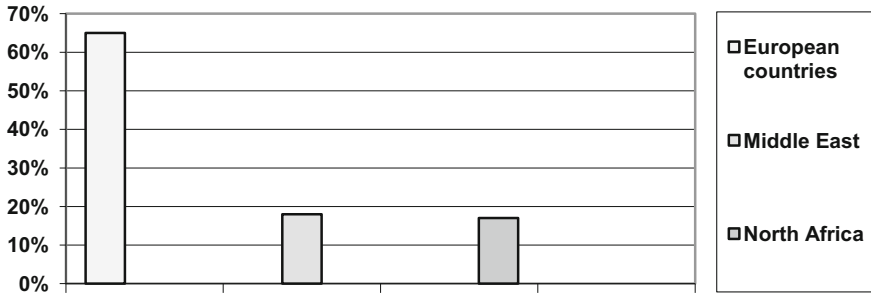


Fig. 5.7 Target market for the district of Solofra (graphic data processing by the national observatory of Italian Industrial districts)

The activities carried out within the district are rather homogeneous; about 90 % of businesses focuses on nappa leather processing destined for the use in the clothing industry; the remaining 10 % revolve around nabuk leather processing for the footwear sector.

The district of Solofra is highly specialised in the production of goat and sheep’s leather garments, 40 % of which is manufactured in Italy, especially for the footwear and clothing industries.

The district’s competitive and differentiating factor lies in its integrated production cycle, which ensures better quality control of finished products, with the possibility to modify them slightly before completion to meet its clients’ requirements. This significant distinctive feature has allowed the district of Solofra to reinforce its traditional artisanship making it famous well beyond national borders.

5.2.1 Sustainability Initiatives

The research on the state of sustainability within the industrial district of Solofra, consistent with the thematic areas as indicated by the ISO 2600 guidelines, highlights that not all areas appear to be relevant for the district’s sustainable development. The major fields of concern focus on environmental issues and the community’s engagement and development. While concentrating on these two thematic areas, the research intends to take steps to develop governmental issues (Table 5.5).

The survey has clearly shown that the tannery district of Solofra does not have a well-defined and structured governance and therefore it entrusts occasional committees with the task of developing and implementing sporadic projects. The lack of a district governance is one of the major factors influencing the development of the district. When the district can no longer rely on a backbone structure, the responsibility for conducting and implementing initiatives is transferred to public institutions or on the resilience and commitment of single entrepreneurs who will strive to pursue some merely viable actions.

Table 5.5 District sustainability initiatives

Thematic areas	Implemented	Planned	Rating scale ^a
District governance		X	3
Human rights			0
Relationships and work conditions			0
Environment	X	X	3
Fair management practices			0
Consumers' aspects			0
Community engagement and development	X	X	2

^aFrom 1 = less significant to 3 = very significant

The environment has undoubtedly been the major area of concern for the district in terms of efforts and actions carried out over the years that have gradually reversed a rather slow-growing trend. This particular attention to the environment may be the result of the district's inner nature, namely its core business, whose impact has been reinforced by the presence of small businesses in the chemical industry and the growing public concern about sustainability issues.

The district's most significant environmentally sustainable project is "An eco-label scheme for the district of Solofra", which earned it the Homogeneous Production Area certification issued by EMAS and made it officially stand out in southern Italy (The Tannery district website).

The major project objectives are to:

- Create the best environmental conditions for the leather district
- Achieve the Homogeneous Production Area (HPA) as a first step towards the EMAS certification for the entire district of Solofra
- Relaunch the image of the district allowing the operating businesses to improve international competitiveness through marketing actions focused on reducing the impact of their business practices on the environment.

The project, funded to point 4.3 Campania's regional operational programme 2000–2006, sets, as its primary objectives the creation and promotion of an eco-label for the Tannery District of Solofra based on a method consistent with Regulation (EC) no. 761/2001 governing the voluntary uptake of single organisations to the Community's Eco-Management and Audit Scheme (EMAS).

In 2009 the Veritas Bureau, the world's leading inspection and certification body that controls, verifies and certifies quality, health, safety and social and environmental responsibility, granted the use of eco-labels, duly filed at the Chamber of Commerce of Avellino, for the "Industrial district of Solofra".

The project engaged several stakeholders in Campania, who drew together to create a real central Committee composed of the Chamber of Commerce of Avellino, the Campania Region, the Province of Avellino, ARPAC and other trade

associations (ASI Consortium of Avellino, CGL CISL and UIL of Avellino and CNA of Avellino), technical and scientific bodies (Universities, CNR, the Institute for Experimental Leathers), the River Sarno body and the district municipalities.

The leading Committee has been entrusted with heterogeneous tasks including the definition and implementation of the district environmental policy, the orientation of the environmental management system, the research into funding sources, the selection of partners for carrying out the programme in all its stages, the drafting of rules for the voluntary labelling method, and the designing of the Eco-label Logo for the district of Solofra.

The project implementation focuses on five significant actions:

- Action 1: preliminary analysis involving a number of meetings with the Chamber of Commerce of Avellino, local stakeholders and experts in the field to examine the different activities and roles specific to the project
- Action 2: conduct a general environmental review of the district. This analysis shall highlight the casual existing relationship between anthropic actions, impact on environmental conditions and society's efforts to mitigate such effects. The review involved the municipalities of Solofra, Serino, Montoro Superiore and Montorio Inferiore for a redefinition of the territory to assess the eligibility of the district for the Heterogeneous Production Area certificate (HPA). Furthermore, another environmental review of the tannery district has been conducted to test the effective businesses engagement, which, through on-site visits, have allowed the monitoring of the impact of their practices on the environment
- Action 3: based on research results, the leading Committee focused on the definition of the district's environmental policy and set up the environmental Management System for all the participating businesses. The initiatives in this phase will help the concerned business register to a third notified body that will pave the way for the future Management System registration of the district of Solofra
- Action 4: creation of an Eco-labelling scheme. The leading Committee has committed itself to draft the rules for a voluntary labelling method: the designing and approval of the Eco-label Logo
- Action 5: planning of promotional activities. The leading committed has launched several promotional activities in the territory including the creation of an online portal to gather and store all relevant information about the project. This shall involve the preparation of multilingual brochures and an explanatory CD ROM, commercial adverts in daily newspapers/magazines and the organisation of public conferences for the presentation of project results.

By the time of the disciplinary document of 1 November 2008, the Chamber of Commerce of Avellino was licenced with an Eco-label for the Tannery District of Solofra (Fig. 5.8). Amongst its functions, it was responsible for verifying the eco-label legitimate use in compliance with the objectives briefly profiled below.

Fig. 5.8 The eco-label logo for the district of Solofra (the Tannery district website)



The eco-label objectives can be therefore summarised as follows:

- Encourage the businesses of the tannery district of Solofra to adopt eco-compatible production practices
- Foster a constructive approach among the public administrations governing the district territory and the business system in the tannery sector
- Uphold and improve industrial district competition.

In eco-label terms, the Chamber of Commerce of Avellino authorises the businesses operating within the municipalities of Solofra, Montoro Inferiore, Superiore and Serino to use the eco-label only after having complied with the environmental standards.

Currently the certified eco-labelled businesses in the district, number 25, but the project is still on hold due to a lack of funding. Furthermore, the research justifies businesses' reluctance in exploiting the eco-label model due to poor market gains. Originally, the adoption of the eco-label should have made businesses eligible for tax incentives or additional scores for tenders. However, this has never been the case, not even in the notice of internal competitions issued by the Chamber of Commerce itself. Hence, the lack of business interest in eco-labelling programmes.

The absence of a unified and legitimate representation of a district governance has clearly influenced the possibility for businesses to create long-term policies and project planning development. Nevertheless, the environmental project has triggered a virtuous circle on a territorial level that managed to bring local community closely into line with district practices. In particular, the research has singled out a few initiatives implemented by the district to the benefit of the community in which it operates. Firstly, the eco-labelling initiatives may be substantially interpreted as territorial marketing actions. A dedicated website for the district allows enhanced eco-label visibility to attract a broader number of businesses operating in the territory that can keep up to date with the project developments, namely new eco-labelled certified businesses, performance results, news, conferences and events. Furthermore, an interactive CD-ROM explaining how to be eligible for eco

Table 5.6 Planned initiatives on community involvement and development

Initiatives	Rating scale ^a
Support of vocational training projects	2
Support of social projects in collaboration with major associations of the area with the aim of easing community daily life	3
Implementation and promotion of projects with major voluntary associations	3
Support CSR training projects and educational programmes for students through school/work alternation activities and businesses/school workshops	2
Provide scholarships to the most deserving students	2
Carry out and promote projects for the development of the territory	3

^a1 = low interest; 2 = medium interest; 3 = high interest

label certification and an informative leaflet indicating its advantages has also been produced. Both the CD-ROM and the informative booklets have been made available during the events organised by the Chamber of Commerce and/or Trade Associations.

On this line, informative/educational initiatives have also been carried out at the primary and secondary schools of the area (the Comprehensive School of Francesco Guarini in Solofra and Galliani in Montoro) to raise students' awareness of sustainability issues through leaflet distribution and the creation of a video-cartoon entitled "The true story of leather in Solofra". The video-cartoon, produced with the cooperation of all the students, describes the careful work of tanners committed to guaranteeing the eco-friendly approach used during the production, optimisation and recycling of waste processing stages.

The research has also shown the determination to develop other potential initiatives in order to scale-up community involvement in district management practices (Table 5.6).

All proposed initiatives have been positively accepted, however greater emphasis should be placed on achieving a broader involvement of the territory, including schools, voluntary associations and public institutions in order to effectively contribute towards improving the district area and the community's standards of living.

Furthermore, the pursuit of initiatives for the community strategically strengthens the sense of belonging to the territory and creates the conditions for a positive spin-off for both the district and its operating businesses.

