

## Chapter 9

# To the Roots of Entrepreneurial Values: The Relationship with the Territory as a Driver for the Development of Corporate Social Responsibility—An Analysis of the Experiences of Italian SMEs

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**Abstract** The aim of this study is to propose a reflection on the contribution of small and medium enterprises (SMEs) in spreading the philosophy and practices of governance directed towards Corporate Social Responsibility (CSR) as well as sustainability. The study focuses on the importance of entrepreneurial values as well as on the relationship with the territory, to which the entrepreneurs and SMEs are profoundly rooted. Sharing a system of common values which arises from a whole range of intangible context (social, anthropological, cultural) factors, specific to location, contributes to build a favourable business climate wherein the SMEs, together with other local actors, take part in constructing sustainable company and territory strategies. After presenting the theoretical framework the second section of the paper is developed by way of a qualitative research methodology centered upon the analysis of a sample of SMEs belonging to the Marche region, Italian territory “cradle” of the small-sized company and craft traditions. Using a cognitive approach, the study permits identifying the “roots” of good entrepreneurial practices and to trace the features of a territorial model of socially-responsible orientation based on excellent examples of “convivial enterprises” strongly rooted in their territories.

### 9.1 Introduction

Within an economic scenario where behavior and strategies of big enterprises are widespread and where developmental processes prevail that are often incapable of giving true answers to the requests of ethical behavior, of local typicality, of better

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thought-out rhythms of life as well as of less rushed and superficial human relationships, the objective of this work is to re-evaluate the role of entrepreneurs and SMEs (Small and Medium Enterprises), which are profoundly rooted in their territory of operation and are often considered as being of “minor” relevance.

“Today’s international economic scene, marked by grave deviations and failures, requires a profoundly new way of understanding business enterprise. Old models are disappearing, but promising new ones are taking shape on the horizon” (Pope Benedict XVI 2009: 62). “Owing to their growth in scale and the need for more and more capital, it is becoming increasingly rare for enterprises to be in the hands of a stable director who feels responsible in the long term, not just the short term, for the life and the results of his company, and it is becoming increasingly rare for businesses to depend on a single territory” (*Ib.*: 62–63).

In Italy, just as throughout the vast majority of the world, SMEs constitute the backbone of the socio-economic system and are able to offer both widespread and little known examples of the ability of fighting the predominant socio-economic mentality. In the last years national and international literature is turning its attention to the universe of the SMEs in order to verify and support their role in contributing to the promotion of forms of sustainable development and of practices of corporate management and governance aimed at CSR (European Commission 2002; European Union 2004; Spence et al. 2000; Castka et al. 2004; Russo and Tencati 2006; Luetkenhorst 2004; Matten and Moon 2004; Mandl 2006; Nielsen and Thomsen 2006). Especially in SMEs, the presence of ethical values of the entrepreneur represents a fundamental driving force in determining the spreading of a philosophy of governance and corporate management as well as guiding towards the adoption of practices and communication tools of CSR and sustainability.

Such values, besides being linked to personal characteristics of entrepreneurs, are reinforced by them being profoundly rooted in their socio-economic network which, in certain local situations, is characterized by the presence of a specific *genius loci*.

In light of all this, the research question that orientates the work here is the following:

Which values, ethical principles and charisma induce some Italian entrepreneurs, embedded to territorial socio-economic systems in which they live and work, to innovative paths of development focused on CSR and capable to embed charismatic principle in economic life?

The initial proposition at the basis of this study is therefore the following:

P 1. At the heart of the CSR spread throughout SMEs of a certain area, there are shared values which derive from the culture and the common root which are passed on and which today translate into the particular missions of companies “with a soul”.

In Italy, whose socio-economic fabric is made up of small companies and entrepreneurs and their families, there are many zones whose values in terms of know-how, sense of belonging to a local community, to the same culture, inspire

entrepreneurial behavior. A recent piece of research, which centered on various cases involving Italian SMEs, allowed verifying an important connection between orientation towards sustainability of companies led by entrepreneurs (“champions of CSR”) and the sharing of those values typical of their local context (Harvey et al. 1991; Peraro and Vecchiato 2007). Specifically, these values above all spring from the rural culture and from the culture of the Italian cities in Renaissance Humanism which is the heritage of the Civil Economy of historical tradition of the Country (Bruni and Zamagni 2004). In contexts such as these, there are numerous companies, normally small-to-medium sized that—thanks to the entrepreneurial vocation and to the “civil charisms” of those subjects able of leading companies that present themselves as value-based organisations—offer tangible examples of innovative routes of sustainable development which, first and foremost, involve the context of their local territory but not only, since they push themselves to support sustainability projects and actions on a national and international level. These routes are based on the capability of these entrepreneurs/companies to take part (as well as to activate) networks which include several actors: banks, trade associations, unions, local authorities, non-profit organisations, chambers of commerce, etc.

Such entrepreneurs are capable of activating virtuous circuits: charismatic people, who, thanks to their vision, are those who open new frontiers on human need and rights; they communicate with urgency their vision of social life and, later, institutions extend these innovations into social structures.

