The influence of Social Capital in the use and promotion of Corporate Social Responsibility

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Introduction

Research on embeddedness is an exciting area in sociology and economics because it advances our understanding of how social structure affects economic life. (Uzzi, 1997)

The following pages are the results of a three years research conducted within a working group based in the Sant’Anna School of Advanced Studies, Pisa. The main interests of the researchers focus on sustainability and its consequences on the industrial system and the overall society. Working on applied research projects, both on Italian and European contexts, has progressively revealed the crucial role played by networks in the fulfillment of economic, social and environmental objectives. If the concept of sustainability is nowadays referred to the ability of sustaining a good quality life for current and future generation -"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (United Nations, 1987)-, the realization of such a sustainable development is inconceivable without a pro-active and substantial role of economic actors. Getting through business theory, social network analysis, economic sociology and political science, we will try to understand how deeply social connections can influence economic activity.

In particular, our hypothesis is that the presence of a networks’ feature, that is, Social Capital, may substantially influence the business management of an organization, and, more specifically, the adoption of Corporate Social Responsibility tool and practice.

The dissertation has been divided as follow:

• In the first section, a theoretical framework, through definitions and literature reviews, is proposed about the two main subjects of this work, Social Capital and Corporate Social Responsibility. Moreover, a cognitive proposal on the relationship between the two concepts is given.

• In the second section, an overview of the contexts in which the following case studies were developed is treated. Specifically, preliminary remarks on the motivation that led toward the construction of the two analysis follow.

• In the third section, it is analyzed the case of Social Capital nourished in a cluster system. In particular, the starting point of the research is represented by the barriers faced by small and medium enterprises in the adoption of formalized tools of Corporate Social Responsibility. These difficulties are counterbalanced by a natural propensity to act in a “sustainable way” toward the local community, with policies and activities promoted in favor of the shared territorial network. In a cluster, Social Capital is indeed strengthened

1 www.sum.sssup.it
by the proximity of firms, the availability of local resources, and close correlation with local institutions. The affiliation to the network may actually be used to promote and encourage the adoption of formalized sustainability tools within local SMEs, exploiting the possibility to act together using the positive presence of Social Capital.

- In the fourth section, the logic has been reversed compared to the previous case study. In that case, the presence of Social Capital and network has been exploit in order to increase the use of formalized sustainability tools. Vice versa, in this circumstance, the applied research explores the path taken by a co-operative firm in revitalizing its relational background, that is, its Social Capital, using formalized practices of Corporate Social Responsibility and, specifically, accountability tools.

- At the conclusion of the work, some final remarks and thoughts will follow, trying to clarify the limitations encountered within the development of the correlation idea between social capital and sustainability, moreover seeking what are the possibilities for further research on the theme.

While the first section has been completed through a desk research approach, developed along personal studies and specific classes taken at the University of California - Department of Sociology and Department of Political Science-, the two fieldworks are the result of a precious work on team and applied research. We believe that the idea of keeping together the research world with the industrial and institutional systems may carry out innovative and valued contributions on both sides.
Theoretical Framework

I. Abstract
II. Introduction
III. The idea of Social Capital
IV. From the Social Capital theory toward the Corporate Social Responsibility concept
V. The common ground of Social Capital and Corporate Social Responsibility: final remarks

Abstract

Starting from the concept of Social Capital, that is, a social network characterized by the presence of a web of trust, high information flows, reciprocity among actors, and compliance of social norms, this paper outlines the theoretical connections with Corporate Social Responsibility idea, identifying the common cognitive ground of the two concepts.

Economic organizations cannot withdraw the consideration of the communities in which they operate, and with which they share the social and economic context. Furthermore, such organizations may be social actors operating within a social network, and the presence and use of Social Capital may enhance the possibility of effectiveness and efficacy of Corporate Social Responsibility policy implemented, as well as stimulating its adoption.

1 A part of this paper will appear in Bianchi, L. and Frey, M., 2012, Il Capitale Sociale come chiave di lettura delle dinamiche di CSR: dalla letteratura alle prospettive di ricerca, Quaderni di Economia del Lavoro.
Introduction

Cooperation, trust and social norms of reciprocity are considered key factors in the promotion of a sustainable development, and both the concept of Social Capital (hereafter SC) and Corporate Social Responsibility (from now on CSR), even from different perspectives, refer to these elements (Degli Antoni and Sacconi, 2010). In particular, the idea of SC underpins the necessity to analyze the role of social network in influencing economic actions and cooperation. On the other hand, CSR represents the cognizance that economic organizations are part of complex social networks which they cannot disregard, in order to achieve a sustainable success - in term of quality and durability.

This article first describes the idea of Social Capital, tracing the theoretical and literature perspectives of sociology and political science. Then identifies possible links with the notion of Corporate Social Responsibility, analyzing the background theory and possible implications.

The idea of Social Capital

In order to explain the concept of Social Capital to the general public, one may simply affirm that the essence of SC can be captured by the motto “relationships matter” (Field, 2003). The central idea is that the social connections shape the life of the subjects involved in a network, having tangible consequences over their choices and actions, constituting a particular kind of resources available (Coleman, 1988). The more a subject acts as a component of his social network, the more his life will be possibly facilitated. Indeed, due to world complexity and to the impossibility for a single actor to provide by himself for all his needs, the participation on social life becomes a key solution and a “lubricant” of human life. SC represents the ability of a subject to give a long-term value to his social network, in a give-receive play. The starting point of SC is precisely the value for an individual to be part of a community.

In literature, there are two main theoretical approaches to SC:

• one is the sociological perspective, for which the benefits derived by the presence of SC are analyzed from the point of view of the single actor. In this case, using the social network analysis, SC is composed by the positive results and the effects of the edges - relationships - on the nodes - actors.

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2 Throughout the discussion we refer to subjects as single entity - i.e. person-and/or as collective entity - i.e. organization. Indeed, since the actors of a social structure may be either single or collective subjects, similarly the implication of SC may be extended to both categories (Coleman, 1988).

3 The definition of the construct “community” is an ongoing discussion within sociology theorists. A widely cited study on this matter is the work of Hillery (1955), which identified 94 definitions with a clear formulation and analysis of the idea of community. For the purpose of the present work, we may simply state that a community implies, consciously or unconsciously, social interactions among actors.
the other perspective is based on political science research, which is focused on the benefits obtained from the presence of SC at the community and network level.

The merit of the first authors (Bourdieu, 1980, 2001 and Coleman, 1988, 1990, 1991 on one hand, and Putnam, 1993, 2000, 2001 on the other hand) is to have formulated a specific theory of SC, proposing a sound definition, different measures, and possible implications and applications of the concept.

To some extent, the idea of SC develops in sociology as reconciliation between the atomized view of people's nature, typical of classical economic theories (Coleman, 1988, 1990; Granovetter, 1985, 2001) with, on the other hand, a sociological theory that exaggerates the weight given to social ties. The attempt is indeed to overcome the “under-socialized concept of man” (Granovetter, 1985, 2001), from which “there is a failure to recognize the importance of concrete personal relations and networks of relations in generating trust, in establishing expectations, and in creating and enforcing norms” (Coleman, 1988), defeating the idea that “the actor has no engine at all” (Coleman, 1988), that is, an “over-socialized conception of man in modern sociology” (Wrong, 1961; Granovetter, 2001). The sociological standpoint on SC makes it clear that there are two forces driving the behavior of social actors: the maximization of actors’ personal interest, and the strength of social interaction and influence, within the same network. In the long run, these two forces lead to a positive balance for both individual players and the community.

One of the first conceptualization of SC in sociology is Bourdieu’s idea of interplay among different types of capitals (economic, cultural and social) in shaping people’s life (Bourdieu, 1980). According to Coleman (1991) and Granovetter (2001), Bourdieu reasserts the insufficient perspective of economic theory in explaining structure and function of the social world, and choices made by individuals, starting from the necessity to reintroduces “capital in all its forms” (Bourdieu, 2001), and trying to explain why actors cooperate each others more of what they should accordingly to the classical economic theory of self-interests rational choice (Paldam, 2000). The French author affirms the great opportunity given by SC to an individual, especially when the other two forms of capital are missing: “Social Capital is the aggregate of the actual or
potential resources that are linked to possession of a durable network” (Bourdieu, 2001). On the other hand, he states the “unceasing effort of sociability”, that is, the necessary long-term investment in the growth of social connections that an agent needs since, as any other forms of capital, SC takes time to accumulate.

The other milestone in the sociological conceptualization of SC is the work of Coleman⁴. The author’s idea is that SC is not identifiable as a unique aspect of one’s social life, but rather it is composed by the elements related to the social structure, and at the same time by everything that facilitates the actions of an agent within the social structure. In other words, SC “is defined by its function” more than by its nature (Coleman 1988:98, 1990:302), and represents an intangible asset and an added value for the actors.

Coleman repeatedly point out the positive added value of SC for an actor’s life, especially in the creation of following two resources:

* **Reciprocal trustworthiness** - normative resource - created by inter-dependency among actors. Coleman argues the presence of some “credit slips”, that are expectations and obligations between and among actors. In this sense, Putnam’s explanation about the expected reciprocity is probably clearer: “I’ll do this for you now, in the expectation that you (or perhaps someone else) will return the favor” (Putnam, 2000:20). In other words, Coleman’s credit slips are not exclusively agents’ property; instead, they are property of the community, in which the actor A has expectations and sense of obligations not directly towards the actor B, but towards the overall community. The trustworthiness promotes cooperation, and the cooperation promotes trustworthiness and reciprocity (Putnam, 1993; Fukuyama, 1995), creating a self-reinforcing framework. Moreover, the set of

Figure 2: Positive values of Social Capital

Social Capital - generates -

<table>
<thead>
<tr>
<th>Trustworthiness</th>
<th>Obligations</th>
<th>Social Norms</th>
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Information Flows

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⁴ Neither Bourdieu, nor Coleman made Social Capital their main field of study. However, clearly, Coleman theorization of SC is the most cited among sociologists, if nothing else, just for the fact that Coleman was at the time a very eminent American sociologist, and the first to bring to English-speaking audience the “undertheorised notion of SC”, as hypothesized by Field (2003, 20).
expectations and obligations shape social norms, which regulate the network’s life and connections. Coleman hypothesizes the interest of an individual in respecting those social norms, sometimes renouncing to self-interests, in exchange of social benefits, such as honorability, reciprocal respect, and supportive coexistence. To this end, Putnam states the importance of credible social sanctions -such as the exclusion from the network- against defection (Putnam, 1993). In iterated prisoners’ dilemma games, successful strategies implies a reciprocate cooperation between the actors, and each player has the opportunity to punish the other for previous non-cooperative play. A short-sighted behavior of betraying the other player (a proxy for another actor in the social network) might be more profitable in the short term, it turns out that implicitly abiding to a self-imposed social norm of being trustworthy is more effective in the long run. In the prisoner’s dilemma “long run” simply means a future instance of the game, but this readily translates into “future interactions in the social network” in the real world. In the same way, we can consider the participation to a social network and the creation of SC as an iterated prisoners’ dilemma within the community, in which cooperators expect other people to cooperate (Orbell and Dawes, 1991), creating the “virtuous circle” described by Putnam (1993). It is remarkable to notice that although cooperation is difficult to establish, as free riding seems to lead to a better payoff in the short term, once it is established, it can usually benefit from a virtuous cycle phenomenon.

- **Information flows** -cognitive resource- which is the flow of communication that enriches one’s knowledge (i.e. human capital). Coleman refers in particular to adult-child relations, in which youth are facilitated in their life by the information flow given by adults. Within the same social network, this inter-generation exchange is precious and valuable for individuals, as well as for the community, since SC becomes a precious value for cognitive and social development of children. On the other hand, in the case of intra-generation and intra-similarity networks (peers network), with scarce possibility of new entries, the quantity of information flow is limited⁵. As Putnam points out, a network may be more or less exclusive, but in every social network one can find both a bonding (close to outside) nature and a bridging (open to outside) one (Putnam, 2000; Gittel and Vidal, 1998).

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⁵ Mizruchi and Stearns work (2001), for instance, show unexpected negative consequences on the exclusive use of bonding social capital network. Usually, actors use their social capital in order to manage and achieve complex goals. In the field study, the actors are bankers, which leverage their network in order to confirm the validity of their offers to bank’s customers. The authors’ hypothesis is that this use of social capital -i.e. bonding social capital- is not the best strategy for the success of the transactions. When an actor faces a high uncertainty situation, instinctively he prefers asking information and approval to his social trusted network. However, a strongly connected network is the condition that “makes it more difficult to close deals”, due to the low information flow and innovation available within the network and the low level of criticism on an actor’s proposal derived from tight ties.
With particular reference to information flows, the contribution of Granovetter’s and his work on the “strength of weak ties” (1973) represent a key stage of the evolution of SC theory. The idea is that the existence of “bridging ties”, that empirical research has shown being substantially weak (Friedkin, 1980), facilitates the flows of new information, creating new social connections.

The transition from a sociological standpoint of SC to a political science standpoint takes place when the focus shifts from individual benefits to benefits of the overall community. This point is made particularly clear comparing Putnam’s idea of social capital with the one of Burt (1997), widely cited among recent sociological research. Accordingly, the co-operation within a social network characterized by social capital is exclusively a self-interested co-operation. The central point of Burt’s theory is the strategic importance of “structural holes” among social networks in order to obtain major information flow (as we have seen, one of the positive implications of SC for sociologists). As unethical as it may sound, in this perspective an individual could be able to exploit the presence of structural holes, which leads to informational gaps among actors in the network, and even be able to play off the alters against one another. The idea of the importance of structural holes and the ability of an individual to take advantage from

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6 Granovetter’s statement is valid in general, even if he focused, on his first work, on the increased possibility of getting a job belonging to a wider social network with many bridging ties.
those is what Burt calls “the contingent value of social capital”. Although Burt’s theory is based on Coleman’s work, it represents an extreme position of the individualistic perspective of SC, moreover focusing exclusively on the bridging SC. Furthermore, Burt’s idea diverges completely from Bourdieu’s, since the former states the importance of low cohesion of the social network and the autonomy of actors in pursuing better SC results. However, one of Burt’s merits is to show the other side of the coin, that is, the possible negative implications of SC -basically denied by Bourdieu, Coleman and Putnam- based on self-interests purposes to the detriment of the other components of the SC network.

In our perspective, SC should be thought as something more than bridging ties, informational flow and interested connections, something characterized by reciprocity and trustworthiness, as well described by Coleman, and eventually extended by Putnam. The latter author represents the transition towards a collective view of SC, identifying the positive effects on community deriving from elements such as trust, norms,reciprocity, and networks, that can improve the efficiency of society by facilitating coordinated actions (Putnam, 1993:167). For Putnam, the implications of SC are tangible in the social context as well as in the economic development of a community, stating that SC is closely related to the creation of “civic virtue” (Putnam, 2000:19). One of the points made by Coleman is that the scarce perception of SC as public good for the community could lead people to under-invest in this social feature. Indeed, SC is a by-product of social activities engaged for self-interested purposes, and for this reason its positive results are not always connected directly with its “society value”: “Like all public goods, social capital tends to be undervalued and undersupplied by private agents” (Putnam, 1993:170). However, even if social capital grows and is nurtured by personal interests and connections, it bears positive externalities to the overall community (Putnam, 2000:20). Personal interests become social interests, in a virtuous circle of osmosis and reinforcing of mutual commitment and trustworthiness in the community.