The research concludes that the major area of interest for the industrial districts is the environment considering the impact business practices have on it. In this respect, a project for the creation of a potential district waste disposal facility has been developed, although currently it has not yet been implemented. On the other hand, there is a need to enhance the eco-label scheme model that would allow all licence holders to not only take advantage of the full marketing potential, but also benefit from potential tax incentives or additional scores in the calls for tenders.

5.2.2 Sustainability Initiatives—Reasons and Benefits

The research has revealed the reasons that are prompting the industrial district to adopt the abovementioned sustainability initiatives (Fig. 5.9).

As the figure shows, some reasons may be ascribed to the growing interest of businesses in environmental sustainability issues, particularly larger enterprises and their willingness to enhance the reputational image of the industrial district.

The core reason certainly relates to the possibility of the district strengthening its international presence in eco-friendly markets and eventually starting the internationalising process of those SMEs that are struggling in their domestic stagnating markets.

A particularly sensitive and discussed issue revolves around the expectation of the concerned businesses that they will benefit from tax incentives or additional scores during the calls for tenders. Unfortunately, with the exception of a few internal tenders launched by the Chamber of Commerce of Avellino to award the licence holders, no concrete measures in this respect, have been implemented so far.

The core of the eco-label project focuses on meeting the needs of those territorial environmentally friendly businesses that are already adopting sustainable practices. On this line, external stakeholder pressures (consumers associations, trade unions, ONGs), along with the potential beneficial relationships with institutions, financing bodies and the community have decisively contributed to the development of the project.

Fig. 5.9 Reasons for adopting sustainability initiatives

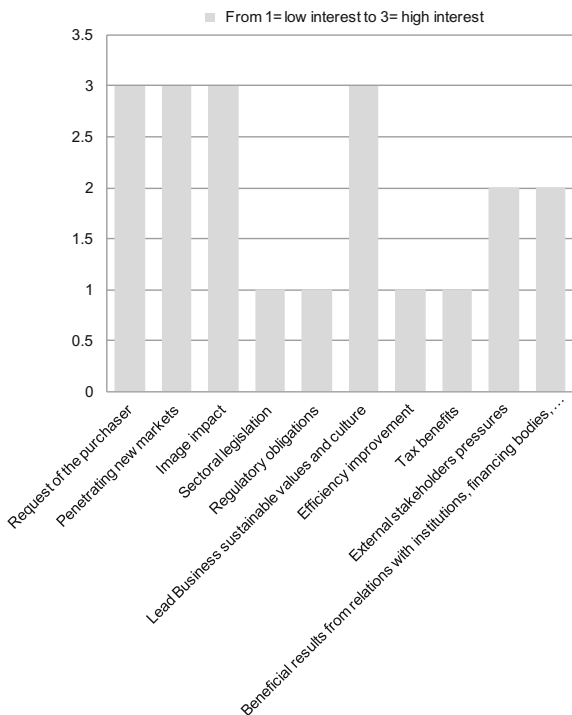


Table 5.7 Participants' codes of conduct

Principles	Score ^a
Mutual respect	2
Commitment	3
Fairness	3
Open-mindedness	3
Responsibility	3

^aRanging from 1 = less important to 3 = very important

5.2.3 Sustainability Engagement Management

Sustainability initiative management within the tannery industrial district of Solofra cannot rely on a decision-maker institution as the district lacks of a well-defined governance.

The research has then revealed that in order to define the specific role of district governance, it was necessary to create a backbone structure, examine the codes of conduct and the aspects concerning the engagement of all relevant members. A central governance structure is essential to pursue sustainable development initiatives, and therefore it should count on the active participation of major components, namely district representatives and various actors in charge of the different phases/processes in the tannery supply chain. In terms of guiding principles, a rating scale has been summited to all concerned parties (Table 5.7).

As the table shows, all options appear to indicate a strong interest in the topic. Special emphasis has been placed on the open-mindedness principle, which should guide the governance to adopt a proactive and innovation-driven approach for a viable implementation of their practices.

Furthermore, the governance should define the rules of the decision-making process and aim at representing all those enterprises focused not only on their own development, but also on the growth of the entire industrial district.

When it comes to identifying district sustainability projects and the relevant participation methods, the survey has revealed that during the "Eco-label programme for the industrial district of Solofra" the steering committee, composed of both public institutions and major regional associations, had selected all those businesses that were already adopting, or about to adopt the ISO 14001 environmental certification scheme.

5.3 The Textile Production Centre of San Giuseppe Vesuviano

The Textile production centre of San Giuseppe Vesuviano, established as an industrial district in 1997 by means of the Regional Council Decision no. 59, covers an area of 109 km² and encompasses eight municipalities (Carbonara di Nola,

Ottaviano, Palma Campania, Poggiomarino, San Gennaro Vesuviano, San Giuseppe Vesuviano, Striano e Terzino).

In 2004, the district ceased to exist under this denomination because its operations were not approved by the subsequent regional resolutions.

At present, this territory is characterised by a strong corporate culture ensured by the presence of a production centre comprising roughly eight thousand micro, small- and medium-size enterprises, mostly operating in the third sector on behalf of large companies and popular brands.⁷

Actually, according to the former Leader of the district, the area reflects the entire supply chain that manages to develop the whole production process through intersectorial and intra-sectorial organisational connections. The different business typologies include the fabric, diffusor and converter productions, wholesale clothing, lingerie, *façonier*, sub-suppliers, itinerant trades, accessories diffusor and manufacturing, service companies such as self-employed drivers, advertising, packaging and shipping.

For territorial and urban reasons, the abovementioned enterprises have, over time, relocated their activities to the Interporto Campano of Nola. The need for relocating has stemmed from the businesses' willingness to gain new ground, although their sense of belonging and attachment to the territory of origin will always be part of their DNA.

The textile traditional activities in the Vesuvius region go back to the 30s, thanks to the spontaneous and participatory development of itinerant trades, door-to-door clothing sales, household linen, and textile and lingerie productions. These traditional commercial businesses, still operating in the area, witnessed in the 50s the emergence of the first settlements of wholesale and retail outlets whilst in the 70s the first industries began to establish (Production district in Campania).

The district was conceived as an evolved commercial pole for textile wholesalers, who, following the successful Made in Italy trend, concentrated their production around small workshops. For this reason, the district of San Giuseppe Vesuviano features a derived productive vocation, which is the result of an established integration process of commercial businesses.

The transition to production occurred gradually and more precisely through the externalisation of the core phases of the production processes to third-party sales. Such *modus operandi* allowed businesses to reduce the risk of taking up new activities and sell at lower prices due to low labour costs.

Today, the industrial district is characterised by manufacturing enterprises and wholesale businesses in the clothing sector.

⁷Many thanks to Mr. Luigi Giamundo, former Leader of the district for the interview and the acquired documentation.

5.3.1 The Integrated Project: A Challenge for Sustainable Development

When the textile district was set up, an Integrated Project (IP), with the aim of expanding the industrial centre and initiating the business internationalisation process was being developed.

The project involved the following activities:

- Development and maintenance of building infrastructures and town planning works
- A district telematics network through the combination of virtual and strategic hubs to provide the necessary tools for a synergic management of offerings
- The setting-up of an Integrated Services Centre that was supposed to be divided in two functional divisions: the first department was meant to be used for activities of public interest, comprising an emergency service centre, a district single point of contact, an observatory on district economic performances, a centre of studies for tackling the problem of undeclared work, a district press office and communications; the second division had been conceived as a support services system to businesses and more specifically, their internationalising projects, market researches on fashion, processes and product certifications, ongoing training activities, assistance to common labelling implementation, integrated logistics services and access to credit assistance
- An intermodal exchange node
- Production of alternative energy through photovoltaic plants for industrial areas and individual initiatives.

As the IP shows, the envisaged actions covered various thematic areas in line with ISO 2600 guidelines: district governance, human rights, relationships and work conditions, environment, fair management practices, consumers' aspects, community involvement and development.

With respect to the governance, the Project was not supposed to create a district governance, from the time the project was submitted, the regional council still had to approve the district committee, presumably composed of representatives of municipalities, trade associations, chamber of commerce and trade unions. In fact, a central governance—the committee—would have been responsible for developing a strategic orientation plan based on the characteristics of the territory and its businesses.

With reference to the thematic areas including human rights, relationships, work conditions and fair management practices, the research has shown that the territory witnesses a high level of undeclared work, high concentration of extra-community workers combined with the inability to ensure their effective integration or potential re-integration into the labour market.

The Integrate Project clearly indicated its intention to implement social and economic policies, in order to bring the undeclared work out into the open through the creation of a support centre for the development of a social market economy in

the region. The central idea lay in encouraging businesses to step up their efforts in the fight against the informal sector. Amongst other things, as enterprises are generally unaware of the effective costs arising from duty evasion, the project also meant providing the emerging firms with free assistance and advisory services. All businesses should, in fact, receive legal, tax and administrative guidance to face illegal work, assistance on health and safety at work, training assistance for workers integration, business start-up and upgrading.

The setting up of a service centre supporting the fight against the informal sector, approved and recognised by the district committee and the territory, would have ensured the presence of a real entity taking care of all businesses and workers' concerns on this matter. Furthermore, the centre should have also tackled the issue of migration considering the increasing presence of immigrants—mostly from China—who, by adopting informal practices, literally succeeded in turning the production market upside-down, which consequently had an impact on the social, economic and cultural tissue. Given the gravity of this widespread phenomenon, the research has revealed its incapacity to provide solutions for the economic development of the area without primarily addressing its implications.

The specific policies on behalf of the immigrant communities, as set out in the Integrated Project, were supposed to promote the following initiatives: enhancing literacy, information, technical and operational support on the prevention of accidents at work and hygiene. Another interesting area of concern would relate to the prevention on irregularity, also through initiatives in schools.

This territory is characterised by a high level of irregular work due to socio-cultural, historical and economic reasons. While it is true that this phenomenon might have appeared in the past as a competitive factor, maybe through a distorted or unfair logic of the market, today it definitely hinders the business' ability to achieve growth and compete in the ever-changing international scenario.