The second proposition is therefore the following:

P 2. These values, spread among the other main protagonists of the territory (institutions, associations), translate in a particular activism and sensitivity to CSR that operates at a local level and assumes the contents of social responsibility and territorial sustainability (TCSR: Territorial Corporate Social Responsibility).

In order to verify the afore mentioned propositions, this work adopts both a deductive and inductive point of view, which correspond to the main sections of this paper.

In an initial phase, we present a theoretical framework which recalls the currents of study on entrepreneurship and business ethics, placing the values and entrepreneurial trends at the fore. The point of view, then, becomes anthropological in nature and pauses upon the values, reasons, aptitudes of the entrepreneurial figure. A vast amount of literature has investigated its features and, more recently, an interpretation is spreading which re-evaluates the values of the family and family cohesion, grafted onto the company, as well as those values of a particular given place (“*genius loci*”), and of a certain territory (Matacena and Del Baldo 2009).

In a second part, we develop the empirical analysis, by way of presenting multiple company cases, which was directed at Italian entrepreneurs and (“territory” SMEs) working in the Marche region, witnesses to good practices geared towards the common good of the territory and, more generally, to the environment in which they operate.

The aim of this work is, from this point of view, to take the opportunity of giving voice to excellent examples of entrepreneurial spirit and vocation, characterized by cultural and anthropological traits, typical of the culture of the location. These traits typify “spirited businesses” (Jenkins 2006a, b; Lamont 2002), whose economic, as well as human aims, live successfully side by side.

“In recent years a new cosmopolitan class of managers has emerged, who are often answerable only to the shareholders generally consisting of anonymous funds which *de facto* determine their remuneration. By contrast, though, many far-sighted managers today are becoming increasingly aware of the profound links between their enterprise and the territory or territories in which it operates” (Pope Benedict XVI 2009: 63), such that they are multiplying the experiences of those entrepreneurs who possess “strong” values and ethically implied charisma, capable of testifying to a new way of doing business and, putting their particular talents to work, of helping to create a more civil and human society. It is opportune to view these with renewed interest and, perhaps, to “learn” from them.

## 9.2 Entrepreneurship, Sustainability and CSR: The Role of Values

Before having a professional meaning, entrepreneurship had a human one, since it is an “*actus personae*”, (Giovanni Paolo II 1991: 832–833; Paolo VI 1967: 269–270). The *ethos* and values of entrepreneurship are expressed by way of active aptitudes and refer to typically entrepreneurial attributes: spirit of initiative, creativity, leadership, charisma, enthusiasm, passion, ambition, desire, commitment, responsibility. But, the ethicality of his/her role depends on the moral conscience of the entrepreneur, or rather on the presence of a base strategic and ethically marked orientation transferred to the company. This means reconciling economic function with human conditions, all of which can be done if values and priorities are re-evaluated, and not merely in the sense of arbitrary and personal values, but of “supervalues”, which entrepreneurs may become excellent evidence of. These values, can be transferred to companies “with a soul” (Catturi 2006) where economic objectives, and more appropriately human objectives, live side by side successfully.

The recognition of an ethical and social dimension of business activity is founded on a vast corpus of theory and on rich debates involving different academic disciplines: business-economics, management, sociology, anthropology, philosophy (Carrol 1994). Different groups of theories (instrumental, political, integrative and ethical theories) form the core of this literature; they likewise correspond to different approaches, focused on one of the following aspects of the social context: economics, politics, social integration and ethics (Garriga and Melé 2004). Within this corpus of theories (in particular ethical theories), even if they primarily refer to large-scale businesses, one can find interpretations which give importance to the specifics of small businesses and to the role of entrepreneurial values.

The concept of entrepreneurship is one derived from entrepreneur and takes his personal characteristics and the functions and roles carried out by him into account. The attention, placed on the set of motivations and values as well as on existential conditions (the need of achievement theory—McClelland 1965), enlarges to the variables of a social nature leading to different interpretative models (theory of social marginality, Stanworth and Curran 1973). Such approaches strongly put the role of the economic factor, as a driving element of company creation, back into perspective. The entrepreneur is rarely motivated by purely economic factors and he is oriented towards reaping the benefits of his choices (Zamagni 2007) in the long term.

Values and attitudes towards the social context are central factors in the strategic system and are expressed by the vision, the “entrepreneurial formula” (Coda 1985). Values nourish the organisation and enhance the spirit of entrepreneurialism (Lamont 2002). They are like roots, which inspire the strategic orientation and constitute the most important source of identification inside the firm and the primary basis of external legitimization. Values recognizable to human nature (“the system of perennial values”: honesty, loyalty, justice, respect for human life—Catturi 2003) forge the “ethical constant of the business management” and represent the premise for “entrepreneurial success”.

