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**“Corporate Social Responsibility and
Corporate Governance in Italian SMEs:
An Analysis of Excellent Stakeholders Relationship
and Social Engagement Profiles”**

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Corporate Social Responsibility and Corporate Governance in Italian SMEs:

An Analysis of Excellent Stakeholders Relationship and Social Engagement Profiles

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Contents – 1. Introduction – 2. Business ethics, social responsibility and governance: an analysis of the conceptual framework – 3. Ethics and governance in large companies and in small and medium-sized businesses – 4. Governance and CSR in SMEs: brief notes about the empirical context – 5. Some experiences of excellent stakeholders relationship and social engagement profiles in Italian SMEs – 5.1. *Research objectives* – 5.2. *Methodology* – 5.3. *The manifestations of social engagement* – 5.4. *Reflections on CSR's impact on governance* – 5.5. *Mission, governance, and accountability in "spirited businesses"* – 6. Conclusive remarks

Abstract

The study proposes to individuate the relationship between social engagement, social statements and governance of SMEs focusing attention on the elements of the trinomial mission-corporate governance-accountability and on their reciprocal relations.

Does a positive relationship between the adhesion to a culture of social responsibility and evolved systems of governance exist? And is such correlation more or less significant for small and medium-sized firms with respect to large-sized firms? The paper winds itself around these questions and describes the principle findings that have emerged from the qualitative investigation focused on a selected group of "cohesive" Italian SMEs, in which the nexus between the evolution of corporate governance and socially responsible management practices were examined.

The central hypothesis is that in the presence of a solid ethical framework, which is promoted and shared by the entrepreneurs and managers who guide the business in carrying out socially responsible practices and towards adopting methods communicating them (such as a charter of values, a code of ethics, social report, etc.), the arrangement and quality of governance can mitigate tensions and dedicate more energy towards the good of the business, of its workers, and of the society and environment in which it operates.

The work is articulated in four principle parts. The first section traces its theoretical and empirical context; the second provides a description of the methodology (survey research conducted in May 2008 through a semi-structured questionnaire on a sample of SMEs in the Marche Region). The third part describes and interprets the principle findings that have emerged from the qualitative investigation focused

on a selected group of “cohesive” SMEs The last section closes the paper with final remark. The concluding reflections trace the features of a territorial model of socially responsible orientation centered on the best practices of SMEs who are excellent examples of “spirited businesses”.

1 - Introduction

Businesses are increasingly finding themselves reflecting on the possibility of embracing social responsibility as an opportunity and a challenge around which they can transform their governance. The complexity of the enterprise government, fueled by processes of globalization and the centrality of knowledge-based resources, has increased with the enlargement of interlocutors who, either directly or via mediation, have legitimate interests in the business.

Where an adhesion to multiple declensions of CSR (Corporate Social Responsibility) is present, corporate governance positions itself at the center of relations between stakeholders, strategic profile and internal processes, human capital (Gazzola and Mella, 2006) and is experienced as enlarged governance (Sacconi, 2003; 2004; 2008).

A necessary condition is the involvement of top management: the management and/or the entrepreneur serve as the impetus for the reorientation of the firm’s mission, from its maximization of profits to gaining value that comes from economic performance and finds a source in the modification of the business direction and the rules that govern it.

If it is true that the consideration of ethical principles in a business’ choices and policies is particularly important for large businesses that are organized and run as public companies, then it is likewise true that in small and medium-sized businesses, the dedication to, and articulation of, socially responsible management philosophies must reverberate directly across a plurality of “intangible” components.

Among these intangibles are the company’s strategic profile (in terms of integrating practices in a system of initiatives and integrated behaviors with the overall business strategy), the culture of the enterprise, the processes of accountability (improving systems of collecting and diffusing information, of disclosure and of informational transparency, as well as introducing procedures and forms of control), and systems of corporate governance (systems of decision-making processes and of internal control, configuration of assets and related matters). It is this totality of factors that reflect that specific nature of the SME: the convergence around the mission and value-set, facilitated by the proximity and by the direct involvement of the owner and/or the entrepreneurial family in managing the business; the simplicity of its organizational structure, which allows direct and frequent rapports between the corporate actors; and its rooting in the surrounding territory and socio-economic context. This last factor assumes particular importance in driving the business towards forms of CSR that share a common thread – namely, they all possess values that typically express a particular socio-cultural and economic tradition of the territory in which they are imbedded.