In this respect, the proposed actions must be prioritized, as the objective of 'coming clean' is to re-qualify the whole corporate culture by improving the material, financial and legal conditions of work and 'create an ethical approach to make profit' to understand the value of business practices for the development of the territory and the quality of life of individuals. On the same line, it should pursue tangible actions to improve the working conditions of either school-aged individuals, temporarily unemployed people or those entering the labour market.

The Integrated Project, although focusing on encouraging female entrepreneurship, was aimed at ensuring equal opportunities for women and men in terms of employment and professional growth through specific tools and procedures to assess their effective results.

Other programmes have also been addressing the potential business integration of skilled professional people in the region.

From an environmental viewpoint, the Project envisaged the planning of infrastructure works to enhance industrial and city areas' architectonic appearance. Special emphasis has been placed on green shielding, planting of trees in the parking lots and in the district areas, water regimentation systems (sedimentation tanks, oil separators, etc.,) to avoid the risk of water contamination in case of

adverse climate conditions or accidents, planted roofs for industrial facilities and renewable energy systems. A major concern involved also alternative energy production systems, namely the photovoltaic solar plants, meant for the roofing and the curtain walling of the facilities in the areas around Palma Campania and San Giuseppe Vesuviano. The adoption of these solutions would therefore, improve the bioclimatic conditions for its residents, make buildings energetically self-sufficient and provide the entire industrial district with eco-compatible infrastructures.

Furthermore, the IP contemplated the development of an Action Plan for the sustainable development of the district and the Ecolabelling experimental project for those businesses complying with certifications of quality (ISO 9000) environmental (ISO 14000 and EMAS) and social responsibility standards performance (SA 8000).

With reference to consumers' aspects, the Integrated Project had shown its determination to pursue market education and sustainable consumption initiatives through the creation of several Consortia (Naples 2001, Centro Moda Campano, CO.VES.Scarl., CI.VES.).

These Consortia were supposed to focus on creating a trademark to establish the designation of products' origin, ensure businesses' visibility through the manufacturing of recycled materials, provide hotel support to firms and create a Town Centre. Other initiatives also focused on the legalisation of undeclared work and the creation of additional employment for other entrepreneurial contexts.

Within the thematic area relating to community involvement and development, several actions have also been suggested: social secretariat and a single information system; socio-psychological and educational services for children and young people; integrated home care for the elderly and disabled people; multipurpose day-care centres for minors; reception centres for immigrants and poverty; support for families in need.

The district might have then become a new model for social policies, which, by leveraging on individual skills would have secured the involvement of a large set of public, private, profit and no-profit actors.

Among the numerous actions, a few years ago a textile workshop began to offer new job opportunities to people with economic difficulties.

5.3.2 The Feasibility of the Integrated Project: The Importance of Re-'Implementing' It

The main objective for the Integrated Project was to meet the multiple needs of the territory. The production system, in fact, called for an integrated coordination of demand and offerings of both goods and service markets through the participation of public administration, local bodies and social parties. More specifically, the Project intended to relocate and reconvert all production activities to different facilities. not only to boost the socio-economic development, but also to reduce decongestion in urban areas and improve traffic viability. A proper location for the

production areas therefore called for a better ICT network to easily interact with the territory, both internally and externally, and connect with other strategic business realities. Substantially, the Project was conceived to improve the volume of transit traffic and reorganise the production system to enable further growth of the industrial district on a global scale.

On this line, network connections allow local businesses to face global markets, which offer them ways to compete and evolve in it by virtue of the numerous sustainability-driven activities it encompasses. Hence the importance of re-implementing it.

5.3.2.1 Engagement Management's Aspects in the Integrated Project

The project has never provided the selection criteria for sustainability-driven businesses, as it appears that all firms have been prompted to adopt sustainable approaches on the basis of spontaneity and emulation principles. From the analysis of all viable environmental actions outlined in the Project, it is possible to thoroughly examine the basic guiding principles and criteria for the various initiatives:

- Participation, knowingly and intentionally, of all social actors to the definition of objectives and commitments and relevant responsibility sharing throughout the planning and implementation processes, based on a profit system to ensure continuity and strong bases for negotiating processes during consultation
- Ongoing de-materialisation of the economic system, namely the quantity of natural, renewable and non-renewable resources available to foster production and current consumption models
- Reduction of risks linked to specific forms of pollution or environmental degradation.

The Project was supposed to set up a Forum for the environment, which, through consultation, would have played an active role in identifying the critical elements and available resources. In other words, in defining shared objectives and strategies towards sustainability.

In so doing, the Forum would have provided the means to draw up specific actions and pursue policies and goals for the sustainable development of the industrial district and its environment.

Likewise, the 'Eco-labelling' scheme needed to pursue shared values for all businesses involved in terms of certifications of quality (ISO 9000), environmental performance standards (ISO 14000—EMAS), and thus create a "label" for the district supply chain to single out all businesses with specific performance characteristics.

The creation of an eco-labelling scheme for the district would have increased internal and external competition on international markets through the aggregation of licenced businesses, whose high quality standards might have also boosted the competitive strength of smaller enterprises in the area.

On this line, it is clear that a broader involvement of multiple actors, including social and economic institutions, although characterised by different and sometimes conflicting interests, is paramount for enhancing the sustainable development of the district.

In this respect, it is also important to define district committees, a backbone structure and a coordinated organisation composed of representatives of municipalities, trade associations and trade unions in order to create a governance capable of meeting all stakeholders' concerns. The research concludes that the guiding principle for the involved parties is that they all should share good common sense and a thorough understanding of the territory.

5.4 The Textile Production Centre of Sant'Agata Dei Goti and the Footwear Production Centre of Grumo Nevano: Future Prospects

The empirical research has revealed that the Textile district of Sant'Agata dei Goti, Casapulla, S. Marco dei Cavoti, Aversa, Trentola Ducenta and the Footwear district of GrumoNevano-Aversa can no longer be referred to as districts because the relevant regional resolutions have never granted the approval of their operations, through for example, the creation of management committees. However, this paper will cover detailed historical documentation of these two districts based on interviews with the major institutional representatives in the investigated areas.

The Textile district of Sant'Agata dei Goti—Casapulla was defined by the regional resolution no. 59 of 1997. The district spread over the central part of the Campania region, in a hill area close to regional park Taburno comprising 20 municipalities, 6 of which in the province of Benevento and 14 in the province of Caserta.

The specialising businesses of the region operate in the textile-clothing industries, especially for the manufacturing of craft coats, trousers, knitwear, shirts and related product services (cutting, sewing, ironing and finishing), as well as in the packaging department on behalf of third-party firms and textile machinery.

The textile manufacturing industry has very ancient origins that date back to the 18th century, at the time of the silk pole of San Leucio, home of top-grade silk furnishing fabrics manufacturing (Campania Industrial Districts). Unfortunately, today the district encompasses very few production centres and practically it no longer exist.

The following data comes from interviews with the most important municipalities' representatives in the district. In particular, the interview with the mayor of Sant'Agata dei Goti⁸ revealed that only 10 textile firms are currently operating in the area, compared to the majority of them that have ceased to exist or outsourced their production elsewhere, like for example in the Balkan countries. The heart of this

⁸Many thanks to Mr. Carmine Valentino, the mayor of Sant'Agata dei Goti for his cooperation during the interview.

crisis lies in increased globalisation of Chinese exports, along with other emerging factors leading the textile industry to close its own factories in the region that are as follows:

1. An inefficient credit system incapable of implementing differentiated pricing policies for businesses in terms of their solidity on the market; unable to support the production system and assess businesses beyond their turnovers. The system pays little attention to community and regional funds, which leads to a short-sighted strategic vision of public investment
2. Planning systems with too many constraints preventing the emergence of new activities in the territory, in particular, micro businesses, typical of the area, need to overcome several administrative and urban constraints. These difficulties have generally led businesses to outsource their activities elsewhere
3. Labour cost. It is indicated as a non-competitive factor in our country: cost of workers is too high for a business to bear over time. There is a need for implementing a tax disregard system or tax incentive programme to encourage enterprises to employ young workers, or integrate those workers that have been made redundant.

As the district no longer exists, it is unfeasible to describe the ongoing sustainable activities, although we can herein report the most common claims raised by the local institutional representatives to the regional administration. Firstly, it would be necessary to create an innovation-driven governance made up of local entrepreneurs and institutions. Secondly, special emphasis should be placed on individual professional training and continuous updating of the training to enhance relationships and work conditions. Furthermore, to fight corruption and illicit phenomena (fair management practices), which unfortunately characterise this particular territory, the culture and citizens' value system should be changed through awareness programmes that would ensure a broader involvement of the community and the government. In environmental terms, as the region is no longer referred to as a 'Campania Felix', but rather the 'Land of Fires', environmentally sustainable policies for a healthier territory should be envisaged.

As for the area of the district overlooking San Marco dei Cavoti, in the province of Benevento including 16 municipalities bordered by the river Tammaro-Fortore, the research has shown that the region can still rely on the figure of the Leader of the district.⁹

The territory experienced a flourishing period between the 80 and 90s, especially for its textile industry, although today the whole area is characterised by a variety of businesses that range from textile and confectionery manufacturing to energy production.

Conversely, at present there are only ten operational textile industries, although a few years ago a new model of development, devised to overcome the crisis in the sector, seemed to have brought positive results for the entire Sannio region. Thanks

⁹The author thanks Mrs. Silavana Malagrino, Leader of the cluster for her valuable contribution.

to the cooperation of the Regional Agency for the Promotion of Research and Innovation, named after “Campania Innovazione”, it has been possible to discuss the project’s guidelines for the setting up of an ‘energetic district’ supposed to enhance the existing production plants and rationalise the energy requirements. The project also included the Energy Service Company and a few local business networks.

The Project, which was supposed to provide an adequate response to ‘green’ economy (Il Mattino 2013), through the synergy and collaboration of all municipalities, was never funded. Moreover, the research identified the need to develop an organisational plan for a new production structure in the territory based on the integrated growth of multiple sectors (the textile, clothing, energy, confectionery, and tourism industries).