In SMEs the entrepreneur is both the driver and implementer of values (Hemingway and Maclagan 2004). The process of orientation towards CSR and sustainability is in fact normally promoted by the owner/entrepreneur and depends on his ethical orientation and values (Vyakarnam et al. 1997; Spence and Lozano 2000; Spence and Rutherford 2003; Morsing 2006; Molteni et al. 2006; Kvåle and Olsen 2006).<sup>1</sup>

In the light of what has been said, we may state that although the literature on ethics has paid less attention to small firms (Spence 1999) it finds its own matrix in three essential aspects: the influence of the subjective sphere, which in the small firm is maximized, the importance of relating to internal actors and to the external ones, proclaimed by its limited dimension, and the social rooting of the small business and of its creator (Del Baldo 2006a, b).

The “personal” element in SMEs is more contiguous because of the tight framework of interpersonal relations that is held together by the entrepreneur and/or the family/owner, which stratifies itself inside and outside the firm. The business is nearly always linked to the family, which is essentially composed of a human factor, a civil “cell”, over the socio-economic entity.

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<sup>1</sup> Based on empirical research conducted between 2005 and 2006 on a sample of 51 SMEs from diverse European countries the Authors distinguished three categories of businesses: “the business strategy enterprises”, which are making a conscious effort to implement CSR and have adopted CSR as a part of their business strategy; “the intuitive enterprises”, which are “doing” CSR without having made a conscious decision to do so—their normal business practices coincide with CSR indicators; “the *raison d’être* enterprises”, which are “doing” CSR because it coincides with their business concept, i.e. the actual business concept is philanthropic” (Kvåle and Olsen 2006: 7).

Secondly, the relational factor is a distinctive aspect of the small business owner and of the small-sized business (Birley 1985) and is the driver of specific strategies not always, nor necessarily aimed at, quantitative development. They diverge from the “biological” models of life cycles of the firm (Churchill and Lewis 1983), and focus instead on the forms of particular developments (qualitative development—Marchini 1995) in an environment in which those centred on an orientation towards CSR and sustainability merge. These relationships are at the base of the concept of “relational goods” (Bruni 2007) that have (and “have to do”) with altruism, moral gratification, the “logic of happiness” (Baldarelli 2005), gratuitousness and gifts (Zamagni 1995; Gui and Sugden 2005; Bruni and Porta 2005).

Finally, small and medium entrepreneurs are often active members of a territorial community, of which they represent the “creative soul”, to which they are intimately linked and in which they reinvest part of the economic wealth they generated and their energies. They become privileged “witnesses” of CSR thanks to a strong rooting in the socio-economic environment. SMEs—especially “rooted” in their respective region and characterized by long-term, established mechanisms and rules—possess a good starting position for a sustainability strategy as a result of their structure and regional infusion (Leborgne and Lipietz 1991; Storper 1995).

### 9.3 Socially Oriented Entrepreneurial and “Territorial” Values

The virtuous circle of entrepreneurship and the corporate culture depend on the context of the environment defined in terms of business environment as well as on the presence of selective entrepreneurial policy (Aldrich and Martinez 2001; Minguzzi and Passaro 2000). A favourable business climate, which springs from a system of anthropological, social and positive economic factors, has an influence on the development of the business and favours orientation towards CSR, which finds fertile land in commonly-held values, and sets off a virtuous process that is at the basis of sustainable corporate development as well as the place where the company is rooted.

Liability, identity and sense of belonging to a precise cultural and ethical context, closeness to internal and external networks, flexibility, innovative drive and adaptive competences are attributes of SMEs. Trust is built both on geographical closeness, common history and on joint activities as well (Peredo and Chrisman 2006).

Various studies have highlighted the contribution of CSR in terms of increasing the social capital of SMEs, of participating in the construction of the common good (Thomson and Smith 1991; Spence and Schmidpeter 2003), of contributing to the sustainability of specific territories.

That which has been said explains the development of peculiar approaches to CSR, centred on a logic of SME involvement in networks or based on membership in specific districts (Molteni et al. 2006; Battaglia et al. 2006; Ørskov 2006; Kromminga and Dresewski 2006). The participation of the SME in networks characterized by the presence of a plurality of actors, both public (local organisations, chambers of commerce, universities and research centres) and private (trade associations, non-profit organisations, credit institutions, professional orders), facilitates the implementation of actions and programmes of socially-oriented development of SMEs and of the local environment/specific geographical area in which they are inserted (Fugazza et al. 2006; Lepoutre 2006; Maaß 2006).

Thus, when there is a common aim to improve the quality of life that ties together individuals and organisations belonging to the same territory, it is possible to introduce the notion of Social Responsibility of the Territory. No longer is responsibility solely the realm of the individual firm, which is called to put itself in relation to the collective, but rather it is the whole community, the territory, which comes to be conceptualized as an *unicum*. Social responsibility of the territory is founded on the rediscovery of shared values that the territory's economic, social and institutional actors know how to reinforce, thanks to solid networks of relationships.

However, it is important to underline that this approach can be applied only in specific social and economic contexts where all local actors have absorbed a common culture that spreads in mutual values with respect to the way business is run.