This being said, the research proposes to individuate the relationship between social engagement, social statements and governance of SMEs, focusing attention on the elements of the tri-nomial mission-corporate governance-accountability and on their reciprocal relations.

The central hypothesis is that in the presence of a solid ethical framework, which is promoted and shared by the entrepreneurs and managers who guide the business in carrying out socially responsible practices and towards adopting methods communicating them (such as a charter of values, a code of ethics, social report, etc.), the arrangement and quality of governance can mitigate tensions and dedicate more energy towards the good of the business, of its workers, and of the society and environment in which it operates.

2 – Business ethics, social responsibility and governance: an analysis of the conceptual framework

The nexus between corporate governance and the management's and/or the entrepreneur/business owner's responsibility is a theme that is placed within the context of the theoretical debate on the social responsibility of a firm, which for over thirty years has involved academics from diverse disciplines.

At its inception, the debate was composed of the theory connecting corporate social responsibility with that of pure economics (Friedman, 1962) and took form in a liberal model based on shareholders for whom the social commitment is discretionary and not connected to the business' mission.

In the 1980s, the so-called debate revolved around the question of the instrumental use of CSR, for which ethical behavior was positively reflected on the economic performances of the firm (“*good ethics is good business*”) (Matacena, 1993; 2005a; 2005b).

In recent decades, the theme has moved to the forefront and has fully merged into the ethics of responsibility theory: “the duty of management is to actualize a balance of interests among all stakeholders, and social responsibility can (and must) be redirected towards the emersion of moral preferences and their connection with particular types of businesses (civil and social businesses) or, in lucrative firms, towards particular mechanisms of governance in which a relational perspective prevails” (Zamagni, 2003; 2006).

According to such notions, CSR is an instrument of governance that facilitates the compliance of a possible encounter (“social contract”) among actors in the firm, in light of resources brought about by single stakeholders and of rights/duties of the same¹. And both government and governance become simplified when trust in the management and/or the entrepreneur increases

¹ For a precise elaboration and a historical analysis of the concept of social responsibility in lucrative enterprises, see Matacena, 2005a; 2005b.

and even more so when the same trust is repaid by the right results, equitable and gratifiable for all (Jones and Thomas, 1995).

Ethics among strong and weak interests, inasmuch the doctrine and practice is oriented towards the decision between right and wrong, complete stakeholder analysis and represent an effective and necessary response to real demands of present and future corporate governance.

Such a perspective – stakeholder theory – thus signals the passage from a governance centered on managerial and entrepreneurial aims to a multi-polar or holistic model (Sciarelli, 2007), which considers all who “matter” to the company, and their doctrinal features (Freeman and Reed, 1983; Freeman, 1984). The latter provided the foundation to a responsibility composed of economic and social demands which provoke new problems, of which he who governs cannot foresee.

The problems of company government² touch on both the firm’s structural profile – that is, the arrangement of organs positioned at the top of the organization – as well as its processual profile – that is, the system between which the organization is guided towards fulfilling its managerial objectives. Diffuse in the corporate, organizational and social spheres, these are able to be synthesized in “how the powers and the responsibility in the firm’s government are distributed” and, even before that, in “which contents, boundaries and forms such responsibility must assume.”

In the past, the sources of such problematics fell along two poles: the administration of relationships with shareholders, and the management of the company. On the one hand is the regulation of the socio-societal relationships. On the other is the motivation of the organizational body. The principal protagonists are the shareholders, the management and the dependents. In the latter decades the two-part question “who effectively governs” and “for whom” was enriched with the addition of a third question: “which interests should be favored,” rendering insufficient, from a normative point of view, the responses that come from the agency theory³ (Williamson, 1975; Jensen and Meckling, 1976).

Such conceptual limitations were in part overcome by the stakeholder theory, which is founded on a communitarian vision of the business, which adheres more closely to the role of

² Specifically, the aspects that lead corporate governance are: proprietary asset and the composition of the firm’s organs of government (among these, for example, the role of the non-executive directors and of the independent administrators; safeguarding minority shareholders, remunerating those who work in the organs of government, providing forms of participation and capital such as stock options, etc.), relations and interactions among these organs (ownership, board of directors and management), the distribution of power and responsibility to the highest levels of the organization, the modalities of selecting and remuneration of the upper and middle management, transparency of the acts of government and internal control (nomination, remuneration, audit committees), the economic and financial information system, the modes and the instruments with which the decision-making processes and behaviors conform to the principles that inspire the functioning of the business.