As the regional Agenda 2007/2013 failed in its mission, a new planning programme should envisage a financial scheme to fund the internal areas in order to provide a formal recognition, both on a national and institutional level.

The Footwear district of Grumo Nevano—Aversa, as indicated by the regional resolution no. 59 of 02 June 1997, comprises 23 municipalities, 16 of which are in the province of Caserta (Aversa, Cesa, Frignano, Lusciano, Orta di Atella, Parete, San Marcellino, San Tammaro, Sant’Arpino, Succivo, Teverola, Trentola, Ducenta, Villa di Briano, Carinaro, Gricignano) and 8 in the province of Naples (Arzano, Casandrino, Casavatore, Casoria, Frattamaggiore, Grumo Nevano, Melito di Naples, Sant’Antimo).

From a geographical point of view, the district featured a high textile vocation in the municipalities of the province of Naples, compared to higher concentration of footwear industries in the province of Caserta (Production District in Campania).

The tanning activities in Campania have ancient origins and date back to the XVI century with the association of wool shearers and tailors, which managed to bloom due to the increasing demand from the lively city of Naples (Production District in Campania).

On the other hand, the footwear tradition began during the first half of the XVIII century with the first family-run shoe manufacturing industries in the municipalities of Grumo Nevano, Arzano, Casandrino, Casoria and Aversa.

The shoe industries have kept their semi-craftsmanship dimension by positioning themselves in the mid/high end of the market sector. Their presence on the market has been secured by operating on behalf of third-party enterprises, although several businesses have managed to create their own trademark and strengthened their international profile, especially for mid/high quality male footwear with prestigious brands and a strong product identity on the market (Campania Industrial Districts).

The interviews with the institutional representative of the municipality of Frignano and the former Leader of the district¹⁰ reveal that the district is no longer operational given the meagre presence of shoe industries in the investigated area.

¹⁰Many thanks to the current mayor of Frignano (Caserta), Mr. Gabriele Piatto and the former Leader of the district in Aversa as representatives of the businesses operating in this region following the regional resolution no. 4625 of 29 September 2001.

Several years ago, the district Committee set itself the objective of supporting the textile and footwear businesses operating in less favourable conditions. In this respect, the Impre.Co and Unica Consortia were established. The first consortium is located in the municipality of Carinaro (Caserta), in the industrial area in the north of Aversa, and comprises 90 small- and medium-sized enterprises in the textile and fashion sectors (data from 2007). The aim was to implement a global horizontal and vertical integration among the different fashion sectors and take advantage of the ensuing synergies.

The Unica Consortium, located in Carinano (Caserta), including over thirty businesses in the shoe industry, was created by 24 entrepreneurs with the objective of identifying new potential factory sites to offset the territorial congestion in the area of Aversa.

Up to now, such consortia are still operational, although they have been affected by the well-known economic crisis and the pressure of the competitive Chinese production in the textile and footwear sectors.

The research also highlights the compelling need for institutions to rely on regional contributions to support those territories that are striving to grow and create new employment.

5.5 The Goldsmith Production Centre

The goldsmith production centre in Campania goes back many, many centuries. Already at the time of Frederick II of Swabia (1194–1250), several goldsmith workshops could be found in Naples, and the king took an interest in defending their work and the quality of their goods. The first goldsmith guild—“Nobile Arte degli Orefici”—is believed to have been founded under Charles II of Anjou (1248–1309) with its own charter granted by the king. It was under Charles’ reign that the hallmarks became compulsory for guaranteeing the quality and purity of the metals used. At the end of the 1400s, under the rule of the Aragonese a Neapolitan school of goldsmithery began to develop around a well-defined area of the city, opposite the port in the Pendino quarter, known today as Borgo Orefici. The Spanish also attached great importance to personal adornments and had a predilection for gold, particularly in collars bearing insignia. For goldsmiths, the 16th century saw the appearance of the first forms of social security, which continued to be one of the main functions of the fourteenth century guild. In the 1700s the figure of the goldsmith became almost a permanent member in the king’s employ. Charles of Bourbon (known as Charles III of Spain) adopted a series of measures to encourage the growth of their trade. His successor, Ferdinand IV, recognised the enormous contribution to his kingdom made by the art of designing precious metals. In the middle of the eighteenth century silversmithing gained enormous popularity, with

over three hundred workshops involved in the trade since the 1600s. Master artisans, apprentices and labourers transformed the huge quantities of this precious metal into magnificent pieces of jewellery, commissioned by both secular and ecclesiastical patrons. With the return of King Ferdinand of Bourbon to Naples in 1815, gold and silversmiths acquired greater independence and received tax benefits. From then on, they were also allowed to set up workshops outside the city and a new type of artisan made his appearance, the *bigiottiere* or jeweller, whose creation was intended for the bourgeoisie. However, a census conducted by the Commission for Hygiene in 1865 records the presence of 280 artisanal firms, 10 silver foundries and 26 foundries of gold lace and lye-ashes in the Pendino quarter.

The history of coral (and cameo) carving, another example of Campania's manufacturing excellence, based in and all around the town of Torre del Greco—province of Naples, goes back even further. Today, all over the world Torre del Greco is associated with the crafting of coral, produced mainly for the jewellery sector, although it became part of the coral trade as early as the fifteenth century. With centuries of experience, anglers would travel as far as the coast of North Africa, particularly Tunisia. At the end of the 1700s—when the demand for coral reached its height—disputes with the Compagnie Royale d'Afrique led to the promulgation of a code, the so-called Codice Corallino (Coral Code).

The goldsmith production centre in Campania today accounts for 2300 production, wholesale and retail firms located in and around Naples, Marcianise and Torre del Greco (The Campania region—Department of Economic Development).

The core business of firms in this sector lies in the silver and goldsmithing industries in the provinces of Naples and Marcianise, whereas coral and cameo artisanship concentrate around the area of Torre del Greco.

According to the terms indicated in the ISO 26000 guidelines, the research reveals the socially responsible initiatives implemented by the Assocoral Association of Torre del Greco, the Consortium Borgo Orefici and il Tari around the area of Naples and Caserta respectively.

Even though the goldsmith production centre has never been legally recognised as a district, the regional resolution no. 463 of 08 September 2011 approved an action for the development of 'business networks'. The action, while accompanying and supporting projects way beyond district limitations, aims at building long-lasting relationships between the existing networks located in different geographical areas sharing similar or complementary characteristics in terms of manufacturing and innovation processes. Among the examined networks is the ancient goldsmith production centre of the Campania Region.¹¹

¹¹The data relates to POR Campania FESR 2007/2013—Operational Objective 2.6: 'The Goldsmith's district of the Campania Region'—Action Plan supporting business clusters for the development of Business Networks in Campania—The Campania Region.

5.5.1 *The Consortium “Antico Borgo Orefici”*

Naples’ goldsmith district (so defined in geographical terms alone), unique in the world for its concentration of workshops dedicated to the manufacturing and sale of gold, silver and jewellery, is nestled between Corso Umberto and Via Marina. It is the natural access to the historic centre of Naples. Narrow streets, irregular-shaped buildings and an only one-person-wide stretch by the little square mark it out and make it the centre of the community. The Consortium of Neapolitan Goldsmiths¹² was founded in March 2000, thanks to a project started by artisans and business owners, working in the so-called “Antico Borgo Orefici” or the goldsmith district. The main goal of the consortium is to group together many workshops, artisans and companies who have all contributed to maintaining this centuries-old tradition and to promoting the commercial activities in the area. The motivating factor behind the creation of the association was the desire to create a synergy among the more than 350 companies that are currently operating in the goldsmith district, and that employ over 2000 people.

Today, the Consortium counts amongst its members approximately 90 companies representing the tradition of Neapolitan gold and silversmiths. Among its other principal objectives are the creation of service infrastructures and providing assistance in carrying out individual and collective projects.

The major objectives of the Consortium are varied and can be summarised as follows (Antico Borgo Orefici website):

- Feasibility of local development
- Analysis of needs in terms of services, infrastructures and material investments
- Feasibility of single initiatives
- Interfacing and consultation with the relevant institutional bodies
- Evaluate progress in removing economic/financial obstacles in the practices of single enterprises
- Assistance and support for the development of single initiatives.

To accomplish the abovementioned goals the Consortium relies on five management bodies: the General meeting, the President of the Consortium, the Board of Directors, the Board of auditors and the Board of Appeal.

The Board of Directors, renewable every five years and responsible for the governance of the consortium, is composed of no less than 7 and no more than 12 members that shall include parties who are not members of the consortium. The Board of Directors is the Consortium’s management core, as it prepares the agenda for the general meetings, assesses the eligibility and exclusion of members, draws up the budget and final financial report, and conducts activities entrusted to it by law and by the Articles of the Association.

The consortium has a statute in which goals and management modalities, membership, the fund management and the means of terminating the consortium are

¹²The author thanks Mr. Roberto de Laurentiis, President of the Consortium Antico Borgo Orefici.

identified. Furthermore, in order to accomplish these goals, the Consortium has built several partnerships with institutional counterparts in order to avail itself of all possible public and private resources to promote the commercial activity of Borgo Orefici.

On this line, the end market of member businesses is primarily the domestic market, with about 60 % of trade activities including regional firms, 30 % in the national market and only 10 % accounting for foreign sales, especially in Europe.

5.5.1.1 Sustainability Initiatives

Most of the sustainability initiatives carried out by the Consortium Borgo Orefici are socially-oriented and especially directed toward the community, with the final aim being to foster local competitiveness and improve the performances of all member businesses (Table 5.8).

The research identified numerous actions supporting the training of young people and their involvement both in the community through events, exhibitions and in the international development to support member businesses. All this is justified by a deep rooting to the territory and the Consortium's willingness to create synergies to grow and cooperate with local institutions.

In terms of the Consortium's commitment to local community, the research indicates a wide range of initiatives.