Figure 4: Structural Holes

The actor A exploits the structural hole -i.e. no direct connections- between the actors B and C.
In the attempt of giving as complete as possible framework about SC theory, it is lastly worth hinting at the accuracy of the term “capital”. While the word “social” clearly identifies the idea of “network” and relationships among social actors, the word capital is, according to some authors, improperly used. Solow talks of “bad analogy” (2000:6), since a capital represents stocks of tangible resources, of which is possible to measure the amount in a defined time, that is impossible in the case of SC. Moreover, as noted by Arrow (2000:4), SC falls of being a form of “standard capital” under many aspects. He identifies three main characteristics of a capital, which are:

• “Extension in time”;
• “Deliberate sacrifice in the present for future benefit”;
• “Alienability”.

The latter is not applicable to human capital, as confirmed also by Coleman (and before him, by Loury in 1987). SC cannot be easily exchanged among actors as any other private good; in other words, it is inalienable (Coleman, 1990:315), and for this reason SC cannot be considered an effective “private property” and a capital of individuals. More than the “alienability” characteristic, Arrow considers the “sacrifice for future benefit” as the most problematic for SC. In fact, social ties are often built for reasons other than economic value, and they do not require any particular sacrifice for individuals. However, this is not completely true. As noted by Coleman (1988:104), “a prescriptive norm within a collectivity that constitutes an especially important form of social capital is the norm that one should forgo self-interest and act in the interests of the collectivity”. The aforementioned “prescriptive norm” could have also an economic nature, representing a possible economic sacrifice for the actor (e.g., one decides to invest in a co-operative firm, due to his social values, rather than in illegal activities, even though the latter could be probably more productive).
Finally, the first aspect of capital mentioned by Arrow, that is, “extension in time”, is acknowledged also by the author as a typical characteristic of SC; indeed, building trust, social ties and reputation are for sure time-consuming activities. Therefore, if the term "capital" sins of imprecision with respect to the classical definition of capital that economics science have so far given, it is undoubtedly useful to clarify the underlying concept of a resource and a value that social networks take for the lives of social actors. To this end, the “capital metaphor” seems not, after all, be misplaced.

Concluding, both from semantic and defining point of views, we may assert that the common theoretical foundations around the concept of SC are not yet sufficient to be able to consider it as a shared theory between social and economic sciences as a whole, even though the background idea seems inescapable explaining social phenomena.

From the Social Capital theory toward the Corporate Social Responsibility concept

The scope of the present work is to transfer the sociological and political science perspectives on SC to the management studies. In particular, since the actors within a social network may be both individuals and collective subjects -such as economic organizations-, it is possible for the latter to trace a path of the daily business actions taking into account the influence of SC. In general, business organizations cannot withdraw the consideration of the communities in which they operate, and with which they share the social and economic context (Davis, 1973); moreover, as stated by Porter and Kramer (2006), it makes non sense putting business against society, since the two are clearly interdependent, and this is even more true when the organizations operate in a network characterized by the presence of SC. In this perspective, the attention of our work shift from the concept of SC to that one of network management, or stakeholder management. Stakeholders, i.e. in our perspective the other actors of the social network, are defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984); in other words, stakeholders are individuals or groups with a direct interest in the activities of the organization and which may influence substantially its functions (Freeman and McVea, 2002). Within a pre-existing network, characterized by a complex exchanges of interactions and reciprocal influence, stakeholder management means strategizing the already existing interdependence among the actors of the network -i.e. the community-.

We can summarize the difference between an ordinary stakeholder management approach and a stakeholder management approach in the presence of a pre-existing network and social capital as twofold:

• the already existing embeddedness level of the economic organization within its network (Granovetter, 2001), which stresses the key role of the relationships in the daily
conduction of the activities, and the consequently presence of SC typical elements -trust and information flows-;

- the reiterate interactions between the economic organization and the other network’s actors over-time, that imply a natural propensity to consider the cooperation as an intrinsic value of the overall network.

In literature, stakeholder management based on SC can be re-conducted to the so call “collaboration approach” toward the community (Dunham et al., 2006), which implies highly frequent interactions based on trust and long-term relationships. Moreover, this collaboration approach entails a direct or indirect support to the community’s development, and not just a minimization of the potential requests and damages caused by stakeholders -typical of a “containment approach” (Dunham et al., 2006). Stakeholder management implies the consideration of the other actors of the network in the development of organization’s choices and policies, entailing the presence of “a complex web of relationships rather than just a series of dyadic connections between stakeholders and the corporation” (Russo and Perrini, 2010). In a revised view of the “extended enterprise”, Post et al. (2002) suggest that an economic actor works as “nodal element within a network of interrelated stakeholders”, enhancing its value-creating capacity. In other words, in a long-term results view, which is at the opposite side of the short-term financial performance (Porter and Kramer, 2011), nurturing the network has positive consequences on the management of the organization. Therefore, the latter is interested in building and maintaining relationships of trust in a multi-stakeholder network approach (Sacconi, 2004), that is, in specific cases, preserving and nourishing the presence of SC.

To this end, if it is true that stakeholder management is a core competence for an economic actor, and ultimately a competitive advantage on the market (Post et al., 2002), stakeholder management pursued by a business organization in the presence of SC should enhance such result. In management, the stakeholder theory marks the transition from the philanthropic and personalistic approach of business ethics toward a strategic path and holistic view of Corporate Social Responsibility (hence CSR). Even if the awareness of the stakeholders’ requests and pressures

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7 “It emphatically does not imply the mobilization or manipulation of stakeholders in an exploitative sense.” Post et al. 2002.

8 The idea of “extended enterprise” was used by Chrysler Corporation to indicate the information exchange system and cost reduction practices within the supply chain network (Post et al, 2002). To this end, the original idea was referred to links just among business, without including other actors from the network. Sacconi (2000, 2006) use the term “extended governance” suggesting a strategic management approach of the business to its stakeholders and social network.

9 Italic in the text (Post et al., 2002, p. 22).

10 If Howard R. Bowen should be called the father of Corporate Social Responsibility (Carroll, 1971), we have to keep in mind that his approach is referred essentially on the role played by the businessman conducting an organization, and in particular on the ethics path that owners and managers should never leave aside when conducting a business “ Cf. H.R. Bowen, Social Responsibilities of the Businessman, New York, 1953.
does not entail a strategic commitment toward CSR, stakeholder management represents a key element in the CSR theory and conceptualization. Said that, the challenge here is to detect the links between the general CSR idea, other than stakeholder management, and the presence of SC.

Figure 5: From Social Capital Theory toward Corporate Social Responsibility practice

To do that, we need first of all to attempt to give a general theoretical framework of CSR, keeping in mind that it is very tempting to provide a single and unique definition of the concept, considering that it has been subject in the business community for quite a long time now. As stated by Votaw and Sethi (2008) the CSR “term is a brilliant one; it means something, but not always the same thing, to everybody”; and the conclusion is made even clearer by Matten and Moon (2008), which talk of CSR as an “umbrella term overlapping with some, and being synonymous with other, conceptions of business-society relations”. One of the main difficulties on having a single and shared definition of CSR is indeed the fact that multiple statements of meaning coming from both academic papers, company reports and institutional documents (Argandoña and Hoivik, 2009). This interplay of actors defining the subject, if on one hand shows the relevancy of the theme, on the other hand induces in a multi-faced interpretation and use of the concept. CSR, indeed, is a dynamic concept, that varies widely depending on the geographical
and historical context to which it refers\textsuperscript{11}. Moreover, daily evidences show that an extensive range of activities and actions are coined as CSR, and one single definition may not be able to capture the widespread essence of their nature, due also to the multi-dimensional features encompassed in the term (organization’s policies, processes, initiatives, tools, etc). The common ground of the theory is that CSR focuses on the role of private or public organizations in the society, and local communities.

In order to verify the suitability of the term CSR, with respect to the idea behind the concept, may be useful trying to break it down:

- **corporate**: this word defines who the subject of the topic is; corporate is something relating to a corporation, a body which is recognized as a separate legal entity. For this reason, when we talk about CSR, we can refer to a private as well as a public institution, with a profit making scope or not-for-profit organization\textsuperscript{12}. To this end, CSR is relevant in all types of organizations, regardless of type, size or sector of activity.

- **social**: this word defines what the subject of the topic is; social is something relating to society. In accordance with the definition, we can assume that also the environmental issues are linked to the society, since the environment is a subset of our society. Therefore, CSR concerns the effects of corporations in the society and its related environment.

- **responsibility**: this word defines the relation between the terms “corporate” and “social”; corporations have the responsibility to be sustainable in the society; the respect of sustainability logic represents also the organization’s capacity to perceive and evaluate the long-term consequences of its behavior (Waddock, 2001). It is worthy to emphasize

\textsuperscript{11} The dynamism of the concept is also due to the direct link between CSR and ethics, since the latter diverge even profoundly according to the socio-cultural context of reference. Talking about Business Ethics, more than CSR, means linking the general ethical systems to profit-oriented organizations. The subject is part of philosophical ethics (McHugh, 1988), and it is related with “doing the right thing” in business from an ethical point of view (Sims, 2003). Business ethics is in part concerned with the behavior of individuals as members of the company and wider society, but it is also increasingly concerned with the values of business as a whole and how an organization integrates values, such as honesty, trust, integrity, respect and fairness, into its policies, practices and decision making (Blowfield and Murray, 2008).

Halfway between CSR and Business Ethics is the Corporate Citizenship (CC) theory, originally referred to US corporate philanthropy, and now more as emphasis on the role of organizations as citizen in global society. Common understanding of CC is more general in scope, and is essentially a conflation of CC with existing conceptions of CSR, with an attempting to define a new role for the corporation. CC is a term widely known in the US, since the philanthropy aspect remains here predominant (Keinert, 2008). Corporations voluntarily assume responsibilities as a major actor within society by contributing to the enhancement of the quality of community life through active, participative, and organized involvement. Thus, in administering some of the responsibilities of citizenship, companies are increasingly finding themselves held accountable for their impacts on society and social rights, on individual or civil rights, and on political rights (Waddock, 2006).

\textsuperscript{12} For this reason we can have social reporting activities by a public institution (such as an University), or specific CSR tools usable from both for profit or not-for-profit organizations (such as stakeholder engagement).
that the concept of responsibility doesn’t imply a mandated by law. On the contrary, the voluntary basis go beyond common regulatory and conventional requirements, which the organizations should respect in any case. CSR policy endeavor is to raise the standards of social development, environmental protection and respect of fundamental rights, reconciling the interests of society with that of corporations, in an overall approach of quality and sustainability (European Commission, 2001).

The institutional definition of CSR issued by the European Commission (Green Paper, 2001 and Communication on CSR, 2002) represents an effective, structured and valuable synthesis of CSR idea: The CSR is a concept whereby companies [1] integrate social and environmental concerns in their business operations [2] and in their interaction with their stakeholders [3] on a voluntary basis [4].

[1] In this case the subject identified by the European Commission is “the company”. Rather, the definition of CSR should be extended also to subjects who are not firms, but still have a role in the economic life of society. We might refer to “organizations”, meaning either those public or private, profit or not-for-profit subject. Surely, companies maintain the foremost role of implementation of CSR theoretical framework, but it is not the only one possible.

[2] The integration of social and environmental concerns in business operations reflects the sustainability theory, and the importance to combine those issues in a daily basis. This integration reflects another step toward the transition from a philanthropic and merely ethic view of CSR toward a strategic and structured perspective. Integrating social and environmental concerns means, in a long-term perspective, enhancing the risk management, cost savings, stakeholder management and innovation capacity of an organization, enabling at the same time the possibility to anticipate and meet new societal expectations (European Commission, 2008).

[3] The responsibility of organizations is expressed towards all the stakeholders affected by business and which in turn can influence its success. So the European definition of CSR follows the approach of stakeholder theory, developed by R. E. Freeman since mid 1980s.

[4] Finally, the European definition of CSR support the voluntary approach toward CSR practice.

Recently, the European Commission has given a new definition of the concept, for which CSR is “the responsibility of enterprises13 for their impacts on society [...]; enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders” (European Commission, 2011, p. 6). In this new definition, the central idea of the

13 Even if the definition refers to “enterprises” as recipient of the “responsibility”, afterwards the EC specifies: “All organisations, including civil society organisations and public authorities, are encouraged to take steps to improve disclosure of their own social and environmental performance” (European Commission, 2011, p. 12).
importance to address CSR as a direct interest of society and concurrently of organizations is strengthened. Moreover, the social concerns -including ethical, human rights, and consumer interests- are further qualified, at the same time recognizing the importance to include CSR in the core business strategy of the organizations. The crucial importance of a renewed European commitment in promoting CSR keep pace with the ongoing economic and financial crisis, which could actually represent an opportunity to re-launch and re-define business’s role in the society, enhancing the general trust level. To this end, it is recognized a “multidimensional nature” of the CSR phenomenon, helpful to filling up the gap between “citizens’ expectations and what they perceive to be the reality of business behaviour”, in other words “improving and tracking levels of trust in business” (European Commission, 2011, p. 9). To do that, to enhance the level of trust in business, it is crucial to avoid misleading and merely marketing or advertising paths of CSR, unable to effectively engage the organizations toward a sustainable development - for itself and for the society as a whole. If it is true that CSR cannot be reduced as merely philanthropic actions carry out by economic organizations, neither should be used as “cosmetic” and superficial apparent actions. One of the key issue in the current CSR agenda is indeed the distinction between “cosmetic” and “strategic” approach to sustainability (Vilanova et al., 2009). The quite famous Friedman’s advocacy “the business of business is business”¹⁴, does not consider the importance of a long term strategy, nowadays groundless without a total approach toward the sustainable development. Thus, it must be excluded a merely cosmetic approach to CSR, recognizing the necessity to nourishing each of the three segments of the business development (Carroll, 1979), as indicated for the first time by the Committee for the Economic Development in 1971: economic function, social values and priorities, and environment improvement. The society (in particular, in quality of consumers and organization’s stakeholders) should be able to recognize and sentence the cosmetic use of CSR, boosting in the meanwhile the strategic use of CSR policy and practice. On the other hand, the economic organizations should be able to act as integrated part of the community in which developing their actions, complying with the necessity to an overall sustainability -for itself and for the society.

The combination of cosmetic versus strategic use of CSR does not exhaust the possible approaches to CSR. In fact, it is quite common the use of the so called informal (Chiesi, 2005; Perrini et al., 2007; Russo and Tencati, 2009), implicit (Matten and Moon, 2004; 2008), or also called silent approach to CSR (Jenkins, 2004), which is substantive -so completely different from the cosmetic approach- though not necessarily structured, meaning not automatically integrated within the strategy of the corporation. This type of informal CSR is particularly spread among some kind of business organizations, such as small and medium enterprises (SMEs), co-operatives and non-for profit associations. The embeddedness of such firms within their local context leads toward the adoption of sustainability practices even in the absence of an internalized and long-

term strategy of CSR. Even if for the majority of SMEs the CSR process “is likely to remain informal and intuitive” (European Commission, 2011), enterprises are encouraged to adopt a long term and strategic approach to CSR (European Commission, 2011). Why? What are the reasons to encourage a translation from an informal adoption of CSR toward a formalized and strategic approach to it? The necessity to upgrade the CSR framework derives from the managerial and business opportunities originate by such shifting: using CSR as a management strategy (Porter and Kramer, 2006; Perrini and Minoja, 2008), as a form of investment (McWilliams and Siegel, 2001), and eventually as competitive advantage for the very same organizations, allow to overcome the old logic of a contrast between profit maximization and social-environmental issues, which derives in a more comprehensive growth and development both of the organizations and society. In particular, in markets where the competitiveness is decidedly heated, CSR could be used as a characteristic of differentiation to fulfill new consumers’ requests, as well as a new strategic approach to manage the firm with a long-term strategy. In general, CSR serves as a heuristic in diverse management aspects, and it operates as hidden costs spotter; managing the firm in line with CSR principle means preventing risks, anticipating new legislations, implementing management system that allow an efficient allocation of human and natural resources, increasing the value contained in a brand through a product and service differentiation, enhancing the overall competitiveness of the organization within the global market.