³ Such theory maintains that the subsistence of the fiduciary mandate that links shareholders (*principal*) to managers (*agent*) for the management of the firm, connecting duties to actualize in the interest of the ownership and of the investors.

such activity in the socio-economic context. The critical junction of governance no longer becomes the only one to ensure that the interests of the agent and principle coincide, but rather that the management can take place with respect to the interests of the more diversified stakeholders, as well as with those subjects connected to the enterprise itself. This requires compatibility studies between the maximization of economic returns of investments for shareholders and the satisfaction of aspirations – economic and non – of all the participants in the life of the company⁴.

There are three distinctive factors here: the consideration of the *agent/king-maker*⁵ – the recipient and fiduciary-holder that is not exclusive with the ownership, but multi-fiduciary with all stakeholders; understanding the possibility that the ownership is not only or always at the top of the pyramid of interest-holders; and the relevancy of the motivations of business actors that guide the choices and objectives. These last factors have and “have to do” with altruism, moral gratification, the “logic of happiness” (Baldarelli, 2005; 2007; 2008), satisfaction, gratuity and gifts, and the honor of such behaviors (Brennan, 1994).

Nevertheless, it remains difficult in practice to create a multi-fiduciary approach with respect to the equitable treatment of all interlocutors, as well as to understand its relevance. Certainly the concept of stakeholder can be interpreted in more or less restrictive or extensive ways, may include multiple distinctions (primary and secondary stakeholders, internal and external, influential, recognized, etc.)⁶, and is intended to be understood dynamically.

Such a framework rests on the disassociation between ownership and government of the company, which is typical in the United States but rare in other contexts – especially in our own Country. Two points of critique. The first is relative to the possibility of stakeholders to share decision-making power with the managers of the firm (Post *et alii*, 1996). For the orientation of socially responsible management to be effective, it is necessary that it is not limited to stakeholders’

⁴ The cardinal rule of stakeholder theory is that “he who governs the firm must consider the rights, the interests and the expectations of all those who may be influenced by managerial decisions and who, conversely, may exercise their influence on the results of such decisions” (Freeman, 1984, p. 46). On this theme, see also Donaldson and Preston, 1995; Jawahar and McLaughlin, 2001.

⁵ On the concept of *king* (he for whom the business lives), *king-makers* (the subjects who place the rule of command in the hands of he who exercises control) and of control (versus the *king* and *king-maker*) on the part of those who preside over the internal/external reporting of the firm, that is, the accounting and accountability systems whose aim is to develop qualitative and quantitative economic-corporate information and reporting versus the other two categories of subjects (necessary, respectively, for deciding and for exercising control), see Maticena, 2005a.

⁶ On the attributes and the typologies of the concept of stakeholder and on *stakeholder management* present in the literature (Clarkson, 1995; Mitchell, Agle and Wood, 1997; Phillips, 2003; Werther and Chandler, 2006) see Sciarrelli, 2007, pp. 21-31. Drawing on the diverse classifications that the Author distinguishes, based on the roll played of, among contractual *stakeholders* within the firm (shareholders, management and dependents); contracted associates outside the firm (clients, providers and financiers), regulators (public administration, local community and competitors); opinion-makers (media, opinion groups, activists, etc.) and proposes a taxonomy of routes of management and evaluation of the same in function of the collaborative behaviors, of support and of opposition (friendly stakeholders/supportive relations; adverse stakeholders/non-supportive relations; non-oriented stakeholders or “mixed blessing;” those on the margins).

own identification⁷ (Goodpaster, 1991; Goodpaster and Matthews, 1982), but it must be assumed through their expectations and necessities of the decisions. This more ample approach flows into an “*enlightened stakeholder theory*” and opens the way towards an application of ethical values in corporate choices. This is translated into the model of *CSR-social-responsiveness-issue management*⁸ in which the principles of solidarity and trustworthiness are reconciled and enmesh themselves in diverse levels of commitment correlated with the typologies of relations with stakeholders.

The second aspect, linked to the first, regards the just treatment of the same. The concept of fairness, according to part of the doctrine, recalls principles and values of a moral nature, which are necessary to supplement or integrate scarcity in a form of governance that is not effectively disciplined towards a juridical orientation and towards prominent market forces, so as to balance the conflicting interests of diverse participants.