The Consortium, in collaboration with the municipality of Naples and the Campania region, set up the first business incubator "La Bulla" on March 10, 2010. The incubator "La bulla" has been designed to accelerate the successful development of goldsmith entrepreneurial companies through an array of business support resources and services with the aim of creating new employment for young people and revitalise Borgo Orefici's activity.

Table 5.8 Sustainability initiatives of the production centre

Thematic areas	Implemented	Planned	Rating scale ^a
District governance			
Human rights			
Relationships and work conditions			
Environment		X	
Fair management practices		X	3
Consumers' aspects	X	X	2
Community engagement and development	X	X	3

^aFrom 1 = less important to 3 = very important

The main two incubator's priorities are:

- Employment-led training system—training activities for young people and adults oriented to work inclusion and business creation
- Business incubator—the Consortium provides assistance and support to young businesses in their start-up phases. After the first four years, the incubated businesses are aided in finding workshops inside Borgo Orefici.

Today, the structure hosting 'la Bulla' is the property of the municipality of Naples. It has been recently renovated under the Integrated Project for the Goldsmith district in Campania and its management has been the responsibility of the Consortium for 20 years. It houses workshop facilities, rooms for vocational training and exhibition spaces.

From the functional viewpoint, the incubator is divided into a production area including all stages of production—fusion, stone setting, output—and a services area, namely design, gemology, tax, administrative and management assistance.

The first call for tender issued in September 2010, for the selection of businesses to incubate, involved the first 7 micro enterprises that are still receiving support in their start-up phases.

Furthermore, the consortium planned and implemented various training activities:

- In cooperation with the technical institute of "Elena di Savoia" for the 'Compulsory Education' project (the first project implemented in Campania), dedicated to 20 young aspiring goldsmiths in the Neapolitan Mercato-Pendino quarter
- An apprenticeship programme dedicated to 15 young people, funded by the Campania Region and implemented by the member businesses of Borgo Orefici
- The work experience project (a 12-month period) in ten craft member firms for 10 unemployed young people
- In 2006, the Consortium became one of the authorised bodies by the Campania region for the goldsmith school
- A two-year course project (18,000 h) dedicated to 20 unemployed young aspiring goldsmiths.

Furthermore, the consortium is the leader of the Training Pact for the Campania Goldsmith Pole, which includes other goldsmith consortia of the Region (Il Tari, Oromare, Vulcanoprom.Art.), the Goldsmith Federation of Campania for a common achievement of 'a policy framework of training activities' to foster social and work inclusion. Amongst other initiatives, the Consortium has established the "Fashion Educational Centre—For. Moda" for the implementation of training programmes, while participating in various cultural initiatives:

- Participation and organisation of exhibitions and events on the Neapolitan goldsmith excellence at the premises of the Campania Region in New York
- Project for the realisation of a virtual Borgo and museum in gold artisanship

- Participation in Maggio dei Monumenti (May of Monuments), exhibitions, conferences, and guided tours within the Borgo with the collaboration of the National Archive, the municipality of Naples and the Provincial Tourist Board
- The creation of a company theatre “Compagnia Borgo Orefici” including gold experts, actors to promote the Neapolitan theatre tradition within the borgo
- Exhibitions and events in cooperation with the institutes of Italian culture abroad on gold processing techniques.

In 2009, the Consortium attended the meeting “Val Camastra” organised by ENI, which resulted in an example of good practice for the regional sustainable development.

Furthermore, the Consortium has carried out different activities to foster its businesses’ competitiveness through the “Oronet” project for the development of ICTs amongst the goldsmith enterprises in Campania, and the “Internationalisation and promotion of offerings in the goldsmith and jewellery sectors” by attending trade fairs in Japan, United Kingdom and USA.

Furthermore, in order to enhance the innovative potential of associated businesses with a view to sustainability, the Consortium has signed a Memorandum of understanding with Città della Scienza (Idis Foundation) to pursue innovative actions for the goldsmith market and the reproduction of jewels from Pompeii.

The Consortium is one of the few ‘urban districts’ certified ISO 9001.

As for the thematic area relevant to consumers’ aspects, Federconsumatori Campania and the Consortium Borgo Orefici signed a Memorandum of understanding for the creation of the “true value” logo (Fig. 5.10), which reflects quality, courtesy, legacy and protection for the consumer. The ambition is to monitor the market and ensure product reliability through the direct engagement of all operating businesses in the Borgo. “The logo is an opportunity for all actors involved in socially responsible activities to share and enhance their own initiatives. It is believed that real examples of good practice may be a source of learning and emulation for other entrepreneurs” (Antico Borgo Orefici website).

Finally, the research has highlighted the future initiatives, which, once again seem to be directed towards ensuring community engagement and development in addition to maintaining the Consortium’s interests in clients and consumers.

Firstly, the Consortium has showed its intention to keep investing in urban re-qualification and the recovery of Borgo Orefici by enhancing safety of local retailers with the support of a security company.

In addition, a new relaunch plan including the following actions is being developed to provide:



Fig. 5.10 Social-label logo (Antico Borgo Orefici website)

- Improved logistics services and operational efficiency
- A fidelity card for the Consortium clients
- Improved road traffic services around the Borgo Orefici (bicycle parking facilities)
- Promotional activities to foster the Consortium initiatives
- A Borgo Orefici eco-label in line with the ISO 9001 certification
- Funds for the training school and the business incubator “La Bulla”.

It is the management’s intention to ensure the representability of the Borgo governance for all associated businesses.

Furthermore, the growing environmental concerns caused by waste from the goldsmith sector has led the Consortium members to start a cooperation with ASIA Naples (The Environmental Hygiene Services Company) to improve the standards of special waste management practices, even though officially the project has not been endorsed yet.

5.5.1.2 Sustainability Management

The Consortium Borgo Orefici cannot rely on a specific governance to manage sustainability initiatives, which are therefore handled by the governing bodies as provided by the Articles of Association.

The research has shown that all businesses willing to become members of the Consortium are required to comply with the ISO 9001 requirements and, more specifically, commercial businesses need to be certified in terms of quality standards whilst craft undertakings need product and productive process certifications.

Furthermore, the ongoing creation of a label ensuring Borgo Orefici’s product quality will be subjected to rules and moral norms whose disregard will result in the withdrawal of the certificate and exclusion from the association.

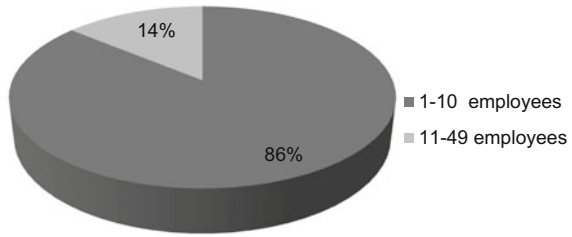
Finally, another strategic asset for the Consortium is the management of internal and external communications between the member businesses and their clients, with the aim of fostering active involvement and improving customers’ loyalty.

5.5.2 *Assocoral*

Assocoral¹³ is the National Association of Coral, Cameo and Related Materials Manufacturers, established in Torre del Greco in 1978. It is the natural continuation of Corallai Union (the Coral Makers Union), already active since the beginning of the 1900s. At present, the association is composed of 50 enterprises, 43 of which are micro enterprises and 7 small-sized firms for a total of 298 employee units (Fig. 5.11).

¹³The author thanks Mr. Tommaso Mazza, the Leader of Assocoral.

Fig. 5.11 Assocoral enterprises size



Assocoral's mission is the appraisal, tutelage, safeguard and promotion of everything involved in the coral and cameo industry as well as the goldsmith industry linked to their production. In brief, the main points Assocoral focuses on are tutelage, assistance and problem-solving support for the associated businesses. Therefore, it is not just an association bringing together businesses, but an organisational centre for external relations with institutions, public administrations, professional training, internationalisation of associated businesses, promotion of conventions and seminars and cultural events of international renown.

Assocoral is based on the Articles of Association that include the Governing Council that appoints a Leader, an executive Leader and a secretariat and it is composed of 7 members representing the entire coral supply chain. Furthermore, the association is organised with a general meeting, an executive committee and audit board and a board of arbitrators.

The Assocoral associated businesses market their products to an equal extent both internally (50 %) and externally (50 %). The foreign target markets are mainly in Europe (50 %)—especially in the UK and Holland -, in Asia (40 %) particularly China and Japan, and the U.S.A. (5 %) and finally a very small market comprises Africa and Oceania.

5.5.2.1 Sustainability Initiatives

The research has revealed that Assocoral has carried out and is planning to develop various activities to improve sustainability for its partner businesses.

The main fields of interest relate particularly to the environment, consumers' concerns and the local community (Table 5.9). The governing body that represents the whole supply chain handles all governance-related activities.

The Association's commitment in favour of the environment and coral exploitation is confirmed by its close contact with the international scientific communities, both working towards a more complete regulation of red coral fishing.

On this line, the red coral (*corallium rubrum*) is considered a species in danger of extinction and despite numerous debates on this topic it is not on the CITES (Trade of Endangered Species) list, the International Convention that regulates the sales of endangered species of flora and fauna, so its sale is unrestricted both nationally and

Table 5.9 Production centre's sustainability initiatives

Thematic areas	Implemented	Planned	Rating scale ^a
District governance	X		1
Human rights			0
Relationships and work conditions			0
Environment	X		3
Fair management practices			0
Consumers' aspects	X		2
Community engagement and development	X	X	2

^aFrom 1 = less significant to 3 = very significant

internationally. This has been finally confirmed during the abovementioned convention held in June 2007, in Holland.

On the other hand, in 2008, all coral species coming from Asia (*Corallium Secundum*, *Corallium Elatius*, *Corallium Japonicum* and *Corallium Konojoi*) are in the CITIES (III appendix) list as well as the *Stylaster corallium* (II appendix) and therefore its sale must be duly regulated by numbered documents. The EU with Regulation CE no. 338 of 1997 strictly applies the criteria established in the Convention of Washington, as amended (Regulation no. 1808/2001 of 30/08/2001), by which all endangered species have been indicated (Regulation no. 834/2004 of 28 April 2004).