Tab 3: Outputs derived from the implementation of a CSR strategy

<table>
<thead>
<tr>
<th>From environmental sustainability to economic sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationalization and reduction of resources and energy consumption</td>
</tr>
<tr>
<td>Waste management</td>
</tr>
<tr>
<td>Adoption of high and innovative standard of environmental protection - anticipating regulation; reducing legal and reputational risks</td>
</tr>
<tr>
<td>Development of environmentally friendly technologies - implementing new and innovative technologies, faster rates of innovation in high-impact technologies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From social sustainability to economic sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability and stakeholder engagement - reducing legal, political and reputational risks; improving social network</td>
</tr>
<tr>
<td>Respect and valorization of human resources - improving employee productivity and attracting or retaining talented employees; leading to organizational innovation, implementing management system for specific standards and certifications; ensuring safety at work - risks reducing, improving of HR management</td>
</tr>
<tr>
<td>Sustainable supply chain management</td>
</tr>
</tbody>
</table>
The common ground of Social Capital and Corporate Social Responsibility: final remarks

Traced the theoretical background of the two concepts, is now clear that SC and CSR have in common the idea that social context and networks shape business actions and economic life. Even if both concepts suffer from multiple definitions and a still ongoing academic debate on their nature, we have considered a first thinking and analysis on their possible connections worthy and appealing.

Social actors, including economic organizations, create reciprocally expectations and opportunities, with the shared aim of development and improvement. As we mentioned before, the presence of a social network and the relevance of stakeholders, respectively of SC and CSR theory, represents the starting point of the common ground of the two concepts.

Tab 4: Social Capital and Corporate Social Responsibility - common ground

<table>
<thead>
<tr>
<th>Social Capital</th>
<th>Corporate Social Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Relationships matter” - Long-term network, repeated interactions, and cooperation among actors</td>
<td>Stakeholder management theory Long-term cooperative relationships between the organization and its stakeholders (Degli Antoni and Sacconi, 2010)</td>
</tr>
<tr>
<td>Web of trust among actors</td>
<td>Trust and reputation values of the organization toward the community</td>
</tr>
<tr>
<td>Information and communication flows among actors</td>
<td>Information and communication flows from the organization toward the community: accountability</td>
</tr>
<tr>
<td>Acting together - building common policies</td>
<td>Stakeholders engagement approach</td>
</tr>
<tr>
<td>Possibility to go beyond the use of formal procedures in order to achieve a common goal</td>
<td>Go beyond the law, voluntary actions in favor of sustainability</td>
</tr>
<tr>
<td>Common -implicit or explicit- goal: growth and well-being of the social network</td>
<td>Overall sustainability both of the organization and the community</td>
</tr>
<tr>
<td>Long-term investment of the actors</td>
<td>Long-term strategy and view of the organization, long-term sustainability of the community</td>
</tr>
</tbody>
</table>

The possible interactions between SC and CSR are at least twofold:

- the pre-existing presence of SC usually lead each actors of the network to act for an overall sustainable development and the common good. This presumes repeated interactions and cooperation, widespread trust and facilitated flows of information among actors. Each of these aspects is thus reflected in a “natural propensity” for business actors within the network to act in line with CSR policy, through the use more or less formal of management tools: stakeholder engagement, accountability, long-term sustainability strategy. In this sense, the sustainability concept is held in one of the key element of SC,
that is the protection of the common good through a virtuous circle of repeated interactions within the same network. The embeddedness of some kind of organizations leads exactly toward the engagement of such actors in the safeguard of the common good of the community, thus in the fulfillment of SC. Business organizations embedded in local networks shape their interactions with other actors promoting communication and trust, encouraging a positive relationship within the shared context, in other words nourishing the presence of SC even in the management of the daily business operations. CSR can be considered one of the links which positively reinforces the connection between the community and business. To this end, the recognition of being part of a community and a social network causes the adoption of an integrated strategy within an open system, aimed to combine the efforts in promoting best practice, knowledge sharing and positive externalities (Nijhof et al., 2006; Weisband, 2009). Moreover, some of the difficulties encountered in the formalization of CSR practice, can be overcome using the pre-existing web of relationships and SC, as shown below in the next pages (cf I case study). The employment of a cognitive SC could indeed improve and lead toward an increasing and strengthening formalized CSR activity, through the involvement of all actors of the network, especially those with an institutional and intermediary role, which act as lubricant of network interactions (the so called intermediate institutions15).

• In a reversed logic, a structured and integrated path of CSR may be undertaken by an organization in order to increase and improve the relationships in a given community. In particular, the reference is to the case of organizations particularly linked to the community in which they operate, and for which they are experiencing a loss of connection, a disappearance of SC. Such organizations, which lies their origin and reason of being in the presence of SC -as cooperatives or social enterprises- when are risking to twist out of a proper and natural presence of SC, partially loosing their mainly business scope, may use CSR tool in order to rekindle the presence of SC. As shown below in the next pages (cf II case study), the use of accountability tools, stakeholders engagement process, equal opportunities program, and others CSR management tool may be employed in order to increase the SC level.

15 Intermediate institutions are defined ‘intermediate’ since they operate among firms, local communities, local economies and local politics (Trigilia, 1991; Arrighetti and Serravalli, 1999; Dei Ottati, 2002; European Commission, 2007; Frey and Iraldo, 2008; Visser and Atzema, 2008).
Preface to the case studies

I. Introduction

II. Case study I

III. Case study II

IV. Social Capital asset within the two contexts

Introduction

Before exploring the two case studies described in the next two sections, it is suitable giving an overview of the presence of Social Capital over the two contexts.

First of all, let us clarify that the measurement of SC is one of the most complicated and unsolved issue on the concept (Paxton, 1999). We have indeed to consider the nature of the phenomenon, that is, an aggregate concept and it is needed to look at it as ideally a latent variable within a community dynamic. A latent variable is not directly observed, but it is inferred from other, directly observed, variables. Latent variables can either exist, but hard to measure (in this case they are deemed "hidden") or they can correspond to abstract concepts. Social Capital belongs to this latter category, as it influences other (measurable) social indicators, but is not directly quantifiable per se, since it is created as a by-product of other collective endeavors (Woolcock, 1998). The main challenge in measuring SC is twofold: temporal and geographic. On one hand, being SC a social concept it requires a long time of measurement to see any noticeable observation. But the long measurement time is a double-edged sword, as it allows more spurious and uncorrelated events to happen and spoil the measurement of the variable. A similar argument applies for the geographic extent, as it is not confinable in a closed community, yet it loses any connotation when defined on a larger scale. SC definition given, we should infer its presence for any specific context under analysis. And so far, empirical studies have differed with respect to definitions, units of analysis, control variables, increasingly complicating and tangling the matter of SC measure and the comparability among cases.

Regarding the present research, due to the limited number of cases under analysis, as well as the deeply differences between the two contexts, and the general difficulties on measuring SC, we have not been able to employ statistical techniques in order to assess the “quantitative level” of SC. However, our purpose is to demonstrate the link between SC and CSR, first of all canvassing the two social networks conditions and needs, and eventually applying SC theory and sociology knowledge to business model and cases.

In particular, in the next pages we will inspect two different form of relational firms:
Preface to the case studies

- three industrial clusters, which regularly exploit the SC as lubricant and facilitator for business activities; SMEs tend to aggregate and enhance the local resources, both tangible and intangible ones (such as social, human and reputation capitals), generating scope economies and economies of scale, and eventually increasing the local value chain.

- a consumers cooperative, which represents a joint economic initiative among local citizens developed taking advantage through the presence of SC.
Case study I

The first case study regards three Tuscany clusters composed by medium, small and micro enterprises, in which the social capital lies in the connections among enterprises and other local actors. The network in an integrative network (Freschi, 2001), in which private and public actors cooperate to sustain the local development. In particular, the network is composed by collective actors, and the community is represented by a web of private and public organizations, which share the social and economic context, other than intangibles assets such as: high intensity of informal links, mutual trust and information exchange, a cultural and historical background. SC works in this case as bonding mechanism for local agents, facilitating the overall business activity.

Following, there is a representation of the networks within the three clusters.

Paper Cluster: Capannori

The Capannori (Lucca) paper cluster has a geographical extension of 750 km², and includes 12 municipalities: Altopascio, Bagni di Lucca, Barga, Borgo a Mozzano, Capannori, Castelnuovo Garfagnana, Coreglia Altelminelli, Fabbriche di Vallico, Gallicano, Pescia, Porcari, Villa Basilica. The paper cluster is composed of medium-sized enterprises, represented mainly by industrial associations.

*Figure 1: Paper cluster*
**Tannery Cluster: Santa Croce sull’Arno**

The Santa Croce sull’Arno (Pisa) tannery cluster has a geographical extension of 233 km², and includes 4 municipalities: Castelfranco di Sotto, Fucecchio, San Miniato, Santa Croce sull’Arno.

The production model of the cluster is that one typical of the tannery industry, mostly composed of small and micro-enterprises operating in fragmented supply chains (Dunford, 2003; Nordas, 2004; IFM, 2007), and joined by contractors specialized in specific stages of the process. Historically, the cluster has an organizational model based on associative solutions, in which institutional and economic actors participate toward the improvement of local development. The strong sense of belonging, identity, and shared values determine a remarkable capacity of coordination among the actors of the cluster, around common goals.

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1 Information gained from the Sustainability Report of the Tannery Cluster - Cooperate Project [www.coooperateproject.sssup.it](http://www.coooperateproject.sssup.it)
Clothing Cluster: Empoli

The Empoli clothing cluster has a geographical extension of 670 km², and includes ten municipalities:

- specialized on clothing industrial sector (Empoli area): Capraia and Limite, Cerreto Guidi, Empoli, Montelupo Fiorentino, Montespertoli and Vinci;
- specialized on footwear and clothing (Valedelsa area): Castelfiorentino, Certaldo, Gambassi Terme, Montaione and San Gimignano.

The majority of the enterprises are small and micro-enterprises, which refers directly to others small and medium local firms - the so called focal firms.

From the network analysis point of view, a peculiar role within the cluster is played by the local development agency (Agenzia per lo Sviluppo Empolese Valdelsa Spa), a body founded thanks to public and private local investments, with the mission of promoting economic, cultural and social development within the cluster.

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2 Information gained from the Sustainability Report of the Clothing Cluster - Cooperate Project
www.coooperateproject.sssup.it

3 www.asev.it
Case study II

The second case study regards a consumers’ cooperative, in which single actors -i.e. private citizens- linked by a shared local community, decided to create a business activity in order to better achieve their goal of common good and interests. The ability to act together for common goals and common goods is a typical indicator of social capital. This ability often results in the propensity to form associations\(^4\), which have social and civic purposes. And this is for instance the case of co-operatives, in which a mutual necessity and shared principles drive the actions of the members. As noted by Putnam (1993:139), co-operative organizations in the 19th century started to characterize the economic life of some Italian regions (in particular Emilia and Tuscany). Moreover, he highlights that the peculiarity of the Italian case was the breadth of the economic sectors interested (including but not limited to: agricultural, credits, consumers), and the dynamism on getting people involved from different SES conditions.

In general, a cooperative business can be seen as a formally organized type of social capital, in which the presence of horizontal bonds (network among peers) and mutual solidarity link together. The SC lies in the very same nature of a cooperative, whose purpose is the economic, social and cultural promotion of its members, as well as the public welfare of the local community. Within this kind of business organizations, the profit should be a means toward the end (Salani, 2005, p.156). A cooperative is founded as a system of values aims to interpret the economic action; and this latter, such as its consistent business activity, need to be shaped by the social function for which it was created. In other words, in a cooperative, the social function lays in the business’s scope, and it is exploited to support indirectly the social capital that have generated the economic action, through the creation of positive externalities and web of trust (Fornasari and Zamagni, 1997), that affect the wider community (Putnam, 2000; Borzaga and Tortia, 2005).

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\(^4\) On the propensity for association and, more in general, on civic participation Putnam gives an extended argument in his work on American social capital (2000, chapter 3).
A cooperative’s business model is characterized by a multi-stakeholders governance and social scope, in which the economic function lies in the social one.
After the Second World War\textsuperscript{5}, in a costal area of Tuscany heavily affected by conflict damage (Tognarini, 1997), came to life a popular economic initiative, with the aim to improve the living conditions of the working class: in the winter of 1945 the Cooperative \textit{La Proletaria} (“The working class”) was founded. Who participated to the initiative invested a small share of its savings, forming the capital needed to buy goods at favorable conditions - i.e. mutuality. The satisfaction of basic needs -such as food supplies and basic necessities- became overtime the satisfaction of economic, social and cultural needs of the members\textsuperscript{6}.

Due to the success of the initiative and mainly due to the enthusiasm of the participants and members, the Cooperative was invested by a rapid and sharp expansion of its activities and territories, in line with the idea of “exporting” the cooperative value and the mutuality logic. As shown in the following table, the territorial expansion was substantial, culminating during the mid Nineties with the arrival in Southern Italy -Campania Region- after a strong encouragement by the National Association of Consumer Cooperatives ANCC (Tognarini, 2005).

\textit{Tab 1: The growth of the Cooperative}

<table>
<thead>
<tr>
<th>Year</th>
<th>Members</th>
<th>Employees</th>
<th>Stores</th>
<th>Provinces/Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945 (start up)</td>
<td>30</td>
<td>3*</td>
<td>1</td>
<td>1/1</td>
</tr>
<tr>
<td>1945 (closing balance)</td>
<td>3.686</td>
<td>6</td>
<td>2</td>
<td>1/1</td>
</tr>
<tr>
<td>1955</td>
<td>8.000</td>
<td>94</td>
<td>25</td>
<td>1/1</td>
</tr>
<tr>
<td>1973</td>
<td>44.000</td>
<td>704</td>
<td>46</td>
<td>4/2</td>
</tr>
<tr>
<td>1986</td>
<td>176.500</td>
<td>1.653</td>
<td>38</td>
<td>4/2</td>
</tr>
<tr>
<td>1994</td>
<td>278.000</td>
<td>2.444</td>
<td>40</td>
<td>6/2</td>
</tr>
<tr>
<td>2003</td>
<td>554.000</td>
<td>5.517</td>
<td>52</td>
<td>8/4</td>
</tr>
<tr>
<td>2006</td>
<td>748.183</td>
<td>6.065</td>
<td>105</td>
<td>13/4</td>
</tr>
<tr>
<td>2010</td>
<td>870.121</td>
<td>5.751</td>
<td>111</td>
<td>12/4</td>
</tr>
</tbody>
</table>

*It is particularly relevant to note that the first three structured employees were three local women. This choice was made in consideration of the high unemployment rate that afflicted the region after the Second War World [Board of Directors, March 1945 - Tognarini, 1997], so as a form of value return to the community by the Cooperative. Even after the start up process, the cooperative expressively indicate as ranking methodology “the familiar needs of each applicant”.

\textsuperscript{5} The tradition to cooperate within this territory can be traced back already at the end of the XIX Century. However, the fascist period impose a stop to any cooperative’s activity (Tognarini, 1997).