The concept of culture reminds to beliefs, norms, traditions and attitudes that drive the behavior of individuals and organisations belonging to a definite community (Schein 1990). In literature there are many research about the relations between culture and management (Hofstede 1980) but just a few investigate the impact of culture on corporate social performance. Ringov and Zollo (2007) interesting contribution offers empirical evidence to test the assumption that corporations' socially responsible behavior is influenced by specific dimension of the cultural context in their home country. Those results are consistent with the findings of the report on European SMEs and social and environmental responsibility showing a highest percentage of SMEs sustainable-oriented in those Nordic Countries (i.e. Finland, Denmark, Ireland, Norway, The Netherlands and Sweden) notably characterized by a more "feminine" and a low "power-distance" culture.

Thus, in our opinion, to better understand the phenomenon it is not sufficient to consider the cultural dimensions at a national level, but one should consider also the different local culture that exist in the same Country. That is the case of Italy where CSR attitude is not equally distributed in the different Italian regions (Perrini et al. 2006). As literature poses (Becattini 1979) in Italy there are some territories characterized by the presence of relational environmental between local actors sharing a collective identity arising from the past of the region where they live (Bagnasco 1977; Braudel 1979; Putnam 1993). That is, in our opinion, the rationale why the Marche—along with other Italian territories such as Tuscany and the Veneto—offers an interesting laboratory to study not only the extent of CSR, but also Social Responsibility of the Territory.

## 9.4 An Analysis of the Experiences of “Local” Italian SMEs

### 9.4.1 Research Methodology

The study was developed according to a qualitative approach and a case study methodology (Yin 1994) in order to pinpointing the internal factors (organisational structures, internal micro-processes, attitudes, points of view, perceptions) that, together with the corporate characteristics (size, sector, age of the business, etc.) and the general contextual factors (economic, political, cultural, etc.) are able to explain the orientation towards CSR and sustainability (Adams 2002) of entrepreneurs and SMEs, and to “capture” the diverse manifestations of CSR in SMEs as well as for indicating best practices and suggesting criteria for further action (Craig 2003).

The study was centered on the analysis of ten Marche SMEs (multiple case study approach) enrolled in Confindustria (the main association of Italian industrial companies) and belonging to industrial and service sectors that represent the entrepreneurial and economic fabric of the region. In the choice of enterprises, we considered the “cohesive” and “multi-certified” Italian SMEs typology (Molteni and Lucchini 2004; Unioncamere 2003).<sup>2</sup>

The analysis was based on information collected in the period January-May 2010 through in-depth semi-structured interviews to entrepreneurs/managers (founder/successor, managing director, general manager), direct observations during companies visits, participation to workshops, congresses and focus groups, and access to internal documentary sources.

Case studies allow researchers to use different types of evidence and to triangulate their findings. The scope of the triangulated approach was to make use of different advantages and strengths offered by the various method of data collection (primary and secondary data).

Primary data were based on information acquired from several in-depth semi-structured interviews with entrepreneurs and managers. In January 2010 we held the first exploratory interviews with each company’s managing director or entrepreneurs to determine their willingness and compatibility for this study. Since this initial phase was satisfactory, we proceeded to the second phase – interviewing the management or entrepreneurial team. The interviews were semistructured in manner, with a set list of questions designed to elicit discussion. The face-to-face interviews (two for each interlocutors, lasting an average of one hours each) were aimed at 40 people. All the interviews were tape-recorded, transcribed and analyzed. Field notes and informal conversations complemented the taped interviews.

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<sup>2</sup> Molteni and Lucchini (2004) identify a typology of orientations among Italian firms, based on two coordinates (intensity of the phenomenon—i.e. the socially responsible behavior—and qualitative aspects linked to the practice and to corporate behavior): cohesive firms, multi-certified, aware, able to be mobilised, skeptical.



The first interview was conducted according to a narration approach; the second interview (conducted in structural form) had the aim of focusing upon the mission, the governance, the accountability and upon the stakeholders commitment and the relationship with the local community.

The primary data were then combined (and supplemented) with secondary data gathered through direct observation during visits to the company and through the analysis of documentary sources from the firm's websites, relations, and other internal documents.

The interviews with the managers, the entrepreneurs, and other internal and external stakeholders (i.e. family members, employees, suppliers) became particularly useful for identifying these actors' common values. Also useful was the rich documentation provided by the firms, such as their social reports, statement of values, historical-celebratory publications, journal and newspaper articles and company newspapers. Direct observations in the firms offered the possibility of comparing the results of the interviews with the reality inside the business. We observed the interactions (with internal and external stakeholders) of the entrepreneurs and managers in the company as well as their relational approach in congresses, forum, workshops, and conferences.

### **9.4.2 Results**

All the companies follow strategies of social responsibility with an adhesion to CSR codes, adopt processes of social and environmental certification, regularly publish social and environmental reports, have obtained recognitions/awards for their robust activities of social responsibility and carry out ample and significant initiatives of social responsibility both on the national and international level. In short, these aspects refer to the following declinations: presence of a framework of ethically-connoted values, shared by the leaders of the firm and diffuse throughout the organisation; realisation and promotion of CSR actions and strategies as well as sustainability; development of systems of accountability.