The research has shown that not all coral used by the associated businesses comes from barrier reef and that Assocoral, over the years, has committed itself to render resources sustainable. In this respect, in 1996 it presented a draft law to complete regulation of red coral fishing and in 1999 joined the project funded by the European Community called "Red Coral Project", aimed at studying the resource in all its aspects in order to guarantee a more accurate time management and resource utilisation. At present, Assocoral is a partner of The Fisheries Control Agency.

Beyond the environmental issues, Assocoral implements sustainable policies within the local community. Torre del Greco is the undisputed city of coral, but unfortunately, this recognition seems not to contribute towards the development of its commercial activities.

Several initiatives designed and developed by Assocoral aim at re-qualifying the territorial area while improving social competitiveness for the local operating businesses.

On a promotional level, in November 2014 Assocoral, with the cooperation of the city of Torre del Greco, celebrated the beauty of coral at the exhibition entitled "Timeless Seduction: Coral and Cameo—Between Memory and Modernity" to relaunch the image of coral in Italy and worldwide. A major example of community engagement was given in 2014 when the students of the Secondary School 'Francesco Degni' were actively involved in guiding visitors during the spectacular coral exhibition that twisted and turned through the streets of the historic city centre.

The exhibition was also held in Vicenza, Hong Kong, Japan and finally in Las Vegas. This event involved the contribution of prestigious celebrities: the partnership between Vicenza Trade Fair and its Leader Matteo Marzotto, ICE (the Italian Trade Commission) sponsorships, the Fashion Interfaculty, Customs and Gemology of the University ‘La Sapienza’ in Rome, the contribution of Mario Valentino S.p.A. and the support of SticcoSped, a shipping company. In particular, ICE cooperated with Assocoral to organise two seminars in Hong Kong to enhance the high value of coral as a sustainable resource.

The association is also involved in different training activities including school/work alternation programmes (PON) and the apprenticeship of young people to foster their integration into the labour market in cooperation with the Chamber of Commerce of Naples.

Another area of interest is the market, namely consumers’ aspects. The association engages in several communications activities—trade fairs, a website and leaflets—in order to maintain a continuous understanding of its products in the current market.

Regarding future initiatives, Assocoral is determined to enhance all social activities through a broader and active participation of the community and they are as follows:

- Social projects in cooperation with the major associations of the area to improve the community’s standards of living
- CSR training projects, educational programmes for students through school/work alternation activities and business/school workshops
- Vocational training programmes.

Professional training aims at creating highly specialised young artisans in the coral and goldsmith sectors while fostering business growth accordingly. Thanks to the support of local and national institutions, the association intends to organise training activities and business internships to boost the employment of youth.

The driving force of the production centre in the pursuit of sustainability initiatives lies in the benefits arising from them, namely new market penetration, enhanced business and regional visibility and improved efficacy from institutions, financing bodies and community relationships (Table 5.10). As the table shows, Assocoral is committed to pursuing a sustainable policy programme, especially focused on boosting its associated businesses internationalising process and new target market penetration that will inevitably enhance the image visibility of Torre del Greco and the entire Campania region.

Assocoral really needs the support of the community, its cultural and historical background and expertise in the coral artisanship. It is therefore clear that, through its involvement and active participation, it may well ensure the effective implementation of initiatives and targeted actions in this respect. The research also shows that the association is fully aware of the mutually interdependent relationship between the businesses that are currently operating in the coral and goldsmith sectors and their territory.

Table 5.10 Reasons for implementing sustainability initiatives

Reasons	Rating scale ^a
Upon customer's request	1
New market penetration	3
Enhanced visibility	3
Sector-specific Rules	2
Legal obligations	2
Lead firms sustainable value systems	1
Improved efficiency	1
Tax incentives	0
External stakeholders' pressures (consumers' association, ONGs, etc.)	2
Relationships with institutions, financing bodies and the community	3

^aFrom 1 = less important to 3 = very important

Regarding the sector-specific rules, for some time Assocoral has been carrying out specific initiatives for the promotion of a sustainable use of coral.

The benefits deriving from all these activities have been significant: the production centre's active role in the territory not only enabled it to better integrate in the community, but also to achieve international recognition.

5.5.2.2 Sustainability Management

Sustainability management is entrusted to the Assocoral governing bodies. The associated businesses are spontaneously involved in the initiatives planning, for which there was no previous selection. The governance intends to represent the entire coral and cameo supply chains along with its commercial activities through its programmes.

Furthermore, ICTs are vital in the communication process, both on an operational and functional level as they ease meetings and dialogue between associated businesses, especially telematically. Finally, research has singled out all coral productive centres' requests on Assocoral's behalf that can support the sector and apprenticeship activities, reduce bureaucratic procedures and therefore contribute to the development of trading arrangements with foreign partners.

5.5.3 *Il Tari*

Il Tari, operational since the end of 1996 is a no-profit consortium company. Today it is the undisputed reference point for the goldsmith world on a national and international level. Based in Marcianise, in the industrial area surrounding Caserta, the centre covers an overall surface area of 135,000 m², with a total 80,000 m².



Fig. 5.12 Il Tari (Il Tari website)

destined to the partners' production and distribution activities, plus 9.500 m². for new trade-fair stands.

It is a jointly managed centre including output, production and wholesale of gold and related products (Fig. 5.12). Il Tari comprises 400 businesses (45 % output, 30 % services, and 40 % distribution). The associated businesses are mainly medium-sized enterprises (75 %).

Il Tari's figures speak for themselves: about 805 million euros of turnover per year, 30 % of business production is intended to be exported (primarily to European and Mediterranean countries, the USA, Russia and China).

The name of Tari is that of an ancient gold Arab coin, widespread in the Kingdom of Naples until the Aragonese age. This simple word is easy to pronounce in all languages and its historical roots make it the most appropriate identification of a place where tradition and innovation are two sides of the same coin (Il Tari website).

The research¹⁴ has shown that the company's management relies on a Board of Directors composed of partners and external experts and a General Management in charge of general affairs and external relations, outsourcing and administration.

The department of external relations holds three annual fairs, including internal businesses and about 100 external exhibitors per fair with more than 25,000 well-established visitors for each edition. The most important exhibition, only second in Italy to 'Vincenza Oro' trade fair, is "Tari Mondo Prezioso" (Tari a Precious World), which takes place in May and October and attracts many visitors (about 5000 people every time) including clients, external exhibitors and consumers.

The promotional department is also responsible for organising different exhibition fairs and other non-sector-related events every year.

The consortium focuses on offering its expertise to provide high-level consulting services to consortia and emerging international realities with the same objectives:

¹⁴The author thanks the managing director Mr. Maurizio Scoppa and Mrs. Floriana Marino, head of external relations and promotion.

- Attract operators of the sector both on a national and international level
- Foster the development of the production centre and associated companies through fairs, meetings, events and conventions
- Training programmes for the operators of the sectors and partners
- Auditing and monitoring of the entire structure.

5.5.3.1 Sustainability Initiatives

The research has highlighted that Il Tari does not adopt direct and unitary policies for the promotion of a sustainable development of the centre, but rather a number of ongoing and socially viable initiatives focused on reducing the impact of business practices on the environment.

In fact, from an environmental viewpoint, the research indicates the presence of solar panels in the parking area of the company headquarter. Furthermore, as for the management of wastewater, the company has developed a water management system including collection vats and water purification and analysis systems. Another initiative relates to the separate collection of waste managed by a qualified company.

Regarding the socially responsible conduct, a series of developed actions are designed to involve both the partner businesses and the local community.

The first set of actions includes Il Tari's legal adviser's measures related to workplace security issues, along with the setting up of a business incubator for the making of prototypes.

In terms of community engagement, Il Tari held several seminars to raise people's awareness on the fight against corruption and granted scholarships to the most deserving students in their relevant communities. Furthermore, the creation of the Foundation of Advanced Training Il Tari is currently operating in high eco and innovation training design to foster and enhance Made in Italy's undisputed value on a global level.

All these initiatives have produced significant results in terms of increased efficiency and positive image impact.

5.5.3.2 Engagement Management

In 2010, Il Tari adopted a company ethics code, as provided by the L.D. No. 231/01.

The code of ethics indicates all guiding values, rights, duties and responsibilities the company must take account of when conducting business activities. At the core of the code are promotion and ongoing training of human resources, protection of corporate assets, promotion and safeguarding of all shared interests within the community to uphold the company's good name and image.

In order to ensure full compliance with the code, Il Tari set up an ethics committee made up of three components. The committee jointly operates with corporate bodies, companies' management, employees and collaborators to ensure the viable application of the code.

Furthermore, amongst the proposed actions aiming at improving the standards of the production centre, the management requests that the Campania region make better use of European funding to support its activities in terms of speeding up the bureaucratic procedures impairing competition and provide more coordinated actions to improve waste collection and the implementation of systems monitoring wastewater.

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Chapter 6

Industrial District Sustainability and Local Development: Proposals for Institutional Bodies

Abstract The final part of this book tackles the supporting role of public institutions in the sustainability management of business clusters and production centres. In this respect, the chapter calls on local authorities to take steps to find the right balance between legislation and the promotion of sustainable actions to the benefit of clusters/production centres and the local community alike. In so doing, the industrial policy should enhance cluster production traditions and their local distinctive expertise in order to create ‘unique’ models, which, as part of the cultural heritage of the region, would contribute to the social and economic development of the community while boosting their competitive advantage on a global level. The chapter concludes by introducing potential courses of action institutions could embrace for developing and strengthening clustering-based approaches in SMEs, as well as implementing viable policies in full support of the sustainable competitive model.

6.1 The Role of Institutions

The comprehensive review of theoretical and empirical studies investigated for the purpose of this work indicate that the major role is played by public policies and institutions in support of local production systems and industrial districts. In this respect, the United Nations Industrial Development Organization (UNIDO 2008) survey highlights how institutions are paramount for the successful implementation of joint actions and sustainable projects in business clusters. Likewise, Global Survey recognises the potential of the State, its local decision-makers and all relevant regional organisations and partnerships as key drivers for a viable development of economic growth (Sölvell et al. 2003).