\textsuperscript{6} As stated by the first principle of the \textit{Carta dei Valori} -Charter of Values- of the Cooperative.
The even too strong impetus toward the extension of the Cooperative’s territory, resulted in twofold negative outcomes: a detachment of the social base, and the impossibility to reproduce the original participation to the Cooperative in new territories.

As regards the first point, was developed an irretrievable dilution of the sense of belonging and participative enthusiasm toward the Cooperative in the historic territories; thus, as stated by Putnam (2000) the more the activities of an actor depends on the actions of others, the greater the drop-off in the participation (Putnam, 2000, p. 45). In this sense, the 1990 probably represents the year of the radical change, with a struggled name’s modification⁷ and the new minimum limit on the composition of local members section on 5,000 members⁸ (Tognarini, 2005). The first elections of the local steering committees of the members, in 1991, has registered a low affluence and participation, as shown in the following table; rate that has even decreased overtime. The days of La Proletaria were over. The participation of members became more and more indirect on the life of the Cooperative.

<table>
<thead>
<tr>
<th></th>
<th>Members (Tot.)</th>
<th>Voters</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>237,447</td>
<td>21,805</td>
<td>9,1%</td>
</tr>
<tr>
<td>2000</td>
<td>435,474</td>
<td>35,281</td>
<td>8,1%</td>
</tr>
<tr>
<td>2011</td>
<td>870,121</td>
<td>42,505</td>
<td>5%</td>
</tr>
</tbody>
</table>

Tab 2: The direct participation of Members after the Reform of the Statute

On the other hand, there was an inconceivability to replicate the values and success of the Cooperative in every new territory, that is, the impossibility to faithfully transfer and re-create the pre-condition for the Cooperative success (essentially the SC). As stated by Coleman (1990:315), SC, and the web of trust and relationships, are inalienable, and cannot be exchanged among different contexts. In Campania, for instance, the resistances against the cooperative were unexpected and undesired by the Cooperative’s managers. The typical support from the local community and institutions for the development and expansion of the business was substitute with unreliable pretexts to stop the opening of new stores (Zamagni et al., 2004).

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⁷ From “La Proletaria” to “Coop Toscana Lazio”.

⁸ There were no limits before that time.
Social Capital asset within the two contexts

For local systems, the capacity to promote the economic and social development and, eventually, the competitiveness of the community is often generated through the exploitation of pre-existent social networks, such as in our case studies. Thus, a pre-existent social network implies a complex social structure, in which the actors involved are interrelated through intangible aspects -trust, obligations and expectations toward the network- and tangible assets -information flows, reciprocity and common actions-.

Tab 3: Social Capital values within the two contexts

<table>
<thead>
<tr>
<th>Long term network - repeated interactions - common cultural background and practice</th>
<th>I Case Study Industrial Clusters</th>
<th>II Case Study Consumers’ Cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Spontaneously forged on the same territory during the II postwar</td>
<td>- Founded in 1945, among workers of the same industrial area</td>
<td></td>
</tr>
<tr>
<td>- Repeated interactions overtime through the ongoing industrial activity</td>
<td>- Repeated interactions overtime through local members’ sections</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Communication flows</th>
<th>Informal know-how transfer and information exchange (nourished and facilitated by intermediate institutions)</th>
<th>Institutionalized occasions (convention, members’ magazine, at stores information)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Web of trust</th>
<th>Among cluster’s actors, sustained through the compliance of social norms and reciprocal respect</th>
<th>- Among members</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Between the Cooperative’s management and members</td>
<td>- Between local community (local production system) and the Cooperative</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Horizontal ties</th>
<th>Reciprocity; fare competitions among firms; representative within the cluster of each actors’ category (citizens, workers, employees, ...)</th>
<th>One member one vote</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Unwritten norms and shared values</th>
<th>Fairness and cooperation</th>
<th>Cooperation’s values</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Bonding SC inclined toward bridging SC</th>
<th>Connections with the overall industrial and market systems - national and international</th>
<th>- External mutuality (export of cooperation’s values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Links with other cooperatives</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The role played by the presence of SC is different within the two contexts:

• in the first case SC, is used as driver in the management of the business activity, such as the adoption of formalized CSR tool;
• in the second case, SC has been weakened over time, and is now at the attention of the business activity which pursue its re-discovery, through the adoption of formalized CSR tool.

In the next pages these two managerial processes will be described and detailed.
Case study 1: An innovative model to promote CSR among SMEs operating in industrial clusters: evidences from a European Project

I. Abstract
II. Introduction
III. Literature review and theoretical framework
IV. Research Design
V. Development of the Project and findings
VI. Conclusions

Abstract

This paper presents the findings of a field research project, called COOPERATE (COmpanies OPERating in a Responsible Area and with Transparent Ethics) and co-funded by the European Commission. The idea has been developed to better understand the opportunities to formalize corporate social responsibility (CSR) practice for small and medium enterprises (SMEs) in a clustered system. Companies often have to compete in a global market; for this reason, cooperation among SMEs, and with local stakeholders and intermediary institutions, might be facilitated by a collective answer to new market requests towards sustainability. Cooperation and social capital are key elements to facilitate trust among local actors. Moreover, as shown in the project, they can also play a key role in the formalization of CSR policy and practice for small companies. The analysis is focused on three industrial clusters in Tuscany (Italy).

Introduction

This paper describes the findings of a field research project, called COOPERATE (COmpanies OPERating in a Responsible Area and with Transparent Ethics)\(^2\) and co-funded by the European Commission - Directorate General Enterprise and Industry, within the Program Mainstreaming CSR among SMEs\(^3\). The hypothesis which has driven the development of the Project is that the use of CSR policy and tool among SMEs may represent a competitiveness factor for the companies and for the whole European industrial system, both as element of differentiation on the market and as management strategy for risk reduction. In particular, the Project has experimented the diffusion and application of CSR at cluster level, with the aim to overcome the limits usually encountered by small companies in the implementation of a “formalized” strategy of CSR.

Literature review and theoretical framework

For the purposes of this research, the reference is the definition of CSR given by the European Commission (2001) “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” Talking about CSR means recognize the inescapable influence that social and environmental issues have on the productive context and business activities, as well as on their efficacy and efficiency (Spence and Schmindpeter, 2003). This is particularly true in the case of SMEs, which typically have strong connection with the local context in which they operate, being induced to a “natural propensity” to the use of engagement policies toward the local community. However, even if in recent years CSR has become a relevant field in business studies and is gaining increasing importance for the management of companies, it is still necessary to better explain the specific way in which SMEs apply CSR (Thompson and Smith, 1991; Spence, 1999; Perrini, 2006; Perrini et al., 2006; Spence, 2007). As a matter of fact, most of the existing key concepts and tools of the literature addressing CSR issues have been developed in the context of large enterprises (Observatory of European SMEs, 2002). Moreover, and consequently, small and medium-size enterprises perceive the implementation of CSR tools as a complicated business issue as they feel that they do not have the ability to use CSR policies as a long-term strategy for their activities (Bianchi and Noci, 1998; Biondi et al., 2002; Del Brio and Junquera, 2003). Some peculiar and specific characteristics of SMEs (such as: heterogeneity in sizes and organizational structures; owner-managed and not very bureaucratic organization; similar financial turnover and informal relations/communication process; recognition of the importance of interpersonal relationships/ high interrelation with the local community; operating often in a local network of SMEs and/or in a local supply chain or a large enterprise’s network of suppliers -Spence, 1999;

\(^2\) www.cooperateproject.sssup.it

\(^3\) www.csr-for-smes.eu
Lepoutre and Heene, 2006; Murillo and Lozano, 2006) could lead to a common factor among companies in difficulties and opportunities arising from the implementation of CSR. All of these characteristics, and, above all, operating in network contexts, has been identified in literature as motivating force in the adoption of CSR policy, albeit in an informal way (Chiesi, 2005; Perrini et al., 2007; Russo and Tencati, 2009), implicit way (Matten and Moon, 2004; 2008), or silent way (Jenkins, 2004). It is indeed common for an SME to promote informal policy of environmental and social protection within the context in which it operates, with the local community, even though without proceeding to structure and formalize these activities. As Perrini (2006) emphasizes, among SMEs, CSR is based on synergies and relationships between different subjects; i.e., it is based on social capital, concept generally associated with the intangible assets of reputation, trust, legitimacy and consensus (Putnam et al., 1993; Spence et al., 2000; Tilley, 2000; Adler and Kwon, 2002; Spence and Schmindpeter, 2003; Habisch et al., 2005), basic elements for a long-term performance of SMEs embedded in local communities to which they belong (Perrini, 2006). If it is true that the use of informal CSR is very common among SMEs, the transition toward a formalized CSR, on the other hand, is often very difficult. The lack of human, technical and organizational resources found in SMEs makes the implementation of formalized CSR policies very difficult, both because of the perceived costs and the complexity of the operation (European Commission, 2002; 2004; Luetkenhorst, 2004; Fox, 2005; Lepoutre and Heene, 2006). Because of these elements, the “formal” CSR approach used at present by small and medium-size companies is still limited and, often, disconnected from corporate strategy. An investment in CSR is often considered hard and uncertain: hard because the enterprise needs to find resources for it; and uncertain because there is not enough empirical evidence explaining the benefits achieved by social responsibility strategies. Moreover, enterprises perceive CSR as a complex business issue that requires a specific expertise.

The EU Project here described starts from the idea of network among SMEs to propose a new way to overcome the difficulties encountered in the CSR adoption and formalization process. A concentration of enterprises within similar industries in the same location, as well as the presence of specialized suppliers and service providers, create the conditions needed to set up a localized industrial system, that is, “an industrial cluster” (Krugman, 1991; Porter, 1998; Cortright, 2006; Spencer, et al., 2010). The approach proposed here is exactly based on the idea that the barriers faced by SMEs in the implementation of CSR can be overcome in a cluster, in which companies tend to operate as a meta-organization of the whole system (Spence, 1999). In a cluster, social capital is strengthened by the proximity of firms, the availability of local resources, and close correlation with local institutions. As the literature posits (Piore and Sabel, 1987; Becattini, 1989; 1990; Piore, 1991; Ferrucci and Varaldo, 1996; 1997) the cluster organizational structure and culture are characterized by the presence of a strong relational environment, built on systematic relationships among local actors. An industrial cluster often implies strong connection with the local community, from which enterprises exploit economic, material, and human resources. At the
same time, the local community is largely influenced by the presence of the firms in the specific area, due to the possibility for local citizens to be directly involved in the production activities of these enterprises, and to the tangible and intangible effects on the area in which local people live (such as pollution problems, or effects on urban development plans). Consequently, the strong connection between SMEs in the industrial cluster and the local community creates a network of relationships among economic and local actors, in some cases establishing a capital of local pro-active relationships (Trigilia, 1991, 2001). This allows the sharing of a collective identity based on common needs and values, generating strong similarities also in the way of the business is conducted. Moreover, in an industrial cluster, SMEs have similar social and environmental impacts -which requires an integrated management of the issue in order to prevent accumulated negative externalities-, often facing common social and environmental pressures from local stakeholders. Acting at cluster level, rather than as a single company, can provide the opportunity to be more effective, reducing the costs of the strategy/action taken and improving the results in a long-term perspective (European Commission, 2007). The management of CSR through a clustered system can enhance the possibility of defining common effective policies and strategies, and it can improve the relations with the local stakeholders (community, institutions, control bodies). Social capital can be a competitive resource within the industrial cluster as it fosters the circulation of information and relationships founded on trust, thus helping economic transactions and guaranteeing efficient management of stakeholder relationships in the industrial cluster. The possibility to lubricate economic relationships at the cluster level through the presence of social capital is clearly visible. The following are examples of such relationships: the informal agreements which often characterize commercial trade in the local supply chains (Lazzarini, Chaddad and Cook, 2001; Omta, Trienekens and Beers, 2001), the capability to stimulate the employees through social capital in a positive work-environment (Prusak and Cohen, 2001), and, in a long-term perspective, the possibility to exploit informal and friendly relationships between employers and employees, and among employees (Coleman, 1988).

However, the creation of social capital in an industrial cluster context cannot be taken for granted. It is necessary to stimulate and maintain positive and productive networks among social and economic actors. In this sense, the so-called Corporate Social Responsibility (CSR) provides a good opportunity to positively increase the relationships between the local community and firms, through investments made by the enterprises based on mutual respect and trust. The central point is represented by the possibility for enterprises “to be good”, and at the same time to be able to build and reinforce the positive relationships between firms and the local and global community. In addition to the safeguarding of the society, we should not leave out the direct positive effects on business operations deriving from CSR activities: the commitment to CSR policies is not strictly a commitment to philanthropy activities, as firms might expect positive and tangible feedbacks in terms of business operations (Sturdivant and Ginter, 1977; Abbott and Monsen, 1979; Cochran and Wood, 1984; Aupperle et al., 1985). CSR offers the opportunity for the firms
to grow and be competitive, for instance through the possibility of differentiating the products and services offered, consistent with the principles of social and environmental sustainability. Moreover, the competitiveness is supported by the possibility of effectively managing the relationships with stakeholders (Ansoff, 1975; Freeman, 1984; Carroll, 1993).

Another hypothesis promoted by the project presented here identifies a key role, in the clustered system, played by the intermediate institutions, such as trade associations, business consortia, local institutions and chambers of commerce (European Commission, 2007; Frey and Iraldo, 2008). Intermediate institutions are defined ‘intermediate’ since they operate among firms, local communities, local economies and local politics. These institutions have a primary role in industrial clusters, with reference to the integration of local and social values (Trigilia, 1991). In addition, intermediate institutions facilitate the improvement of communication between local communities and firms, and the innovation processes on a cluster scale (Arrighetti and Serravalli, 1999; Dei Ottati, 2002; Visser and Atzema, 2008). Finally, they influence the promotion of shared strategies to tackle common problems at cluster level, as in the case of environmental impacts caused by the industrial production (Iraldo, 2002; Montini and Zoboli, 2004). Therefore, intermediate institutions could also play a key role in the implementation and diffusion of CSR policies among the cluster firms.

**Research Design**

The project's aim was to promote and disseminate concepts, practices and tools related to the adoption of a CSR "formalized" among SMEs operating in three industrial clusters in Tuscany. The project relied on strong, consolidated and trusted information channels and knowledge-sharing networks and it emphasized CSR-oriented business strategies as a relevant competitive opportunity for SMEs. The research involved three Tuscan industrial clusters: the Capannori (LU) paper cluster, the Santa Croce sull’Arno (PI) tannery cluster, and the Empolese-Valdelsa (FI) clothing cluster.

In each cluster, an innovative approach for cooperative CSR management was proposed, based on the role of local ‘intermediary institutions and organizations’. A number of industrial (SMEs) and non-industrial organizations (e.g., trade associations, local authorities, service providers) selected, adapted and developed a series of CSR ‘formalized’ practices and tools, relying on some cooperative and collective actions, with the goal of defining a new method for mainstreaming CSR among SMEs. In this way, companies that had experienced difficulties in the adoption of CSR strategies have started to work jointly with other organizations, in a coordinated and collaborative way toward an improvement of local sustainability and competitive performance related to CSR. This was made possible by stimulating interaction and cooperation among all actors of the cluster toward a simplified, focused and more effective approach to a formalized CSR.
As a first step of the project, were created three working groups, one for each cluster, representative of local intermediate institutions, in order to design and implement a cooperative local approach to CSR ad hoc for each context:

• In the tannery cluster, five actors participated to the working group (i.e., three local business associations, the representatives of the main local trade union and the provincial local authority).

• In the clothing cluster, there were seven participants (i.e., the local development agency, the local public authority representative of ten municipalities, three local business associations, the local office of Regional Environmental Protection Agency, and a local sectorial trade union).