Specifically, the analysis focuses on the following aspects:

1. the solid ethical and moral base, whose roots come from a sense of civility and rural tradition that was influenced by shared religious principles, personal and family values, transmitted by entrepreneurs across personal relations in the business, and passed down by their agricultural forefathers;
2. the strong sense of community membership as well as a true desire to "attract" and to "infect". In these companies "conviviality" is manifested in the creation of CSR oriented networks and partnerships.

Below, the results of the study relative to these two aspects are summarised.

With reference to the map of orientations towards CSR most of the ten companies possess the characteristics of "cohesive" and "multi-certified" firms (Molteni and Lucchini 2004).

In the “cohesive” group of companies, the areas of engagement and the forms of communication of CSR are systematic and creative, and manifest themselves in a variety of forms:

- involvement, valorization and formation of employees;
- transparency in processes and in the modes of governance, presence of formal and informal instruments, and procedures for internal and external informative disclosure;
- manufacture of products of social and environmental merit;
- extensive collaboration with the local community (donations, sponsorships, promotion and production directed to projects of social, cultural, environmental, etc. merit);
- relationships with non-profit organizations and associations;
- stable and durable collaboration with clients, providers, and financial partners;
- attention to the global environment, across the activation of procedures and programs of environmental protection and of quality of life (recycling trash, reduction of emissions, saving energy, etc.).

In the so-called multi-certified firms, the orientation is more focused on procedural aspects. The typical forms are found in their client offerings and in their requests to their own suppliers for ethical, social and environmental guarantees (green purchasing – ISO and Vision certification, quality of products, etc.). However, they appear to be dynamic companies, since they are multiplying their areas of engagement towards CSR, researching more structured forms of communication (projects to implement their social and environmental reports), implementing modifications to their system of government and multiplying the front of engagement and dialogue with stakeholders.

### ***9.4.3 Core Values Inherited from the Family and Rural Culture***

The first aspect that emerged from relates to the existence of a mission connoted by a strong system of values (ethical, moral, social, as well as economic). Those core values are inherited from the family and rural culture and they inspire a corporate culture oriented towards CSR and sustainability, that is the practical implementation of the company’s ethos. Values common to entrepreneurs are: diligence, labour, equity, trust, honesty, simplicity, integrity, parsimony, sense of family, team spirit, enthusiasm, energy, responsibility, communicative nature. Such values are widespread and shared by the internal and external stakeholders. With their personal commitment and engagement, they represent “the first best practices”. Purpose, vision and values are constantly reinforced through culture and processes and continuously communicated throughout the organisation and beyond. The entrepreneurs are also strongly involved in the well-being of the local community.

For the reason of highlighting these aspects, some passages taken from interviews of entrepreneurs and managers are as follow provided.

Values sustain actions, that are positive and responsible generate a type of development that respects humans and the environment. Without values one cannot go far. Values are the identity of the group: they provide a common language, they give strength to our businesses and guide them as they adapt to the market. Our intangible values are imagination (to know how to create), energy (to achieve our dreams), responsibility (for the air we breathe, the land we walk on, the resources that we utilize, the trust that we gain). Values at the foundation of agrarian culture are “tigna” (“obstinacy”—literally a “ringworm”), desire, dedication to one’s work, parsimony, the sense of one’s limits, the sense of the family as the nucleus of solidarity, responsibility. There exists a parallel between the industrialist and the agriculturalist. From the agrarian culture we have learned: the importance of traditional values, the transmission of trust with a handshake; the habit of working in seasonal uncertainty (E. Loccioni, president of Loccioni Group, entrepreneur of the year 2007; Ernst & Young Award for Quality of life; recognition “Olivettiano businessman of the year 2008; Sodalitas Social Award 2005 finalist for the “metalmezzadro” project in the knowledge-based business”).

From the very beginning I have felt welcome, like a part of the family, and I’ve been given the trust necessary to grow. I’ve done, and I continued to do, my best to personally embrace those same values and to experience the company as a communal good, recognizing the entrepreneurial spirit that I’ve had the good fortune to know (...) Our founders have swiftly climbed the ladder of needs, transforming them into values to construct a reality that produces the best aspects of life and security for the future. (...) Values constitute the firm’s Culture and, therefore, have their own value, their own richness. They are their own intangible goods, which strengthen faith and certainty in the business (T. Dominici, Managing director of BoxMarche, winner Italian “Oscar di Bilancio” (Balance Award 2007).

Our cardinal values are tradition, innovation, quality, passion, social responsibility, respect for nature and human resources. The experience of Faam testifies that market challenges can be won only if one competes through values. Our working environment expresses the passions, valorises relationships, and communicates quickly to a territory attentive to traditions, towards which it nurtures a sentimental bond (F. Vitali, President of FAAM Group).