It is undoubtedly clear that the role of institutions is to support the sustainable enhancement of production systems. On the other hand, whilst a firm sustainability legislation would discourage the occurrence of any sorts of abuse—e.g. the human rights impact—and allow a better governance of business behavior (De Schutter 2006), it would inevitably lead various SMEs to move and outsource their production activities to more favourable and profitable contexts (Puppim de Oliveira 2008; Nadvi and Yoon 2012).

However, it is indeed in the presence of SMEs that public engagement is required the most, especially when it comes to coordinating the joint action of these players who necessarily have to cooperate and compete with each other all the same (Nadvi 1999). Therefore, local authorities should find the right balance between legislation and appropriate actions to pursue, thus enabling districts and production centres to adopt sustainable competitive models, not only for their own benefit, but also for the wellbeing of the community as a whole. In this respect, the viable sustainable approach of local business clusters or production centres is crucial as it sets the scene for the regular output and activity upgrading, which, in turn, will boost production competitiveness. Therefore, institutional governance standards of conduct should not disrupt clusters' production traditions, but enhance local expertise as well as the distinctive features of every single process to create those unique competitive models capable of contributing to the social and economic development of the entire community. In other words, local authorities do not need to resort to anything new. On the contrary, they should implement proper industrial policies in support of those regional productive systems that have already proven their competitive edge. More specifically, the business clusters and production centres herein examined, namely the typical Made in Italy supply chains, clearly enjoy a competitive advantage on an international level, thanks to their strong ties to the economic and cultural heritage of the territory. However, this recognised advantage should be further strengthened by drawing on the adoption of collaborative approaches and sustainable competitive models, which will enable both districts and production centres to upgrade their production activities while reducing the pressure of competitive low-cost policies from developing countries and at the same time anticipate and meet the increasing needs of the ethical market.

Most of the examined production centres and business clusters are part of the global value chains and classified, according to the CSR model, both as "market-driven paths" and "CSR-driven paths" which satisfy the ever-changing market needs (consumers and buyers), and global buyers' expectations accordingly. Furthermore, the involved SMEs are regularly supplying big international buyers and foreign lead firms, which increasingly demand that they comply not only with the economic and technical requirements but also provide adequate sustainability criteria to face the emerging customer demands. In fact, according to the statistics provided by Sodalitas Foundation (2012), the International CSR Monitor (2010) had showed a marked inclination of Italian consumers towards safe and healthy foods (90 %), eco-friendly products/productive processes (87 %) and environmentally responsible materials (83 %). On the same line, the GfK Eurisko-Assocasa survey (2010) has highlighted the increasing public concern for non-toxic eco-friendly products (90 %); easy to recycle eco-packaging products (83 %); pollutant-free products and low environmental impact products (82 %); clean urban products transportation (75 %); safe uses of products (60 %) and their proper disposal (56 %).

Furthermore, data from Unioncamere (2015) highlight all positive effects of business' ethical conduct and more precisely show that almost half of manufacturing SMEs (20-499 employees) are definitely more likely to invest in energy efficient products and/or low environmental impact technologies. This number is

bound to increase if only compared to 38 and 41 % in 2013 and 2014 respectively, including both large enterprises (from 44 to 52 %) and smaller enterprises (36 to 44 %). In addition, with reference to the three-A rated Made in Italy supply chains—the food, clothing and furniture industries—as well as the mechanical engineering sector, green SMEs account for 46–47 % of the overall figure.

In economic terms, responsible conduct's advantages are apparent in the total turnover, rather than in output terms. Actually, the highest percentage refers to SMEs that show increased consolidated revenues in 2014, mainly resulting from their investments in sustainability. Furthermore, data reveals the significant impact of green economy on foreign sales with 41 % of exporting businesses showing increased dumping margins in 2014 compared to 37 % of non-green small-sized enterprises in 2013.

Therefore, the role of local authorities should not confine itself to strengthening law enforcement capacity or laying down stricter rules to protect the environment and human rights, but rather arise SMEs and community awareness of sustainability actions and count on the cooperation of the entire supply chain to improve competitiveness. In so doing, corporate governance will no longer need to be coercive, but supportive of those sustainable competitive models whose valuable contribution is essential for the success of viable clustering-based approaches.

From the community and civil society perspective, literature has emphasised the important role of the community in shaping business behaviours and calls upon local authorities to re-establish or enforce new regulations (Calvano 2008).

Public institutions need to play an active role in the civil society and trigger a learning process (Rivoli and Waddock 2011) that will facilitate the adoption of sustainable behavioural patterns. Literature has repeatedly pointed out that a more incisive governance, along with the support of cluster codes of conduct, may lead businesses to align with a more viable approach in the long-run (Giuliani 2016). This is even supported by the strong impact of public and private organisations, public authorities, private best practices, norms and value (Knorrinda and Nadvi 2016) on business clusters behaviour.

Civil society is often the bearer of sound values as well as the driving force for the development of ONGs, foundations, research centres and all sorts of local initiatives conducted in the territory. With immediate effect, institutions should foster and lead this cultural change to introduce and reinforce new production and consumption models and fuel the ongoing debate on different levels, in various contexts and through a multi-stakeholder approach.

6.2 Courses of Action

The analysis results have allowed for the identification of two feasible courses of action that local institutions should focus on for the development of production systems in the region. In this respect, from the survey conducted by Rete Cartesio (2012), the role of institutions is paramount, considering that the most virtuous

districts in Italy belong to the those active regions that have managed to combine the environmental and regulatory aspects with suitable strategies and proper tools in their efforts to uphold and/or address district policies towards sustainable behaviour.

This survey points out that, in terms of sustainability in Campania, 80 % of districts account for 20 % (mid-market) and 60 % (down-market) respectively. The only exception is the Solofra district that stands out alone, ranking as high as sixth at national level due to its environmental certifications and new product and cluster eco-labelling policies (Eco-districts data 2009/2012—Ambiente Italia).

Further results show that in various regions, including Campania, the different production sectors are rather prone to the use of green products and technologies on a more independent basis compared to the adoption of district policies on industrial, environmental and territorial issues. This is probably because districts themselves are unable to benefit from the full range of opportunities available in the area, especially in Campania where the lack of district governance can hardly help. However, another reason lies in the average size of district businesses, particularly in this region where micro- and small-sized enterprises account for more than 80 %.

It is therefore interesting to note that according to the abovementioned research, the best performing districts are those, which can rely on proper management tools and a coordinated management structure that can be at least shared by all relevant businesses.

In a clustering-based approach the implementation of sustainability policies needs to rely on adequate tools, which not only are feasible, but also in line with the guidelines and the financial support provided by the European legislation in addition to the crucial contribution of local institutions in charge of industrial policy.

In the light of these results, a few courses of action for the Campania business cluster/production centres have been identified (Table 6.1).

Table 6.1 Courses of action, operations and goals for local institutions

Courses of action	Operations	Goals
A. Strengthen clustering approaches to enable SMEs to adopt sustainability policies	1. Set up well-defined governances	a. Create backbone structures b. Give legal recognition to districts
B. Ensure balance to the sustainable competitive model	1. Create new models for sustainable production 2. Pursue operational measures 3. Enhance sustainability visibility	Ecologically Equipped Production Areas (EEPA) a. ICT tools b. District committees a. Standards of content and/or process b. Eco-labels c. Institutional communications

A. *Strengthen a clustering approach to foster the adoption of SMEs' sustainability paths*

The survey shows the presence of sustainable paths that clusters have developed as evidence of the actual performance of collective actions between multiple enterprises and their benefits in terms of enhanced districts and business competitiveness.

Not only the geographic proximity but also the whole set of 'ethical' issues, from highly specialised Italian districts, which identifies in the clustering approach the best policy for SMEs to promote sustainable paths and improve their performance standards.

However, the survey indicates that due to the lack of well-defined governances that otherwise would allow businesses to spontaneously collaborate with each other, policy implementation is generally handled on an informal basis.

Institutions should therefore give their contribution to:

1. Strengthening clustering approaches based on solid governances. In this respect, their structures and roles will depend on different factors: (i) Cluster objectives. If the overall objective primarily focuses on social development, clusters should rely on a broader participation of public institutions (local, regional and national), and the community (NGOs etc.) (Gereffi 1999; Gibbon et al. 2008), while fostering businesses representability; (ii) The governance role. Governance might adopt a *normalising approach* leading cluster businesses to define and organise their activities and ensure that their quality standards are in line with the terms set out in the guidelines (De Marchi and Grandinetti 2014); (iii) The nature of relationships between the network businesses and forms of governance of every single business (Nooteboom and Gilsing 2004).

The research has also identified the need for interviewees to:

- (a) Create a backbone structure in order to build a bridge between businesses operating within the district. All districts need the coordination of efficient and stable governance and the involvement of district business representatives (the Solofra district) to build upon the distinctive features of each supply chain.
- (b) Give legal recognition to districts. This is an important step for the economic/productive system, which shall play an active role in the planning for EU, national and regional funding.

However, there is still the emerging need to overcome the existing inconsistencies between provincial and regional resolutions relating to the nature of districts and their operations. In the particular case of the agrifood district of Nocera-Inferiore, Gragnano, the president is still being appointed by the province and not by the region.

B. *Provide stability to the sustainable competitive model*

The research highlights that both districts and production centres are convinced that all sustainable actions and initiatives are the key factors to compete internationally and improve industrial districts' performances.