• Finally, in the paper cluster, four members took part in the research (i.e., the bureau of Lucca Province, the main local business association, the local Paper Cluster Committee and the local Chamber of Commerce).

In each working group, the Sant’Anna School has had a coordinating role and scientific expert. In each cluster, the composition of the working groups was different, since the actors have been chosen to better represent the three different local contexts, even taking into account the different levels of commitment to and implementation of formalized CSR policy.

After the establishment of the working groups, for which the first task was to analyze the experiences hitherto conducted in terms of CSR within the three clusters, the project included the following activities:

• identification of the most appropriate CSR management tool;

• drafting, for each area, of a sustainability report, focusing on environmental, social and economic factors in order to measure the level of sustainability of the clusters;

• design, implementation and dissemination of shared CSR tools (such as: operational guidelines, training and information activities for the firms, creation of indicators for measuring CSR, promotion of know-how exchange on CSR, external communication on the adoption of CSR practices);

• test on the effectiveness of CSR tools with some selected SMEs;

• analysis of the role of external actors, involved in the same supply chain (analysis eventually developed within a specific focus groups);

• analysis of the role of key players for SMEs, such as banks and insurance agencies (also in this case, the analysis was followed by the creation of a focus group).

The aim of the before mentioned activities was twofold: on one hand test the feasibility and effectiveness of actions that could be useful for the dissemination of CSR practices among SMEs
located within the three clusters, and on the other hand verifying the interest and the views of different stakeholders with respect to CSR tool and to a clustered approach to it.

**Development of the Project and findings**

One of the activities which has provided more hints has been the preparation of the three sustainability reports, that is, a document specific to a cluster summarizing social, economic and environmental performance, measured through the creation and sharing of a special panel of indicators. The information and data required have been provided by both the intermediate institutions and the companies themselves, to which was administered a specific questionnaire. The utility of the Sustainability Report is multifaceted and relates to both the overall cluster and the single SMEs. In particular:

- **In terms of the overall cluster:** the report allowed the definition of a set of indicators for each territory to measure its economic, social, and environmental performance. The document highlighted the strategic position of each cluster with respect to the three principles of sustainability. It also represented a first opportunity to study the relationships between public and private actors in the cluster on sustainability-related issues. In addition, it was an important experience to provide third parties with information about the cluster dynamics. Finally, the collected information provided opportunities for local working groups to determine the needs of SMEs with respect to CSR tools.

- **In terms of the single SME:** the report provided an aggregated overview of social and environmental performances. This represented a benchmark for each firm evaluating its path toward the adoption of CSR tools. It could be considered as a sort of local average value performance.

There were 92 companies directly involved in the interviews on which the report was based. The questions mainly concerned: the level of awareness of CSR issues; the presence of ethical/environmental certifications; the identification of local key stakeholders; information about the organizational structure; and information on employee training. A report was drafted in each cluster.

From the results of the interviews, it was possible to draw some interesting findings:

- **In all clusters,** employees and clients were identified as privileged stakeholders for the firms. This fact underlines not only the importance of clients from a commercial point of view, but also recognition of the importance of workers as a factor to stimulate increased productivity.
In the fashion system (tannery and clothing), suppliers were also considered important stakeholders. On the other hand, in the paper industry communities and local government institutions roles were also relevant.

These findings were confirmed as part of the answers concerning corporate value systems, in which the majority of respondents focused on the health and safety of their workers, production, and, for tanneries and paper mills, environmental protection.

The knowledge of and the level of diffusion of CSR tools were very different for the three clusters, as well perceptions of their utility. In the clothing industrial cluster, a rather low number of firms held certification, and a lack of knowledge of these tools (except for the national INAIL standard, Ecolabel, and ISO14001 certification) was evident. On the contrary, in the paper cluster, the level of knowledge of management standards and reporting tools was particularly high. Finally, in the tannery cluster, the level of knowledge of CSR tools was much higher in the tanneries than for third party contractors.

In terms of preferences for CSR tools, a prevalence of management tools with respect to reporting tools was expressed. In particular, the fashion firms had a general orientation in favor of management systems complying with SA8000/EMAS. On the other hand, the paper producers focused more on the issue of employee health and safety.

In the fashion industry, weak concerns emerged regarding the perception of benefits associated with CSR tools, especially in a short-term strategy.

With regard to the firms that already adopt CSR tools, external pressures were identified as one of the main reasons for their decision in both the clothing and the paper clusters.

Based on evidence emerging from both interviews and collected performance indicators, the working groups identified and implemented a series of actions aimed at encouraging the spread of CSR tools among SMEs. First, the working groups organized training and informative activities for SMEs about the benefits linked to the implementation of management systems in accordance with international standards (with particular attention to the ISO14001/EMAS, OHSAS18001 and SA8000 standards). Overall, 26 firms participated in the training/informative initiatives. In the Santa Croce and Empoli clusters, the working groups identified the need for drafting a guideline document, which they distributed among businesses. This document outlined the requirements of environmental certification schemes (ISO14001/EMAS), the patterns of ethical certification (SA8000), and the possible ways of their implementation within the clothing and tannery sectors. In the Capannori cluster, procedural schemes to assist the integration of environmental and safety management systems were established and diffused among local enterprises.

From a research perspective, these initiatives demonstrated the feasibility of collective action at cluster level and showed the existence of a local relational system that could support their implementation.
To these initiatives, which have operational and informative value, we can add a third type tested under the project; i.e., activities carried out in ten sample companies oriented to experience the adoptability of CSR tools directly. Four companies were involved in the clothing sector, three in paper mills and three in the tannery sector. We visited each company a few times with the purpose of providing information about the gap between the firm’s performance and CSR standards. Then we investigated the perceived barriers to the adoption of CSR-formalized tools. In this phase of the project, we confirmed some of the difficulties that had emerged during the interviews. In particular, SMEs from the tannery and clothing clusters pointed out two critical aspects relating to the adoption of CSR tools: high costs and complex bureaucracy. Secondly, it was stressed that the perceived short-term benefits are still very few, mainly due to end-market preference for low prices over CSR principles. A possible solution could be to simplify the adoption of formalized CSR tools, which would meet the needs of local firms. Finally, with regard to the issue of local competition, a specific issue emerged from the meetings: the companies expressed concern about the increasing risk of unfair local competition that can be induced by the opportunistic behavior of some firms that push their suppliers to drastically lower their prices at the expense of products and processes quality. This phenomenon is dangerous because it undermines the trust that keeps local relationships from falling apart. An approach that seeks to disseminate tools for transparency between companies, such as CSR, can help limit these risks.

The latest initiative of our project that deserves particular attention was the organization of a thematic focus group to detect the point of view of internal and external stakeholders with reference to a cluster approach to CSR.

Thirty-eight people participated at the event. The participants were classified into three categories:

1. Eight trade associations representing the cluster firms.
2. Twelve subjects representing banks/insurances and market actors operating in the characterizing sectors involved in the project.
3. Eighteen external stakeholders (institutions, associations, trade unions, NGOs, etc.).

Each participant was asked to express his preferences in ten closed questions with predefined answers. We now report the series of findings and considerations that emerged from this consultation:

- The importance of developing CSR practices within the policies and strategies of clusters was unanimously highlighted. Maintaining competitive positions in the market and the need for ensuring regulatory compliance are two key reasons for adopting CSR practices (with more than 50% consensus), as recognized by the representatives of SMEs themselves. The ease of access to finance is also an important stimulus, but more for stakeholders, such as banks, insurance companies and institutions, than for SMEs. This
highlights the need to effectively promote these tools from an operative point of view, rather than only by means of co-financing.

• With reference to the reasons why SMEs perceive that CSR tools are not necessary, indications from the stakeholders focused on the excessive complexity and costs of the tools.

• Regarding internal difficulties faced by SMEs in the development and implementation of CSR practices, a lack of top management on cultural CSR emerged from the stakeholders. This indication highlights an important problem related to the cultural and knowledge growth of organizational leadership as the main obstacle, followed by the lack of resources and expertise and the scant knowledge of CSR tools. From these indications, the need to stimulate the spread of a new managerial culture amongst SMEs emerged.

• With regard to the different ways of supporting the adoption of CSR tools by SMEs operating in clusters, there was a particular focus on the issue of administrative and normative simplification, and toward the development of cluster tools, in a framework of cooperation and sharing of experiences and approaches. The definition of collective instruments seems to be the most viable path, alongside initiatives of public decision-makers that can enable SMEs to receive short-term benefits related to the development of CSR instruments. Local institutions are identified by the stakeholders as those who should increase their support of SMEs in the development of CSR practices at the cluster level.

Conclusions

This paper aims to show that the proposed cluster approach allows the achievement of sustainable objectives and the adoption of CSR-related tools by SMEs. This is made possible by the set up of specific cluster tools: local multistakeholder working groups, communication tools to disseminate expertise and best practices, operational models, guidelines to support organizations toward CSR, and audits at the local level. The cluster approach is based on a methodology by which the CSR tools are developed by a local productive system as a whole and not simply by the enterprises it is made up of. In other words, the traditional approach to CSR at the local level among SMEs proposes the promotion of sustainability management within the productive system, while our ‘cluster’ approach promotes CSR of the productive system.

The experience of the COOPERATE project showed that the results of the proposed cluster approach are intimately linked to the characteristics of the cluster in the relational environment. This is made possible by a number of synergies at the managerial and technological level to promote the inclusion and diffusion of innovative elements based on the partnership between the different firms operating within a cluster. Some results of a cluster approach can be identified with
reference to different levels of analysis: the macro level is connected with the relations external to the cluster; the meso level, refers to the relations implemented inside the cluster; and, finally, the micro level, which is the point of view of the organizations operating in the cluster.

From the macro level, we notice that the benefits connected with CSR management at the individual firm level can be strengthened and amplified if CSR is applied at the territorial level to an entire industrial cluster. This aspect can positively affect the opportunities related to a global ethical and green supply chain management (Walton et al., 1998; Carter, 2000; Theyel, 2001). The industrial clusters of traditional sectors (such as clothing and tannery) are today competing in national and international markets. In this global competitive arena, diversification emerged in the COOPERATE experience as a potential strategic variable (as shown in the focus groups, or in the opinion of leader SMEs) and the territorial characterization of a new strategic opportunity (e.g., a territorial brand). Therefore, the promotion of CSR policies and actions at the cluster level – as proposed in this paper – can improve the image of the cluster brand and, consequently, the competitive capability of many SMEs located in the same territory.

From the point of view of the cluster’s internal relations (meso level), the application of a cluster approach to CSR can improve the management of social and environmental cumulative impacts caused by the concentration of a large number of SMEs operating in the same sector/territory (Iraldo, 2002; Frey and Iraldo, 2008). The cooperative nature of the approach proposed in this paper, in fact, prevents these impacts being undermined or not managed at all. Furthermore, there is a waste of resources in the territory, since the different actors implement actions individually to manage the ‘cumulative’ effects. At the meso level, the cluster approach promotes cooperation and the consequent use of common resources. In many cases, this is developed with the contribution of all the cluster’s organizations, such as the Cluster Sustainability Report. It can also generate an improvement in the awareness of social and environmental topics, not only by the organizations operating in the cluster but also by the local community and public actors.

Finally, from the point of view of the organizations operating in the local productive system (micro level), the application of the cluster approach resulted in a fundamental instrument to overcome the barriers that prevent them developing systematic CSR initiatives (costs and complexity of the operation). SMEs involved in the project clearly expressed this need, and the opportunity of a coordinated approach was identified as interesting with positive effects perceived from both economic and organizational points of view.

The cooperative approach proposed in the COOPERATE project can help exploit the opportunities to share, the burden of innovation and development within the cluster, interacting with the same public authorities and social stakeholders. The proposed approach can also improve the coordination of the management of CSR-related issues (diversity management, health and safety of the workers, guarantees on child labor or illegal subcontracting, waste separation,
collection and recovery, water sewage collection and purification, etc.) and of specific production phases (supply-chain management, investment planning, common audits, etc.).

The experience of the COOPERATE project also showed some elements that have to be carefully considered in order to guarantee the effectiveness of the approach. First of all, strong and legitimized leadership at local level is needed while proposing and managing the cooperative approach to CSR: the creation of policies and instruments at the cluster level has to be guided by a group of local intermediary institutions whose actions and promotions can be considered innovative by the local enterprises. Another relevant aspect is connected to the existence of common social and environmental problems to be managed at the cluster level. This aspect was clear, for example, in the paper cluster in Lucca, where the interest in a common approach to safety management represented the basis for a large participation in common initiatives promoted at local level. The proposed approach, in fact, strongly relies on the hypothesis that a set of organizations located in the same local context, operating in the same sector or supply chain and having the same stakeholders, face a large number of common social and environmental problems. In some cases, this is not completely true (for example, when the number of common impacts are the least important ones, while the most relevant ones are firm-specific) so the identification of common resources (models of procedures, training initiatives, etc.) can be extremely hard and, consequently, the cluster approach would have poorer results. Finally, as it emerged in all the clusters characterized by small enterprises, the benefits for firms of a cluster approach are evident, but not those deriving from the implementation of CSR tools. The firms perceived the opportunities of a cooperative approach and they demonstrated integration with local communities but, on the other hand, they expressed the need to receive short-term benefits from a formalized CSR approach.

Therefore, in opposition to a series of benefits that emerge from the experience of COOPERATE, we also note a number of critical factors that should be considered at the working group level in order to limit the extent and effectiveness of the approach. From this point of view, it is considered that, in our opinion, the definition of a formal model of a cluster approach could reasonably maximize the benefits and to respond to the real needs of local businesses. This formalization, based on what emerged in our research and from other research specific to the environment (Frey and Iraldo, 2008), can be described in five main phases.

The first phase should be the constitution of local working group, which represents the interests of the public and private sector, and should guide the creation of the entire process. The drafting of an initial declaration of intent (CSR policy), which may take the form of a voluntary agreement between the parties is desirable, in order to outline a course of work for the following years. The second step of the approach should be the study of the local cluster and its internal relationships between business and externally, from an economic, social and environmental standpoint. At this stage, the following aspects are important: the definition of a set of performance indicators and the direct and indirect recognition of the needs of local SMEs with respect to CSR. The collected
information should constitute a document of analysis and social/environmental reporting, that could be made public. The third step would be the definition of a formalized program of initiatives geared toward the implementation and dissemination of CSR tools to the SMEs of the cluster, (e.g., through collective training, documentation management support, conduction of internal audits, identification of possible simplifications and economic benefits for businesses, etc.). Moreover, the construction of an external communication plan is important to enhance the social-economic performance of the cluster. The fourth step is to implement the previous phases. At this stage, a series of cluster indicators relating to the overall performance of CSR should be monitored. These indicators represent the basic element for the fifth and final phase, i.e., the follow up, in which the working group should monitor the effectiveness of initiatives implemented, possibly redefining new ones.

The approach described above, which outlines a circular managerial PDCA (Plan, Do, Check, Act) path, could reasonably assure the continuity of local initiatives and ensure a good spread of CSR tools among SMEs in the cluster. For the future, the capability of the three clusters to continue the promotion of CSR-related initiatives at local level is considered essential in order to fully assess the effectiveness of the approach.