*“Wood has always been part of my life. Since I was a child, I built toys using pieces of wood that were lying around my house. When I was 13 years old I started my first job as a carver of wooden furniture. But the passion for processing this material can be traced to my family and family business’ history, which in the small town of Belvedere Fogliense, in the workshop under the house, since the 1940s built accordions. I started to build the first “Pinocchio” in wood and other games that made me dream as I was a child. Our products, our company transmit strong and authentic intangible values. Our products can transmit dreams, poems. They try to bring a fairytale world into people’s homes. Our “mission” is to convey the emotions that underlie the creation of each article: the love for tradition and the importance of being a little children, always leaving room for imagination. The recovery of our craft tradition, strong values and simplicity of a bygone time stays alive and is renewed every day in our creations”* (Francesco Bartolucci, founder of Bartolucci S.r.l.).

#### **9.4.4 Convivial Enterprises: Companies “with a Soul”**

The centrality of CSR with respect to the development of these firms allows one to connote them as “spirited business”, high-performing companies where competitive success grows out of their commitment to values and to the human spirit.

“Spirited businesses”, in other words, are “companies with a soul”: they have a character, their own personality, which is the fruit of the values and principles founded in their mission and translated into their governance. The firms are conceptualised as “narrative identity”, that, in fact, every day tells a story that traces its origins from the traditions of the entrepreneurs and territory. A type of “art” lives within these companies, reconciling economic objectives and humane ones. The profiles of “convivial enterprises” (Balloni and Trupia 2005) correspond to a business “way of being” in which one can view the co-penetration of the two drivers of socially-oriented governance: discipline and commitment: the former is formalised and codified, the latter is informal, emergent and value-based (Minoja and Romano 2006).

There are three ways of being a leader: through price, through technology, through intimacy. This is our way. My greatest satisfaction is when I see others happy (R. Forni, General Manager of Della Rovere).

The value of BoxMarche’s products is measured by a profound harmony with all of our ‘travel companions’ who smile, suffer, and live within the company. With the passion that we put into this partnership, we will obtain significant results even in the global context, which doesn’t mean only internationally, but also “in the family”. A friendship that is transformed into a partnership. And this is beautiful (BoxMarche, letter from the Managing director, Global Report 2007).

Perhaps it’s a little presumptuous, but we love to define ourselves as the agents of civilization. The small entrepreneur is a builder (of systems, of men, of wealth); he relates himself to the world, to his clients, to his community; he lives his passions, hopes, dreams, plans. The enterprise has a soul and it has those intangible assets linked to the spirit and to the dignity of the person (T. Dominici, Managing director of BoxMarche).

*“He who has the economic power must be the one most responsible. We are certain that CSR grows stakeholder value, social consensus, economic value, originating more trust and understanding and the best transparency to governance. In this sense, what’s central is the example top management sets”* (Giorgio Arvizzigno, Director of Product Development, Quality Control and Social Responsibility TVS).

*“The company acts as an interpreter of social and environmental concerns, making good of its own job, generating profit in a responsible way with respect to its economic partners, its community and its environment”* (Paolini Fiorella, entrepreneur (successor), President Young Industrial Group Confindustria Pesaro-Urbino).

*“In thirty years of life, only two employees were fired. We do not give employees any time card; but they [come to us] themselves to show the number of hours worked”* (Francesco Bartolucci, founder of Bartolucci Srl.).

*“In 2008 and 2009, a period of economic crisis, two banks competed for our financing and a bank loan manager has written a nice letter first and then paid us a visit. Such behavior is increasingly rare today”*. (M.G. Stocchi, founder’s wife, Bartolucci Srl).

#### ***9.4.5 The Link with the Local Context: Embeddedness and Social Cohesion of SMEs***

“Conviviality” is a manifestation of an attitude to improve relationships and the territory itself. This last aspect refers to the active involvement of the enterprise in local development, because business’ success goes alongside with the surrounding

local context. One of the principle motivations of these entrepreneurs is the desire to do something useful for their own community. This is because the histories of their businesses have always been founded on “passion” rather than merely on pure mathematical sums. The effort of the companies in advancing best practices of CSR is nourished by the will and desire to testify to and understand best practices adhering to multiple occasions of exchange, comparison and partnerships and performing the role of stimulators and catalyzers (Collins and Porras 1991). Embeddedness, intended as a sense of belonging and co-participation bringing about a territorial community, represents the “strong” element of the network assets they activate. Rootedness constitutes one of the principle drivers for the development of CSR and sustainability that are raised in “identity” contexts and is at the core of the process of formation of cultural, ethical, visionary and responsible networks, based on a nucleus of common cultural characteristics and on a shared ethical orientation. Such networks—which are the translation of social forms based on personal relations between individuals linked in relationships such as friendship, family, esteem, faith, wherein the logic of reciprocity lives—are rich in intangible resources, set within the fabric of relationships, and in themselves actualize the exchange of “social goods” (Niccolini 2008). They are activated by communicating internal values to the broader external world. Such processes of externalization favor the aggregation and reinforcement of links in an inter-organisational and complementary point of view and the creation of macro-culture.

Analysis of this aspect (proposition 2), underlines the centrality of the “sense of belonging to a specific territorial context” as the fruit of anthropological, social and cultural roots. An examination of the socio-economic contexts of Marche territory, formed predominantly by SMEs, and which attempts to understand the essence of the people and their history, allows us to more closely view an entrepreneurial system constructed on solid principles. It also allows us to discover an indirect but important protagonist: the territory of Marche.