In this respect, the institutional engagement may be necessary to:

1. Set up new production models, for example the creation of Ecologically Equipped Production Areas (EEPA). Introduced into Italian law by Article 26 of Decree-Law no. 112/1998, these areas are thereby defined as “industrial areas equipped with infrastructures and all necessary instruments for the protection of health and the environment”. We are dealing here with a ‘different territorial governance approach’ characterised by the integrated management of centralised infrastructures and services capable of achieving local sustainable development and increased business competition.
2. Implement actions for the smooth and efficient running of district operations. In this respect the following feasible actions have been envisaged:
 - (a) Invest in ICT tools to strengthen network capacity to generate and turn knowledge into know-how while placing emphasis on both knowledge sharing and socialisation. The potential of technologies for the development of the territory is well recognised, but it is essential for small-sized enterprise to also foster digital innovation considering the competitive advantage it might bring. Recent studies (Unioncamere 2015) have shown the increasing request of the Made in Italy supply chains for web search engines, mainly due to the widespread use of mobile phones. On the same line, they have revealed that web-based businesses are more likely to experience a significant turnover increase (especially abroad where they are even doubled) with a raised level of productivity (around 10 % according to McKinsey & Company’s last survey) and therefore it is unthinkable not to take advantage of this current trend.
 - (b) Set-up district committees. The research has highlighted the important contribution of district committees for strategic policy implementation, which would foster engagement and ensure the full satisfaction of all districts ‘concerns (Greenwood 2007).
3. Give greater visibility to sustainability in the production systems of the territory. This objective may be pursued by carrying out various actions:
 - (a) Support standards for content and/or processes included in all sustainability projects and pursued in each business cluster/production centre. Standards for content define the guiding principles for the responsible conduct of districts (e.g. Global Compact, ethical codes, etc.); the standards of process, on the other hand, describe the proper means for developing or expanding the ethical/social conduct (SA8000, ISO 14001, OHSAS 18001, EMAS, etc.).
 - (b) Foster and support the voluntary eco-labelling method of environmental performance certification for industrial districts/production centres and highlight their ecological and/or social value. The International Organisation for Standardisation (ISO) has classified eco-labels into three broad types of

voluntary labels, with ecolabelling fitting under *type I*, indicating conformance to multi-attribute criteria that identify environmental preferable products within a particular product category, based on life cycle considerations. *Type II* based on the producer's informative environmental self-declaration claims; *type III* are often referred to as environmental product declarations (EPDs) and provide comprehensive product information based on quantitative life cycle assessment.

Supported by the Rete Cartesio analysis encompassing the Italian district's considerations, the prime objective in all national and European documents includes all those certifications focusing on the product's environmental quality, classified as being functional to production, consumption sustainability and businesses competition. However, even though these results show a low level of certified businesses in the districts, the role of institutions may indeed contribute towards enhancing their capacity to address product qualification policies according to the specific characteristics of the area through the implementation of regional product labels schemes, e.g. the Solofra district.

It is therefore essential to pave the way for well-defined courses of action to achieve product qualification sustainability within industrial districts. In this respect, Rete Cartesio fully embraces the agreement signed by its regions and the Ministries for Economic Development and the Environment, aimed at establishing "a national quality eco-label for both districts and supply chains". Eco-label schemes allow businesses to compete in international markets by enhancing their achievements while using globally recognised measuring systems and communication tools.

Rete Cartesio survey results show that 66.7 % of food districts use product qualification from measurement instruments. This percentage is consistent with EU indicators relevant to those sectors whose products have a high environmental impact (food and drinks, housing and transportation) including also the clothing-fashion segment with environmental and social quality standard measurements.

- (c) Communications. Call on both regional districts and production centres to adopt appropriate up-to-date sustainability reporting tools. The research has revealed that the investigated production centres lack the necessary reporting tools (CSR and sustainability reports, etc.) which are otherwise essential to ease communication with stakeholders, boost sustainable consumption and strengthen that mutual trusting relationship with the business world.

The specific needs, emerging from the various interviews conducted in each districts (see Chap. 5) are outlined as follows:

- The agrifood district calls for the approval by the Regional Council of a strategic plan for the industrial development of districts as provided by the regional law

no. 20 of 08/08/2014, which paves the way for the institutionalisation of the so-called Quality Agrifood Districts (DAC).

- The district of Solofra needs to focus on re-qualifying eco-label compatibility to increase district businesses competitiveness while setting up a district governance.
- The textile production centre of San Giuseppe Vesuviano stresses the importance of re-implementing the Integrated Project (IP) in order to find a balance between demands and offerings, as well as the outsourcing of production activities to properly equipped areas.
- As for the textile production centre of Sant'Agata dei Goti, the main concerns revolve around the creation of a well-defined governance and the pursuit of policies based on making the territory a healthy and safe place.
- The textile production centre of San Marco dei Cavoti needs to refine the 'energy cluster' project and reorganise a new production structure focused on the integrated development of multiple sectors.
- In the footwear district of Grumo Nevano there is a need to support both Impre. Co and UNICA consortia and the territory.
- Il Tari identifies the necessity to make a better use of European funds to support all production centre activities, simplify bureaucratic procedures, and devise targeted actions for waste collection and wastewater disposal monitoring procedures.

Local institution goals, courses of action and operations have been identified bearing in mind that sustainability is an opportunity to build collaborative relationships between public and private entities whose common aim is to plan and implement policies for the sustainable development of territories and local economies.

6.3 Business Facilitation Measures

Finally, the research has been carried out to provide solid and potential support of investments, training, innovation, internationalisation processes also with a view to sustainability. A recap summary of the business facilitation measures provided by the Ministry for Economic Development in Italy (MiSE 2016) is set out below (Table 6.2).

Table 6.2 Business facilitation measures by MiSE

Support to competitiveness	Instrumental assets “NUOVA SABATINI LAW” Art. 2 No. 69 LD 2013, further amended by Law No. 98, 2013	Investment support for the purchase, or the lease of machines, equipment, plants, instrumental assets for production purposes as well as hardwares, softwares and digital technologies
	Guarantee fund	Facilitate access to SME credit covered by a public guarantee. The firm obtains funding with no real additional insurance or bank guarantees on the total established fund amount
	• Microcredit	Foster the start-up and development of micro-entrepreneurship by facilitating access to financial sources
	• Female businesses	Fund guarantee shall be granted on favourable terms especially to female businesses
	Development contract MD 9 Dec 2014	It shall assist major investments in the industrial field including the processing and marketing of agricultural products, environmental protection, tourism, research projects, development and innovation in any way connected to the development programme
	New entrepreneurs—self-entrepreneurship	Assist the emerging entrepreneurs on a national level through the creation of micro- and small-sized competitive enterprises comprising especially young or female businesses. Foster development by securing better credit access conditions
	Recruitment of highly qualified staff Art. 24 No. 83 LD 2012, amended by the Law No. 134 2012 —MD of 23 October 2013	Promote the recruitment of highly qualified staff on a permanent basis
	The Italian venture capital fund	The Venture Capital Fund, managed by Invitalia Ventures SGR shall assist investments of private, national and international operators to strengthen the Venture Industry position and innovative start-ups in particular. This measure focuses on supporting investments in the risk capital of firms with high growth potential

(continued)

Table 6.2 (continued)

	Nuova Marcora cooperatives Small- and medium-sized enterprises	Promote the economic development and growth of employment levels in the country supported by the creation of cooperatives primarily composed of workers from distressed firms, namely those social cooperatives managing enterprises confiscated from organised crime. The intervention shares the similar provision in the so-called Marcora Law
Support innovation	Tax credit Research and development MEF-MiSE Decree of 27 May 2015 Implementation of the tax credit for business investment in research and development (OJ. No. 174 of 29/7/2015)	Relaunch R&D investments
	Tax credit Investments in the South of Italy, Law No. 208 of 2015 Art. 1(98-108)	Boost investments in the South of Italy
	Super depreciation of capital goods	Law No. 208, Art. 1 (91–97), 2015 Promote investments of businesses, self-employed and professionals in new instrumental assets
	Patent box Law No. 190 dated December 23, 2014 (so-called “Stability Law”) Art. 1, (37–43) amended by the Law Decree No. 3 of 24 January 2015 (investment compact) passed into Law and further amended by L. No. 33/2014–MiSE-MEF MD of 30 July 2015	Improve market attractiveness to long-term national and international investments by promoting R&D activities and the outsourcing of current foreign intangible assets to Italy
	Support to innovative start-ups smart and start Mise MD of 24 September 2014, OJ No. 264 of 13 November Circular No. 68032 of 10 December 2014	Promote high-tech innovative start-ups, growth and development to foster new business cultures connected to digital economy, enhance scientific and technological findings while supporting the ‘brain buster’ operation
	National innovation fund Art. 1 (851) L. 296/2006 MiSE Decree of 10 March 2009	Reinforce SMEs’ competitive capacity by enhancing intellectual industrial properties to encourage the launch of related innovative products and services on the market

(continued)

Table 6.2 (continued)

	Designs +3	Support SMEs' innovative and competitive capacity by enhancing the economic exploitation of industrial designs/models on national and international markets
	Trademarks +2	Support SMEs' innovative and competitive capacity by granting incentives for the extension of their trademarks abroad
Energy efficiency		White certificates thermal account
Internationalisation	Non-EU markets integration	Facilitate the launch and the spread of new Italian brand products and services, that is to say opening up new markets for existing products through permanent coordination structures
	Export credits	Promote capital goods exports (machines, plants, related studies, spare parts, work and services) all over the world
	Feasibility studies and technical assistance	Facilitation measures for pre-feasibility and feasibility studies and technical assistance programmes linked to Italian investments abroad, in countries outside the UE
	Venture capital fund Law No. 296/2006, Art. 1(9327)	Favour investments and provide further support to businesses willing to establish joint enterprises abroad
	Equity participation	Support Italian business investments to the benefit of companies or enterprises established outside the EU
	SMEs capitalisation	Encourage, improve and protect SMEs' capital as exporters in order to increase their competitive advantage on foreign markets
	1st attendance of trade fairs and exhibitions	Promote marketing initiatives for the first attendance of trade fairs and exhibitions in non-European markets

(continued)

Table 6.2 (continued)

Focus	Policy startup innovative LD 179/2012 and further amendments	Foster the creation and development of new high-tech innovative startups as well as the emergence of a national eco-system for innovative entrepreneurship
	Policy PMI innovative LD 3/2015 and further amendments	Support the dimensional consolidation of mature innovative businesses

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