In terms of future outlook, the research finally opened the possibility of investigating an important aspect for SMEs: the relationship between competitiveness and CSR. This is true in particular for SMEs operating in traditional manufacturing sectors, which are among the most affected by competition from developing countries. The possible competitive advantage is a central element for the Commission’s new program, Responsible competitiveness: fostering corporate social responsibility in European industrial sectors, from which it will be interesting to assess what results emerge.
Case study 2: Sustainability reporting and corporate identity: action research evidences in an Italian Retailing Cooperative

I. Abstract

II. Introduction

III. Cooperative characteristics and Unicoop’s profile

IV. Research Method

V. Observation and Findings

VI. Discussions and conclusions

Abstract

This article describes a five year action research project carried out from 2006 to mid 2011 with an Italian cooperative company, Unicoop Tirreno. It describes the development of sustainability reporting and its connection with the cooperative’s values and principles, detailing the changes from technical, operative and strategic points of view. The activities carried out within the action research project were principally aimed at establishing and consolidating a communication process between the cooperative and its strategic stakeholders (in particular, members and employees) in order to increase their active participation in the cooperative's governance system. In such a process of change, the sustainability reporting played a key role in supporting the cooperative to reinterpret its own nature and in driving it towards a more participative governance approach based on transparency and participation.

1 A previous version of this paper has been presented to the Conference “Accounting Renaissance”, University of Ca’ Foscari, Venice, Italy, 3-5 November 2011. The paper has been also submitted to the Business ethics: a european review. Lastly, a modified version of the same paper is going to appear in Quaderni di Economia del Lavoro.
Introduction

Over time, sustainability reporting literature has used statistical methods to examine the relationship between contextual factors, corporate characteristics and sustainability reporting (Belkaoui & Karpik 1989, Roberts 1992, Adams 2002, Branco & Rodrigues 2008). In parallel, qualitative studies have begun examining internal aspects of sustainability reporting, such as the role that it may play in the stakeholder engagement process (O’Dwyer 2005), its impact on organisational change (Larrinaga-González et al. 2001) and the process that a company follows to report on sustainable development (Bebbington et al. 2009).

Larrinaga-González et al. (2001) conducted 9 case studies in Spanish organisations including a total of 15 semi-structured interviews to address the relationship between environmental accounting and organisational change. They found that organisations with access to a large amount of environmental information used their reporting in order to control the national environmental agenda and to legitimate the company in the eyes of society, thus concluding that sustainability reporting had little impact on changes to internal company systems and behaviour.

Through a series of interviews, Adams (2002) examined the impact of internal contextual factors that might influence decision making about reporting in 7 large, multinational companies located in UK and Germany and operating in the chemical and pharmaceutical sectors. The study explored, among others, the departments involved in decision making; the nature and extent of stakeholder involvement in the reporting process; and the motivations underlying the publication of the sustainability report. The results showed that the process of reporting and decision making appears to depend on country of origin, corporate culture and company size. In turn, these variables influence the degree of formality versus informality of the reporting process, the departments involved in the process and the extent of stakeholders engagement. Furthermore, it emerged that the main motivation behind sustainability reporting was to enhance corporate image and credibility towards external stakeholders and to respond to public pressure.

O’Dwyer (2005) undertook a critical examination of the evolution of the social accounting process in a specific Irish overseas aid agency. This case study demonstrated the contradictions, tensions and obstacles that affect social accounting, when it is used as a mechanism to drive organizational change and improve stakeholder relationships. The findings revealed a systematic process adopted by the organizational board to silence stakeholders, which completely contradicts the agenda of those promoting social accounting and reporting in the organization. The nature of the stakeholder identification and consultation process was fundamentally flawed and deliberately oriented to exclude key stakeholders’ voices and to avoid stakeholders concerns and critical observations. In this way, the agency could maintain the status quo, which was characterized by the total absence of stakeholder engagement in internal decision making processes.
Adams & McNicholas’s (2007) purpose in their action research was to examine the obstacles faced by a state-owned company in developing and integrating sustainability reporting into their annual report. They found that some of the main obstacles were a lack of knowledge among the management team as to what constitutes a best practice in terms of sustainability reporting; a lack of understanding about how sustainability goals and reporting practices could be integrated into the organization wide strategic planning process; and a lack of experience in engaging stakeholders in the reporting process and in the identification of key performance indicators. They concluded that, in spite of the obstacles above, sustainability reporting is seen as a tool to introduce and reinforce sustainability principles into the state-owned company’s planning and decision making, thus leading to improved sustainability behavior and performance.

Bebbington et al. (2009) interviewed a selected group of companies, in order to document why they initiated sustainable development reporting and explore these explanations using an institutional theory framework. They found that the choice to engage in reporting does not appear to be rational. Instead, reporting is initiated because it has come to be an accepted part of a differentiation strategy and because it offers positive contributions to business challenges and to company value. They concluded that a number of different normative and cognitive institutions interacted to shape the process of sustainability reporting influencing managers’ decisions about the development of the report.

The literature analysis evidenced both a limited use of action research as a method to investigate sustainability reporting and also the absence of longitudinal analysis on the topic. As argued by Ioannou & Serafim (2011), despite the many studies carried on sustainability reporting (Gray 2001, Epstein 2004, Burritt & Schaltegger 2010), the internal and management consequences of sustainability reporting have not been well investigated at company level. In this regard, both Gray (2002) and Parker (2005) asserted the need for more in-depth understanding of how and why sustainability accounting evolves within organizations and Adams & Larrinaga (2007) argued that there is the need for more field study about the integration of social and environmental issues into the decision making process (Adams & Frost, 2008).

The present study fits into this academic context and describes a longitudinal action research project carried out within an Italian consumer cooperative, Unicoop Tirreno, to improve and strengthen the values and principles of the cooperative through sustainability reporting. By describing the development (from 2006 to mid 2011) of sustainability reporting, detailing the changes from technical, operative and strategic points of view, it contributes to the literature on the role that such reporting may play in helping the cooperative to rediscover and strengthen its values, principles and identity and in helping the management to introduce sustainability issues into decision making processes. It also sheds light on the role of sustainability reporting in cooperative organizations, which has been completely neglected in previous research that concentrated on state owned organization and shareholder-owned companies (Adams & McNicholas 2007). From a practical perspective, the study demonstrates a possible process to
follow for the implementation, development and reinforcement of sustainability reporting inside a cooperative.

The paper is structured as follows: the second section describes the cooperative’s profile and the specific characteristics of cooperatives as organizations. In section three, the methodology used during the project is outlined. Section four describes the development of the project and the findings, before presenting the research conclusions and input to future research.

Cooperative characteristics and Unicoop’s profile

According to Harris (2006, p. 17) a cooperative “is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” that offers a compelling alternative for conducting business in a more socially correct way than other forms of enterprise, particularly profit-oriented firms. In economic literature a cooperative organization is identified as a valid alternative to profit-oriented firms due to its ability to overcome certain limits, such as the exclusive orientation to economic and financial results and the maximization of shareholders’ profits (Parnell 1997, Dow 2003, Hansmann 2004, Zamagni 2005)

They are based on the following principles (Hill 2000, Harris 2006): 1) voluntary and open membership; 2) democratic member control; 3) member economic participation; 4) autonomy and independence; 5) education, training and information; 6) cooperation among cooperatives; 7) concern for community. In addition, as democratic organizations managed by their members, they are more accountable to their stakeholders than corporations (Michie & Blay 2004) and in the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (Harris 2006). Due to their specific principles they also have a specific governance and business model (Fornasari & Zamagni 1997, Zamagni et al. 2004, Mazzoli 2005) and a long socio-economic tradition (Curl 2009). Taking the example of the retail sector, consumer cooperatives pioneered modern retail chains (Furlough & Strikwerda 1999) and they still remain important in many places in Europe.

Despite their long tradition and their rooted principles, in the last decade, internal and external factors have brought about changes to the characteristics of the cooperative organization. A progressive detachment from the mutuality logic has occurred, with a simultaneous enlargement of their territorial presence and an expansion of the membership base. Globalization, technological innovation and increase in market competition (with new, large scale international retail groups) have affected cooperatives’ characteristics, making it difficult for them to keep traditional values and identity alive. In the course of time, many cooperatives have closed down.

2 See Harris (2006), appendix B for a detailed analysis of the cooperative’s principles.
or sold their business and some have also transformed themselves into a private, closed, profit-oriented company (Parnell 1997, Salani 2005).

Griffiths (2004: 17) defines this process as demutualisation: "demutualisation refers to the decreased use of mutual organizations to provide services and produce goods and the conversion from mutual to investor ownership. The beginning of demutualisation of a cooperative is when the cooperative has lost its cooperative identity and what distinguishes it from investor-owned companies." He identified two stages of demutualisation: a first-one in which cooperatives lose their values and a second that is characterized by the formal conversion into investor oriented enterprises.

Given that this evolution was made necessary partly as a response to the above mentioned changes, it is clear that the role of the cooperatives within today’s market dynamics needs to be reconsidered. This includes a redefinition of the principles of solidarity and mutuality, along with an identification of a new, strategic governance profile that is capable of uniting cooperative values and market performance (Salani 2005).

As Bratman stated (1992), three different conditions should be met in order to assert and strengthen the nature of a cooperative:

- **mutual responsiveness**, for which members consider other members in the decision process;
- **commitment to the joint activity** among members (even if with different purposes);
- **commitment to mutual support**, with a mutual assistance among members in order to achieve common goals.

In this regard, Viola (2004) identified two factors needed to fulfill those conditions: increasing communication, and promoting commitment to internal equity. In particular, communication should be intended not as mere information, but rather as a real participation of members and other key stakeholders (local communities, commercial partners) in the cooperative's governance. The ability to act together for common goals and common good represents a typical indicator of social capital (Putman 1993, 2000). In the case of cooperatives the mutual necessity and shared principles drive members’ actions. Typically, a cooperative has a close connection to the local community and the local economic system (both suppliers and consumers), creating a system of mutual influence and dependence and strengthening the presence of social capital in the local context. The network created between cooperatives and their members and the local suppliers, consumers and community represents the social capital of the cooperative. This social capital can (and must) be stimulated through ad hoc tools and processes of participation and communication because it represents a key factor of distinctiveness and competitiveness for the cooperatives compared to the others profit-oriented companies (Balmer & Grey 1999, Salani 2005).
Instead, the commitment to internal equity concerns the guarantee to ban all forms of exploitation and subjugation (Viola, 2004). The application of this principle represents a fundamental engagement of the cooperative towards its members and staff. Members, as joint and equal owners, must be called on and encouraged to participate actively in internal governance and decision making processes (principle: one person, one vote). On the other hand, when dealing with staff, the management must be able to reconcile authority with sharing objectives; efficiency of strategies with individual satisfaction in applying them. These two aspects are qualifying factors in a cooperative’s identify. They are other two the distinctive elements that distinguish a cooperative from the traditional, capitalist company model (Zamagni, 2005).

Unicoop Tirreno is a consumer cooperative operates in Italy that at the beginning of 2000 began an internal analysis about its nature and the evolution of its value system. Unicoop Tirreno belongs to the Italian cooperative system Lega delle Cooperative and its entire equity is owned by consumers or by employees, both of whom can become members. It is one of the biggest Italian consumer cooperative supermarket chains, with an annual revenue of around 1.3 billion €, 111 stores, roughly 900,000 members and more than 6,000 employees. Started as a mainly local cooperative, nowadays Unicoop Tirreno is established in four Italian Regions (Tuscany, Lazio, Campania, and Umbria) and represents one of the most important national actors in the Italian retail market (Nesti 2005, Tognarini 2005).

The cooperative has a long socio-economic history (Tognarini 2005). It established in 1945 in Piombino (Tuscany), by 30 members, was originally called La Proletaria, because its mission was to help from an economic and social point of view the working class. Therefore the original name reflected the primary objective of the company: mutuality and economic protection of its members, especially the workers (Tognarini 1997). From the 1980s onwards, the cooperative experienced intense growth, both regarding the type of supplies offered and territorial expansion, which partially changed its characteristics (Nesti 2005). The growth that characterized the cooperative during the previous decades led to a progressive thinning of the connection with the territory and with local communities, alongside a seemingly irreversible path of homogenization of the cooperative with other non-coop supermarket chains. In recent years, consumers began shopping at Unicoop Tirreno for its commercial offer, loosing little by little every connection with the original, inspiring values. The active participation of cooperative members, which are also its owners, in the decision-making process and within the democratic life of the company were dwindling overtime. The cooperative principles of democracy, mutuality and safeguard of future generations were no longer be effectively transmitted (and so perceived) by members and employees.

On these premises, in 2006, the top management, and in particular the President, decided to set up a project to strengthen the relationship with two privileged categories of stakeholders (members

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3 The original name “La Proletaria” was used until 1990. From 1990 to 2004, the cooperative’s name was “Coop Toscana Lazio”; finally from 2004 the new, and current name, became Unicoop Tirreno.
and employees) and increase their level of engagement in organizational activities, by promoting communication, dialogue and active participation within company decision processes. The main target was to redefine and strengthen the cooperative’s values and principles along with an identification of a more participative governance model that is capable of uniting cooperative values and market performance.

**Research Method**

The method of inquiry used during the five year research project was action research which is a participatory method through which the authors were directly involved in the creation and implementation of the process of change inside an organization (Eden & Huxham 1996, Avenier & Nourry 1999, Burns 2007). The concept of action research originated primarily in the work of Kurt Lewin in the mid-1940s (Lewin 1947, Cady & Caster 2000) and aims both to take action and to create knowledge or theory about that action. The outcome of combining “action” with “research” is to overcome important social and organizational issues together with those practitioners, who are experiencing the issues directly (Brydon-Miller et al. 2003, Baard 2010).

According to Adams & McNicholas (2007), action research has some broad characteristics that define it and distinguish it from case study research, and interviews and/or observation. Primarily, action research is based on a cyclical, four-step process. Initially an exploratory stance is adopted, where an understanding of a problem is developed and plans are made for some form of interventional strategy *(the reconnaissance and general plan)*. Subsequently, the intervention is carried out *(the action phase)* and during and around the time of the intervention, pertinent observations are collected in various forms *(monitoring the implementation by observation)*. Finally, the new, interventional strategies are carried out, and the cyclic process repeats, continuing until a sufficient understanding of (or implementable solution for) the problem is achieved *(reflection and revision)*. Secondly, action research is a participative process. Members of the investigated organization participate actively in the investigation analysis, working with the research team so that the issue/s may be resolved or the system improved (Reason 1999).

Thirdly, research is concurrent with action and consequently both the researchers and practitioners gain knowledge through participation in the project. Knowledge is produced by an interaction between the knowledge and values of the research team and the knowledge and value of the organizations’ members. This knowledge produces two kinds of results: on one hand, scientific knowledge useful to enhance and adjust the previous academic theories existing in a specific field; on the other, an outcome for the company, that is specific knowledge that can be used to improve management.

Fourthly, action research is both a sequence of events and an approach to problem solving. As indicated by Adams & McNicholas (2007), as a sequence of events it comprises cycles of gathering data, feeding data back to the practitioners, analyzing the data, planning action, taking
action and evaluation and so on. As an approach to problem solving it is an application of fact finding and experimentation of practical problems.

The action research project described in this article, was carried out from 2006 to mid 2011, through a jointly held project between Unicoop Tirreno and an University Research Institute in Pisa, Italy. Within this project, in coherence with the action research method, the interventional strategies were changed many times (by continuous changes of short-term targets and new interlocutors and interview protocols) in order to provide the management with useful suggestions to increase the effectiveness of their activities (DeLuca & Kock 2007).

Data collection in this study was achieved through observation techniques, participation of researchers in meetings over the time period, interviews with cooperative members and a detailed examination of organizational documents such as the annual report, social report, internal documents, schemes and procedures.