Within the studies that have analysed the processes of industrialisation diffuse in Central-North-Eastern Italy—where the Marche region lies—some have identified factors such as the culture, history, institutions, beliefs and communal convictions, as a sort of *humus* of the intangible assets or social capabilities of the context, difficult to define and to quantify (Cipolla 1990), that correspond to a *genius loci*, connected to a particular place. The aforesaid “convivial enterprises” plunge their roots into a territorial model based on “holy agriculture”—the agrarian culture embraced profound values that were based on Christian doctrine—(Fuà and Zacchia 1983) that has characterised the Marche region from the first half of the 1800 s to the post-WWII era.

The best practices of socially-oriented Marche SMEs contribute to a model of territorial development that progresses in this particular socio-economic context. The territory thus becomes the place in which avenues of sustainable development can be concretely constructed and a terrain on which reciprocal approaches can be forged. Socially-oriented “local governance” is made possible by an integrated representation of social, economic and institutional communal feeling, and activates new mechanisms of participation and planning. The model of sustainable

development that appeals to the territory's businesses depends on the capacity of the whole productive, associative, entrepreneurial and institutional world to act and to be made to act in socially-responsible ways.

For the reason of highlighting this aspect, below a summary of the thoughts of the entrepreneurs interviewed is as follow provided. Almost always does reference to the importance of common "roots" and belonging to a territory which they owe much to and to which they give much back, come through.

We have an emotional ties to the territory. We want to use our abilities to sustain the local economy. Our activities are not only business choices. Our ability, though we are a small firm compared to other companies, is to weave threads (through the determination to follow the "dream" of an enterprise and of the environment in which it is inserted); it is to pull thread (through cohesion and collaboration inside and outside the firm) and to stretch thread (through the motivation that feeds creativity, understanding, sensibility, the capacity to listen) of a network. A network made, first and foremost, by Men (T. Dominici, Managing director of BoxMarche).

What's important is the passion you do things with. This is the principle that over the years allowed us to grow, to arrive at certain finishing lines we never contemplated at the outset of our business, without ever having reneged on our identity, without ever having forgotten where we come from, where we live (G. Bini of Lordflex).

We have the privilege of working in this territory and we have never once thought about moving. We want our competence to be used to support the local economy. We have an affective link with the territory, and the historic centre of the Varnelli distillery, in the small mountain village of Pievebovigliana (Sibillini Mountains) is a distinctive element. Girolamo Varnelli (our founder) was convinced of the identification of the company with the territory. He also stood firmly rooted here, even when it was more convenient to look down the coast for a more agreeable movement of people and goods (O. Varnelli, Chief Executive of Varnelli Distillery).

With our work, we don't want to go and just sell a product, we want to sell ourselves. We want to send an important message, to transmit a philosophy. We want to create a culture in this territory and of this territory: a sense of responsibility as a cause and not an effect of situations. We're not saints; we just carry out our obligations. We're not better than others; we're just different (F. Vitali, President of Gruppo FAAM).

My grandfather Gino lived and worked in this rustic place. He transmitted his love and passion for our land to me. Our original business was born from this love. Nature is a heritage resource that must be safeguarded, and it's important to do so now. This is the environmentally friendly philosophy which has encouraged us from the very beginning in the preservative renovation of the Cà Virginia structure, deciding to equip it with a photovoltaic, solar—thermal and geothermal—system, the largest in the Marche region (G. Rossi, Managing director of Cà Virginia, Country House & Wellness, Green Community area).

*"Our bank is leveraged on one attitude: proximity, which is physical, relational, family-oriented, oriented to our associates, to the personalization of products and services. That means identifying oneself with the local economy, starting from the region and having the capacity to render it aprotagonist. The components of board of directors are exponents in the areas in which BCC operates and it has committed itself on its own honor to create social values for its associates and for the community."* (Luigi D'annibale, General Manager BCC Gradara).

## 9.5 Conclusions and Implications

The study proposes a reflection upon the importance of entrepreneurial and business values, shared and reinforced throughout given areas, with reference to the proclaiming of CSR and orientation towards sustainability of the SME by way of paths “rooted” within the local contexts. Deductive and inductive analysis is aimed at supporting the role of small and medium-sized businesses in providing examples of, and “driving,” real means of good governance—many of which truly spring from that family-based world of capitalism, often criticized—, which hosts precious testimonies.

Empirical analysis carried out on a sample of Italian SMEs, CSR-oriented and belonging to the Marche region, strengthens the propositions posed as basis for the study. The social strategy of the enterprises observed is based on an effective government of systems of relations within the firm whose principal actor is the owner-entrepreneur/manager. The successful entrepreneur always appears to be the one who helps rediscover values, and who is capable of creating solid rapports and “true” relationships with interlocutors. The case studies are examples of how entrepreneurs thanks to their particular “way of being and of doing business” promote cultural reorientation, helping others to unlearn the bad habits inspired by “turbo-capitalism” (Matacena and Del Baldo 2009) and to valorise humanity, relationships, and the territory in which they do business. They show themselves to be capable of influencing and molding the socio-economic terrain from which they come. In sum, this emerges from the richness and the appeal of their own virtuous examples, capable of calling others to imitate those virtues”. A solid ethical framework depends both on entrepreneurs’ personal values as well as on a synthesis of socio-cultural and anthropological, environmental factors. This so called *genius loci* characterises the given territorial area, such as Marche, marked by a proliferation of local systems of production formed predominantly by small businesses.