Observation and Findings

In order to systemize results emerging from the five years of research, 3 different levels of observations were selected. The levels, undertaken in parallel throughout the whole project, show the improvement process that was stimulated by the project:

- **the inquiry level**: at this level, through direct interviews with top management, middle management and operational staff and through an analysis of specific documents, the internal and external dynamics of the company, such as relationships with stakeholders, were studied;

- **the tool development level**: at this level, the sustainability report was developed together with other sustainability tools in order to build and improve their sustainability reporting processes, accountability and measurement of sustainability performance;

- **the governance level**: at this third level, the ideas and information elaborated and acquired within the previous phases were transformed into new sustainability policies and activities that generated organizational changes.

Level 1 - Inquiry level

The first phase that characterized the research process of analysis was the study of cooperative characteristics and the mapping of relationships between Unicoop Tirreno and its stakeholders in order to analyze the cooperative identity profile and measure and evaluate the ability of Unicoop Tirreno to interact with them. The optimal tool identified for this purpose was the social report. It was considered the most suitable document in this context, due to its capacity to explain the cooperative’s social and environmental activities and the relationship between these activities and the cooperative values and principles.
Moreover, it was considered a useful tool to increase the stakeholder engagement level (Morsing & Schultz 2006). Since 2001, Unicoop Tirreno had been drafting an annual social report but it was used as a mere informative tool to provide non-financial information to external stakeholders. In this framework, in order to mobilize stakeholder participation the social report had to be converted from an informative to a planning-control tool that could encourage communication towards members and employees and enhance their awareness of and participation in the life and governance of the cooperative (Morsing & Schultz 2006; Borgerson et al. 2009).

From a cooperative perspective, from 2006 (first year of action research) to mid 2011 (last edition of the Report) the number of cooperative’ staff (both from top management, middle level management and staff) involved in gathering information for the development of the report increased considerably, thus demonstrating the growing importance of the sustainability reporting process within business enterprise. Such involvement operates as an important driver of change to increase awareness of sustainability issues inside the cooperative. The following table (Table 1) shows this increase:

**Tab 1: Number of cooperative’ staff involved in the development of the social/sustainability reports**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td><strong>Middle management and operations staff</strong></td>
<td>16</td>
<td>21</td>
<td>22</td>
<td>28</td>
<td>31</td>
</tr>
</tbody>
</table>

In 2010, the entire top management team (6 Directors and the President) was involved in the reporting process. This allowed the indicators of social, environmental and economic performance to be progressively and more correctly inserted into the strategy defined by the top management, with a consequent progressive alignment between strategic planning and monitoring. Contemporary, middle management and operations staff (that increased from 16 to 31) worked on determining a common modality to measure sustainability performance. The common tool for gathering the necessary sustainability information (the chart of sustainability accounts) was substantially improved, bringing out a series of critical issues.

The main example was environmental indicators. In 2006 the environmental matrix (energy and water consumption, waste management, etc.) reported just "estimated data". In 2010, approximately 80% of the data was calculated and not estimated, and other management tools, such as energy scheme and audit or waste management system, were implemented to monitor anomalies, with positive impacts both on environmental performance and economic savings.
In the 5 years of improvement of sustainability reporting, core themes for the sustainability performance in each directorate were found. This process of systematization was achieved through continuous dialogue with the operational staff and a clarification of the responsibilities of the data and issues within business operations (Table 2). The results have been a clear improvement of the reporting process, with additional positive results in terms of strategy design and implementation of new projects (see the following level 3).

It is important to observe that 5 years ago one of the most critical obstacles was the lack of familiarity among staff in measuring performance other than financial and economic. This has been overcome thanks to the knowledge of the research team, which helped staff to become more confident with sustainability issues and the opportunities and problems linked to their measurement. Other problems faced were the difficulty in understanding how to integrate sustainability issues into cooperative strategic planning and decision making processes and a lack of experience in engaging stakeholders.

Tab 2: Summary of the main themes for each directorate

<table>
<thead>
<tr>
<th>DIRECTORATE</th>
<th>MAIN THEMES INQUIRED AND DISCUSSED (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer-members policies</td>
<td>• composition of social base (age, gender, territory of members)</td>
</tr>
<tr>
<td></td>
<td>• participation of social base in the cooperative's life and governance (assemblies, budget approval, elections for the cooperative's governance)</td>
</tr>
<tr>
<td></td>
<td>• local initiatives (e.g. cultural events)</td>
</tr>
<tr>
<td></td>
<td>• philanthropy initiatives promoted</td>
</tr>
<tr>
<td></td>
<td>• consumers' awareness program (education program with no commercial purpose)</td>
</tr>
<tr>
<td></td>
<td>• reserved services (e.g. sustainable tourism)</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• composition of human resources employed</td>
</tr>
<tr>
<td></td>
<td>• equal opportunities program - managing &amp; valuing diversity</td>
</tr>
<tr>
<td></td>
<td>• industrial relationship issues</td>
</tr>
<tr>
<td></td>
<td>• health and safety at work</td>
</tr>
<tr>
<td>Energy and development</td>
<td>• energetic consumptions</td>
</tr>
<tr>
<td></td>
<td>• water consumptions</td>
</tr>
<tr>
<td></td>
<td>• environmental sustainability initiatives</td>
</tr>
<tr>
<td>Commercial</td>
<td>• cooperative brand supply (SA8000 certified, environment-friendly, high quality products)</td>
</tr>
<tr>
<td></td>
<td>• safeguard of local suppliers and production</td>
</tr>
<tr>
<td></td>
<td>• consumers' safety</td>
</tr>
<tr>
<td>Sales network and logistic</td>
<td>• warehouse logistic</td>
</tr>
<tr>
<td></td>
<td>• waste management</td>
</tr>
</tbody>
</table>
Level 2 - Tool development level

The second level regards the methodological approach adopted to implement sustainability reporting. The main characteristics of the reports are summarized in the following Table (Table 3).

<table>
<thead>
<tr>
<th>Edition</th>
<th>Document's Name</th>
<th>Structure</th>
<th>Number of indicators and subjects investigated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Social Report</td>
<td>Stakeholders Approach (GBS Model)</td>
<td>115 indicators and 41 subjects</td>
</tr>
<tr>
<td>2007</td>
<td>Social Report</td>
<td>Stakeholders Approach (GBS Model)</td>
<td>131 indicators and 37 subjects</td>
</tr>
<tr>
<td>2008</td>
<td>Sustainability Report</td>
<td>Sustainability Approach (GRI Model)</td>
<td>125 indicators and 31 subjects</td>
</tr>
<tr>
<td>2009</td>
<td>Sustainability Report</td>
<td>Sustainability Approach (GRI Model)</td>
<td>147 indicators and 32 subjects</td>
</tr>
<tr>
<td>2010</td>
<td>Sustainability Report</td>
<td>Sustainability Approach (GRI model) and insight on stakeholder engagement policy</td>
<td>114 indicators and 25 subjects</td>
</tr>
</tbody>
</table>

GBS= Gruppo Bilancio Sociale; GRI= Global Reporting Initiative

As shown in table I, an increasing number of cooperative staff were involved in the project, with a concurrent progressive rationalization and decrease of both the subjects investigated and of the total number of performance indicators adopted (Table 3). On the other hand, the document structure changed over time, concerning for example the subjects investigated and related indicators. During 2008, the report changed its name from social report to sustainability report, emphasizing the overall attention of the report towards all three sustainability dimensions. The change of name (and consequently, change of structure) was proposed by the research group and shared with Unicoop’s management and President. A key element that stimulated a reconsideration of the document structure was the Presidency’s desire to intensify the analysis of coherence between the activities and results developed and the system of values and principles of the cooperative.
This led to a process of systematizing the information available, making it as functional as possible to management objectives and, simultaneously, more geared towards the needs and expectations of stakeholders and of equity owners. Progressively, each indicator and subject was inserted into one of the three dimensions of sustainability (economic, social and environmental) in order to guarantee a clear structure of the document.

In order to undertake these actions, the accountability reference system was changed, from *Gruppo Bilancio Sociale* guidelines\(^4\) (GBS 2001) to Global Reporting Initiative Guidelines (GRI 3.1 2006). This implied a move from a reporting structure apt primarily to measure the effects of actions carried out on the stakeholders, to a reporting structure oriented to measure the overall effects of the company strategy at social, economic and environmental levels and to link them with the values and principles framework of the cooperative\(^5\). The choice of Global Reporting Initiative guidelines (compliance of about 85%) allowed a better comparison with other organizations and also facilitated stakeholders’ comprehension of the document. Indeed, in this new structure presents information on performance, as measured through specifically designed indicators, in a much clearer format, thus further stimulating the interest of potential stakeholders, including members and customers. Table 4 presents the Global Reporting Initiative guidelines for defining quality of the sustainability report applied to the company, as a result of the self-evaluation carried out on the basis of the check list foreseen by the guidelines themselves.

**Tab 4: Global Reporting Initiative requests and Unicoop Tirreno report (year: 2010)**

| Reliability | The information and processes used in the preparation of the report are gathered and recorded, the original information in the report can be tracked within the company |
| Clarity | The accessibility of the information is gained through the use of an understandable language |
| Balance | The report contains indicators usually over a period of at least three years, regardless of the positive or negative performance obtained |
| Comparability | Readers have the possibility to compare overtime the performance of the cooperative, for all of the three sustainability accounted (economic, social and environmental) |
| Accuracy | The qualitative information are detailed. Instead, the quantitative data need to gain a better level of accuracy (the margin of errors is not at the moment sufficient for all company's departments) |
| Timeless | The report is regularly issued in June since 2006, every year, and is always referred to the period of one year |

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4 The *Gruppo Bilancio Sociale* guidelines is an Italian standard for the development of a social report that has was released for the first time at the beginning of 2000.

5 See Fossati et al. (2009), cap. 2, for a detailed and comparative analysis of *Gruppo Bilancio Sociale* guidelines and Global Reporting Initiative guidelines.
Through this process of change, sustainability reporting has increased transparency around the social and environmental impact of the cooperative, providing a more detailed review of its governance structure and of the activities carried out to strength the cooperative’s values and principles and stakeholder engagement. The sustainability reporting, characterized by an ongoing, self-reflection process, allowed the cooperative to understand how sustainability policies and cooperative’s values and principles are linked together and to the creation of long-term economic value. This process was shared between the company and the research team, through a systematic review and adjustment both of the method of inquiry and of the reporting structure.

In order to describe the elements that qualify the report, the hierarchical model developed by Deegan & Unerman (2006) can be used. The model is composed of four hierarchical levels that are the "why - who - for what - how" stages. Table 5, presents a brief description of the Deegan & Unerman approach for each stage (2nd column) and a description of issues determined within the Unicoop Tirreno accountability tool (3rd column).
In this stage the reasons why a company decides to produce a sustainability reporting are described and explained. The motivations can be different. They range from acquiring or maintaining the approval, for strategic economic reasons, of the most powerful stakeholders, such as customers, suppliers, creditors to a desire to be responsible and accountable to all those that a company’s activities might impact on. Other reasons are related to the importance of acquiring the legitimacy to operate by the communities in which a company operates, by the necessity to respond to a variety of institutional pressures and by the importance of protecting and enhancing the value and potential income-generating by company reputation.

In this stage the stakeholder that a company wants to consider when it defines its corporate social responsibility policies are identified. Their identification is dependent upon the motivations identified in “why” stage.

In this stage the social, environmental and economic expectations of the stakeholders are defined through a process of engagement and dialogue. According to Unerman (2006: 91) this stage is “crucial because these expectations will indicate both what behaviour these stakeholders require and consider acceptable from the organisation, and the information needed by these stakeholders to enable them to judge the organisation’s performance in relation to these expectations”.

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**Tab 5: The hierarchical model of Deegan & Unerman (2006) and its application to Unicoop**

<table>
<thead>
<tr>
<th>Stage in the model</th>
<th>Detail of the stage by Deegan &amp; Unerman (2006)</th>
<th>Application within Unicoop Tirreno</th>
</tr>
</thead>
</table>
| **Why**            | In this stage the reasons why a company decides to produce a sustainability reporting are described and explained. The motivations can be different. They range from acquiring or maintaining the approval, for strategic economic reasons, of the most powerful stakeholders, such as customers, suppliers, creditors to a desire to be responsible and accountable to all those that a company’s activities might impact on. Other reasons are related to the importance of acquiring the legitimacy to operate by the communities in which a company operates, by the necessity to respond to a variety of institutional pressures and by the importance of protecting and enhancing the value and potential income-generating by company reputation. | • Needs to recover the relationship with the owners of the cooperative (consumer-members) and employees, focusing efforts to respect cooperative’s principles (mutuality, sustainable development and safeguard of future generations)  
• Desire to raise awareness about the distinctive aspects of the cooperative in new settlements (non-historical territories)  
• Demand to focus the positive aspects of the cooperative, other than financial performances, such as social and environmental commitment.  
• Need to increase competitiveness and distinctive identify. |
| **Who**            | In this stage the stakeholder that a company wants to consider when it defines its corporate social responsibility policies are identified. Their identification is dependent upon the motivations identified in “why” stage. | Unicoop Tirreno identified a wide range of stakeholders, classified in seven macro-categories, that have been traced to the three pillars of sustainability:  
• **Economic sustainability**: suppliers, consumers coop-members, consumers not coop-members;  
• **Social sustainability**: consumers coop-members, employees, local communities;  
• **Environmental sustainability**: local (and global) communities, associations for environmental protection, cooperative system. |
| **For What**       | In this stage the social, environmental and economic expectations of the stakeholders are defined through a process of engagement and dialogue. According to Unerman (2006: 91) this stage is “crucial because these expectations will indicate both what behaviour these stakeholders require and consider acceptable from the organisation, and the information needed by these stakeholders to enable them to judge the organisation’s performance in relation to these expectations”. | Each year, the gap between cooperative’s values and principles and performance has been detected, such as the stimulus derived from stakeholders that have induced and strengthened stakeholder engagement processes and the implementation of new projects in many areas of cooperative (details in the level 3 about governance level). |
How In this last stage the company defines how reporting can be done in practice. A company can chose from many national and international guidelines in order to demonstrate its responsibility and accountability. The level and quality of information provided by a company can vary according to the company’s desire to be accountable towards its stakeholders.

The accounting system had two focuses: • ongoing research of coherence with traditional cooperative principles and values; • interest in developing new and more effective communication and participation channels with stakeholders and members in order to identify their needs.

Between 2007 and 2011 the Social Report changed its structure: progressively moving towards a Sustainability Annual Report, in compliance with the Global Reporting Initiative 3 requirements. This evolution reflects a double target: wider recognisability among stakeholders and higher rigour in measuring social and environmental performance. For instance, since 2009 a detailed elaboration of stakeholders engagement at community level has been carried out.

Finally, it is worth underlining that 2010 saw the start of the process of integrating the sustainability report with another strategic sustainability tool, the participated plan (a stakeholder engagement tool aiming at supporting the managerial decision process), and with other specific environmental, food security and human resources projects.

The participated plan is the methodological tool, approved by the management board, which allows Unicoop Tirreno to concretize stakeholder participation in decision making. This tool creates a series of thematic commissions within the cooperative, composed of staff from various departments, which are called upon to debate specific problems identified by the management. The proposals emerging from the commissions are discussed annually with cooperative members and with a series of external stakeholders (commercial partners, civil society representatives, local authorities, etc). This tool had been used by Unicoop Tirreno since 2004, but it had never been integrated with a system of sustainability reporting. Instead, this integration proved useful, both for communicational and strategic purposes.