The possible pathway of territorial CSR based on the culture of doing “good” in the local context, may offer to be a possible alternative to the often, unfortunately, short-sighted “turbo-capitalism” of the major transnational companies (Matacena 2008), which are not rooted in the area where they are located and “nomadic” in their character. The model of “gentle capitalism” centred around “territorial” SMEs, which can be found in the business contexts under discussion, leans on the construction of a large consensus both within and external to the company, as well as on an environment which is neither restraint or limitation, rather it is an opportunity. An actor in the foreground can therefore be identified, in that industrial world made up of “minor” companies, often less visible since it is scattered and fragmented, and sees the territory as a resource and is studded with virtuous situations, which with their own daily effort to bet on a brighter future, on knowledge and on territory, defend and make the most of not just the economy, but also the environment and landscape, the cultural, historic and artistic heritage of a country. “Convivial” companies, experienced as common good, do not limit

themselves to being hidden champions, rather they offer the chance to inspire the world in another manner. “In the era of globalization, economic activity can no longer leave aside gratuitousness, which disseminates and nourishes solidarity and responsibility for justice and the common good in its various subjects and actors” (Pope Benedict XVI 2009: 60).

Perhaps it is opportune to bet on this way of doing business in the era of globalization, where, paradoxically, competition seems to be destined to be played out on the excellence of individual and local areas. Here is the starting line for building new economically-sustainable development itineraries, which preserves territorial structures and vocations.

## 9.6 Limitations and Further Research

Focusing attention on entrepreneurial values, on social capital and on the rootedness of SMEs, the study allows us to generate the hypothesis that SMEs’ CSR orientation and strategies are influenced by both the firms and the entrepreneurs’ values structure, and their embeddedness in the local socio-economic contexts to which they belong and in which they are inserted.

However, despite providing some additional contributions to the current literature on CSR and SMEs, this study has a number of limitations some of which could be overcome at later stages of the research.

Firstly, we mention that the limitations are mainly related to the fact that the empirical study is qualitative in nature and based on the analysis of a multiple case-studies. Thus, the results cannot be generalized and cannot be considered exhaustive.

More research is needed in the future. A more profound understanding requires an even deeper qualitative analysis that is broadened by a quantitative analysis. The question remains whether it is possible to extend these findings to a broader sample (analytic generalization) across different Italian local contexts, starting with SMEs belonging to the same region (Marches) and extending across other regions and even other countries. This would necessitate a detailed investigation into how the socio-economic environments influence entrepreneurial and SMEs’ values. In addition, it can collect data on the similarities and differences in firms’ values frameworks that come from different cultural factors. As far as the reflections matured during the course of this study are concerned, future research may attempt to critically evaluate this model by turning our attention to regions both geographically and culturally close to the Marche and to local national and international contexts characterised by widespread entrepreneurship, in order to identify and to analyze, in a comparative way, the cultural, anthropological, social variables which make up the values context. Furthermore, the analysis could be extended to SMEs belonging to other regions, characterized by different socio-economic, cultural and anthropological contexts (i.e. regions in the South or Northern Italy). In this way it would be possible to verify if and how several



factors of context, more or less favourable (i.e. the presence of large companies and large urban areas) impact on the development of CSR, social capital and embeddedness.

Possible research developments could also derive from a quantitative analysis. The qualitative study could then be accompanied by quantitative research aimed at verifying the hypothesis drawn from the propositions.

At the same time, other successful cases need to be considered, but conversely, a number of “cases of failure” need to be analysed to verify the validity of the propositions. Future research should focus on testing the suggested hypothesis, with the scope of providing a foundation to the model of development centered on the best practices of territorial and convivial SMEs.

Lastly, this paper argues that SMEs’ social capital and embeddedness stems from their strong identification with a shared heritage of cultural values at the local level, but there are no distinct criteria for measuring these factors. Hence, further research must address the operationalization of social capital with a set of variables that may affect responsible behaviour, such as religiosity, family business, community culture and incentives.

Nevertheless, it is hoped that the study presented here has marked a step towards better understanding the centrality of a place’s culture, of which territorial companies are expression and constitutes a useful starting point for future reflections on the possibility that the relationship existing between the culture of a territory and the entrepreneurial values expressed within it is predicated on CSR-oriented strategies. Consequently, it is useful to reflect on the possibility that these experiences, even in their specificity, can offer an original contribution and enrich the literature on SMEs’ role in promoting forms of genuine stakeholders management and innovative pathways to sustainability in a world that need a profound cultural renewal, starting from values and relations.

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