In terms of communication, the sustainability reporting gave voice to these participative decision making processes that the cooperative had long been undertaking but which had hardly been communicated outside the company (or communicated in a fragmented manner) because until then, the cooperative had not sufficiently advertise that which had been achieved.
From a strategic point of view, the integration of the sustainability reporting and the participated plan created a close connection between active participation in decision making (planning phase) and the measurement of results brought about by these shared actions (control phase) that until then were not linked. Traditionally, participative processes focus on observations and registration emerging from the stakeholders but they did not gave feedback about what was discussed and shared in the participative phase because they were used only during the planning phase of the activities. By means of the integration of the tools, the sustainability reporting became a tool through to estimate the effectiveness of the actions undertaken (measured with sustainability indicators) and to evaluate the coherence between what emerged in the participative process and subsequent actions and results obtained.

Level 3 - Governance level

This third level can be considered the most relevant in terms of effects on cooperative's activities. The results obtained showed an improvement in the quality of sustainability measurement and contributed to the adoption of innovative programs and projects, able to increase the level of stakeholder engagement. In the following table (Table 6) the most important sustainability projects implemented in recent years are summarized, including the main gaps found in the sustainability reporting, the typology of stakeholders engaged and the new strategic actions developed.

Tab 6: the main characteristics of the sustainability projects implemented

<table>
<thead>
<tr>
<th></th>
<th>Startin g year</th>
<th>Evidences found in the Social/Sustainability Reporting</th>
<th>Stakeholders engaged</th>
<th>Actions developed within the Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Civic testing</td>
<td>2007</td>
<td>- Low attention on the architectural barriers in the stores</td>
<td>- Members - Employees</td>
<td>Planning of a new format for the stores in order to improve their accessibility</td>
</tr>
<tr>
<td>2. Energy auditing system</td>
<td>2008</td>
<td>- Lack of data on gas and electricity consumption - Progressive increase of costs related to energy consumption</td>
<td>- Environment - Employees</td>
<td>Drafting of new guidelines for a proper and rational use of energy. Annual planning for internal energy-related audits</td>
</tr>
<tr>
<td>3. Valuing and managing diversity program</td>
<td>2008</td>
<td>- Lack of women presence at the top management level (in view of the majority of women employed) - Lack of policy for the maternity leaves</td>
<td>- Employees</td>
<td>Training initiatives on the value added of gender differences. Innovative practices on management of the maternity leaves at single stores level</td>
</tr>
</tbody>
</table>
Table VI shows the close link that has been consolidated over time between the sustainability reporting and the company's strategic actions. It is clear that the series of initiatives concerned actions closely connected to organizational management (systems of waste management, health and safety, energy efficiency, human resources), those connected to the commercial sphere (food safety, promotion of ethically branded products) and those linked to the cooperative’s development strategies (design of stores, measurement of economic performance across the territory). This confirms the level of integration that the sustainability process reached within the cooperative’s strategic initiatives. Concerning the two most relevant groups of stakeholders, in terms of recovering the value and principles of the cooperative, 6 out of 8 projects implemented included staff as the main participant and 4 saw active involvement of members. This demonstrates the important work carried out by the cooperative to stimulate active participation of the members and staff in company decision making.

In addition to the projects listed, a further element was the development, from 2008 onwards, of an innovative sustainability reporting tool, the *opening sustainability report*. This document is an ex-ante analysis tool about the possible impacts at social, environmental and economic levels of the initiatives planned, with an explicit reference to the stakeholders involved. Similarly to a budget plan, the management identifies goals, budget, deadlines and expected results of the

- Lack of data on staff training on health and safety | Employees | Beginning of a health and safety management system based on the Plan, Do, Check, Act approach |
|---|---|---|---|---|
| 5. Ethic labels promotion | 2009 | - Low sales quotas of ethic products (e.g. Fair trade labels)  
- Need to intensify the check on local productions chains  
- Weak communication to members and consumers on the control procedures adopted by cooperative | Employees - Members - Consumers | Planning and implementation of a promotional on the ethical brand “Solidal” |
| 6. Food Security | 2010 | - Lack of data  
- Lack of procedural control on waste cycle management | Environment - Employees | Environmental audits in the stores and new internal procedures for waste management and internal audit |
| 7. Waste management system | 2010 | - Lack of measure about the economic results and impacts of the Company within the different local communities | Local communities - Members | New interpretation of the economic results adopting a local perspective |
| 8. Implementation of a territorial accountability | 2010 | - | | |

| 65 |
actions planned on an annual basis, in terms of sustainability performances and involved stakeholders. The achievement of the targets identified in the opening sustainability report is monitored and communicated in the sustainability report of the following year. This process, in addition to having high management value, provided the cooperative with an important opportunity to promote transparency in stakeholder relations (given that the achievement of established objectives could be verified in following years), in particular towards the members to which both documents are distributed annually.

The opening sustainability report introduced sustainability themes into the planning phase and linked them to the cooperative’s strategies, value and principles in order to show and valorize the links among them. Within this process, the sustainability reporting had a key role. Firstly, it has operating as control tool, allowed the results obtained by the cooperative to be measured. Secondly, it has operating also as planning tool because it provided key indications for the implementation of new projects to increase the level of stakeholder engagement and support the identification of actions to be promoted in following years (actions which are then summarized within the yearly opening sustainability report). This promoted change within the cooperative and, thanks to the relevant information that it is capable of producing, gained management trust.

In sum, the sustainability reporting represented the driving force that helped the cooperative to re-discover and strengthen its value and principles and, at the same time, to adopt new and complementary sustainability tools capable of spreading sustainability themes across the cooperative.

**Discussions and conclusions**

This article has investigated the findings of a five year action research project carried out from 2006 to mid 2011 with an Italian cooperative company, Unicoop Tirreno. It describes the development (from 2006 to mid 2011) of sustainability reporting and its connection with the cooperative’s values and principles, detailing the changes from technical, operative and strategic points of view. The activities carried out within the action research project were principally aimed at establishing and consolidating a communication process between the cooperative and its strategic stakeholders (in particular, members and employees) in order to increase their active participation in the cooperative's governance system. In such a process of change, the sustainability reporting played a key role in supporting the cooperative to reinterpret its own nature and in driving it towards a more participative governance approach based on transparency and participation.

The recovery and reinterpretation process of cooperative values in Unicoop Tirreno focused on two main elements (in line with the findings of Viola 2004): on one hand the need to initiate a two-way communication process with equity owners (members) and employees; and on the other hand to increase and enhance the active participation of members and employees in internal
governance. This path was developed around the shift of the social report towards a sustainability report; from an informative tool to a control-planning tool. Through the sustainability reporting, the cooperative’s behavior became more trustworthy and reliable and better linked to its original values and principles. Over the years the sustainability reporting and the other sustainability tools implemented became strategic tools in supporting top management activities.

The evidence emerging from the action research have been observed using three different level of analysis. The first level of analysis (Inquiry Level) highlighted the progressive enlargement, during the 5 year period, of the number of internal stakeholders involved at all levels (from operative level, to middle-management, right up to top management) and of the various roles that they undertook. This fact not only reflects the progressive strategic value that the sustainability reporting assumed, but above all expresses the increased participation of the various subjects in the process of accounting for socio-economic and environmental performance. Over the research period, this continuous increase represented a powerful push in the spread of sustainability themes within the cooperative and in connecting these with the founding values and principles of the cooperative.

The second level of analysis (Tool Development Level) had a greater methodological value and was characterized by a progressive enlargement of the variables investigated over the five year period. Both the commitment of the cooperative to rationalize its approach and its interest in moving towards full conformity with a pre-established accounting model (GRI 3.1) illustrate the necessity and the utility of monitoring performance in a structured manner. Monitoring is key to, in creating opportunities for improvement and to evaluating the needs expressed by the stakeholders. The process of systematizing the information within a pre-established, international recognized accounting model increases the credibility of Unicoop Tirreno. At the same time, it also opened the door to a real challenge, in which the cooperative accepted the possibility to measure its own limitations and gaps. Therefore, the tool offered a highest level of transparency towards external stakeholders, has permitted to better measure cooperative’s sustainability performance and also to link sustainability themes with cooperative’s strategies, values and principles.

Finally, the third level of analysis (Governance Level) details the projects that were implemented to increase stakeholder involvement in the cooperative’s decision making processes. These initiatives represent examples of the cooperative’s real desire to use the sustainability reporting as a strategic management tool. The different projects were implemented in order to address the weaknesses that the different sustainability tools, specifically the sustainability reporting, had highlighted and have guaranteed the direct involvement of all the stakeholders that had been identified during the process of analysis. It is important to stress the relevance, in management terms, of adopting the open sustainability report. It demonstrated the interest of the management in promoting transparency towards its stakeholders (starting from members and staff) and in
ensuring that the sustainability sphere became one of the strategic axes on which to recover coherence with the cooperative’s original value and principles.

In sum, the activities carried by the cooperative tended to establish and consolidate a communication process between the cooperative and its strategic stakeholders (in particular, equity owners/members and employees), resulting in increased participation in the cooperative's activities and in increased of cooperative reputation. Building a stronger reputation based on democratic and socially responsible behavior may also translated into competitive advantage in the labour, product and competitive market, thus leading to superior, long-term economic value. Such a process helps to create a distinctive identity on the market. In fact this question of distinctiveness, in competitive terms, represents Unicoop Tirreno’s real challenge and the sustainability reporting may represent a first step forward in supporting the cooperative to update its original nature and values according to modern day market rules, to restructure the nexus of relationships that it has with the set of stakeholders and to design a long term strategy based on the principles of transparency and participation.

Using the distinctiveness of its strategies (including non commercial ones) as a competitive driver is a complex manner but this element of differentiation may become a winning formula and one that may determine the continued existence on the market of the cooperative itself. Therefore, an analysis of the impact that a cooperative’s sustainability strategies on competitiveness factors is a key research question to be addressed over coming years. How to conduct the investigation of the above-mentioned effects is an open problem, since it is not easy to demonstrate a direct correlation between the sustainability strategies process and overall cooperative performance.

In addition to the evaluation in terms of competitive impact, another question requiring further research concerns an in-depth analysis of internal organizational dynamics and the processes that lead to the implementation of decisions made at management level. In fact, despite using evidence emerging from the accounting phase as the basis for projects developed over the five year period, not all initiatives identified at management level were put into action. It many cases it was impossible to reach a unanimous agreement among the different functions necessary for their implementation. By entering into the question of internal organizational relationships, it may be possible to identify the main causes of tension and to apply targeted actions to motivate the people involved.

Before concluding, it is important to highlight how, in addition to results detailed above, this research represented an interesting and innovative experience both in terms of the methodology adopted and of the contribution to literature on sustainability reporting. From the first point of view, to the best of the authors’ knowledge, this is the first case of multi-year action research in a consumer cooperative describing the evolution of a management support tool, such as the sustainability reporting. Concerning the second element, the research demonstrated how the sustainability reporting may represent a driver for change within the cooperative and, in general,
how accounting can be considered a trustworthy instrument capable of involving, stimulating and enhancing change.
Conclusions

The present work has examined the theoretical connections existing between the concept of Social Capital and the notion of Corporate Social Responsibility. After giving a theoretical framework of the two notions, the dissertation has proceeded with two cases in point developed in the past years of research:

1. The first case study investigates the exploitation of the presence of SC within three industrial clusters for an upgrade in the use of CSR policy and tool. In this case, a pre-existing form of bonding SC has been used in order to improve the strategic application of CSR tool and practice. SC worked indeed as driver and mean of implementation for a formalized and strategic use of CSR. The previous approach to CSR policy within the three clusters were too limited, too defensive, and above all too disconnected from corporate strategy which have reduced its effectiveness in creating competitive advantages and a sustainable future for local communities. A clustered approach to CSR initiatives allows to perceived it as a long-run profit maximization (Johnson, 1971), in the meanwhile guaranteeing a sustainable development for the social network within which the productive system works. Moreover, in a feasible circle, formalized CSR -derived by the antecedent presence of SC- could lead to competitiveness both for single companies and for the entire local industrial system, eventually contributing to the promotion of the so-called shared value. This latter has been identify by Porter and Kramer (2011) as the possibility on “generating economic value in a way that also produces value for society by addressing its challenges.” In the case of industrial clusters, a consistent payoff for the local actors and local community in which SMEs develop their business activities.
2. The second case study researches the effort, made by an Italian Co-operative -Unicoop Tirreno-, to recovery its original presence of SC through the use of formalized CSR, even if, allegedly, this regenerated SC will have a different nature compared to the earliest one. In fact, if the Cooperative was founded thanks to the presence of a bonding SC within a specific local community, the renewed SC will have a bridging nature, concerning plural networks and territories. In the past decades, if it is true that Unicoop Tirreno have represented one of the most notable examples of a successful cooperative, the lack of reciprocal trust, horizontal ties, active participation in community life, mutual commitment, in other words the lack of social capital contributed to a distortion of the original cooperative idea. In an interview released in 2004, the then President Aldo Soldi articulated the reason why he decided to put forward a formalized and systematic approach to CSR (Zamagni et al., 2004, pp. 620-627). The future perspective of Unicoop Tirreno were “the consolidation of our historic areas, the development in new territories, a multi-channel offer, the sociability. There is a plan just started, to which we attach great relevance: the social responsibility plan. Fleeing from fashion and emergencies, we adopt CSR according to the Green Paper guidelines. A voluntary choice, which permeate the overall business and which has its most relevant aspect in the engagement of stakeholders, in order to avoid the temptation of self-referentiality. [...] We like the concept of corporate citizenship, according to which the cooperative grows together with the territory in which lives, collecting stimuli and orientations, in the meanwhile it helps to grow the very same territory, bringing ideas, knowledge, and activities. This represents a way to make current the cooperative’s values and make them alive within and beyond the organization.” The CSR concept was not new within the Cooperative; what is new was the awareness of its centrality (Tognarini, 2005) in bring to light the original values. Moreover, in a “virtuous circle logic”, the application of CSR tool in order to recover SC, could actually play a key role also in the improvement of the Cooperative competitiveness, using it as an asset of differentiation on the market. Eventually, the overall path could lead toward the creation of the aforementioned shared value (Porter and Kramer, 2011), for local communities and for the Cooperative.

1 At the time of this interview, the name of the Cooperative was still “Coop Toscana Lazio”.
From a point of view of research perspective, it will be particularly stimulating and challenging the attempt to define a link among SC, CSR and their competitiveness consequences, both on business and local communities. The Lisbon Strategy, back in 2000, stated that the European economy should increasingly become "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment" (European Council, 2000:§5). Afterwards, the "Europe 2020 Strategy" asserted that one of the main pillar for the European future will be a sustainable growth, in the means of "building a resource efficient, sustainable and competitive economy" (EC, 2010, p. 12). On the other hand, compared to policy makers and European Institutions, the academic debate around the link between CSR and competitiveness seems hard to take off, since the research appears stuck in difficulties on definitions' boundaries and measuring issues, while policy makers pass over those obstacles. As matter of fact, the efforts of policy makers go toward the recovery of potential benefits of CSR for companies, passing by the exclusive focus on the benefits that society and environment may gain from a sustainable business management, and making CSR as a potential competitiveness asset for economic prosperity. In light of this, it is time for literature, other than policy maker actors, to step forward showing consistently, if any, the links between CSR and competitiveness, taking into account the role that SC and social networking could play in this connection.

The findings of the present dissertation contribute to reinforce the idea of a direct link between social capital and sustainability. However, for both concepts, a lack of understanding about the impacts on economic and social life remains one of the main issue, and their
interdisciplinary nature increases this aspect. Nonetheless, cooperation among actors - that is, the
ground both for SC and CSR - cannot be excluded from the analysis of social and economic
phenomena, and needs further and additional research, in sociology such in political science and
business economics.

Conclusions
References


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