Other important contributions that help to explain the relationship between CSR and governance and that offer an interpretative key regarding small-sized firms come from the *stewardship theory* (Davis, Schoorman and Donaldson, 1997).

This one is based on an orientation of cooperative and non-conflictual government, founded on trust and oriented towards the long-term.

The steward or trustee follows the objectives of the organization and not individualistic ones as provided in the agency theory. Thus it surpasses and completes stakeholder theory which, while opening the field to an ethically infused form of governance, better responds to the characteristics of problems of government and management of the large-sized firms. Attention shifts, in fact, to motivational, situational and relational aspects (this last one is enriched by communicating the social commitment), which is well adapted to the vision at the core of a firm’s mission, and of the system of government typical for small businesses that are socially oriented (Chirieleison, 2002).

In this context, the vision of the problems of corporate governance is strongly linked to human nature or, rather, to how he who governs reads the values of the human beings who are committed to the business. And the distinction lies in the diverse characterizations of his motivations.

With respect to the manager, the entrepreneur is rarely motivated by purely economic factors. More often, (s)he experiences more ample stimuli under the social profile, is characterized by a

⁷ *Stakeholder analysis* is articulated in three phases: distinguishing stakeholders in general, identification of the firm’s stakeholders, and analysis of their interests; while *stakeholder synthesis* involves the evaluation of the interrelationships between the same, and the ethical decisions that are balanced between economic ends and social ends, and between strong and weak stakeholders.

⁸ *Issue management* as an instrument for improving the capacity of the firm by discovering the emergent social problems and responding to them with specific programs of activity.

strong identification with the organization (organizational commitment), and is given personal power linked to authority, as is typical in stewardship relationships.

Subjective variables lie at the core of entrepreneurship, which serve to explain behaviors, returns to personal characteristics and motivations of a psychological (McClelland, 1965; Rotter, 1966; Brockhaus, 1987; Chell, 1985; 1987; Kets de Vries, 1977) and sociological (Stanworth and Curran, 1973) nature⁹.

In the sphere of typology matrix studies on entrepreneurship, diverse researches have identified the drivers of strategic choices to be the values and in the attitudes of small entrepreneurs; they utilize social scientific concepts to explain the behavior of individuals and of social systems.

Numerous classifications of entrepreneurs have been drawn, based on the types of objectives and personal characteristics they possess. This was done to obtain typologies of small-scale firms utilized in economic-business analyses.

In the context of strategic studies on these businesses, strategic models have been proposed (Julien, Grepme, 1994) which place the objectives of the entrepreneur (which are identified with that of the firm) among the key variables that influence strategy next to organizational factors, the environment (intended as global society and as sectors of activity) and production activities. Values and attitudes towards the social context are central factors in the strategic system, which is guided by the entrepreneurs' goals; they are expressed by the vision, the "entrepreneurial formula" and by the plan of action.

Competitive positioning of the firm springs not only from adapting to the binomial trade/mission but also "*from the business' capacity to open itself up to ethical values dominant in society, to the resulting roles and responsibilities and thus to the necessity of a legitimacy in which factors of valorization of its image: the strategic importance of such factors, even in the small firms, renders the above-mentioned capacity a component of the strategic orientation of its subject*" (Marchini, 1995, p. 114).

Therefore, although the ethics corporate culture is not born in the environment of small firms, which have been given less attention in ethics literature (Spence, 1999; Tilley, 2000; Spence and Ruterford, 2003; Spence and Schmidpeter, 2003), it finds its own matrix in the very specificity of the motives and the values that guide the policies and the actions of the small-scale entrepreneur. There are three essential motives: the influence of the subjective sphere, which in the small firm is maximized, the importance of relating to the internal and the external, proclaimed by its limited dimension, and the social rooting of the small business and of its creator (Del Baldo, 2006).

⁹ For a more ample analysis of the principle lines of study on entrepreneurship and on the types of entrepreneurs see Marchini, 2000; for a review of the principle theories on the goals of entrepreneurs see Chevalier, 1983.

3 - Ethics and governance in large companies and in small and medium-sized businesses

As touched on above, the problematics are implied in different ways in large businesses and in small and medium-sized firms¹⁰.

Large corporations usually separate ownership and control, and dissociate between the figure of the business owner and the entrepreneur, replaced by a delegated manager. The different interests of the owner and the management elicit problems of practice and of control of the same proxy, inside of which the system of shared values becomes central¹¹ and the opportunity to balance/reconcile the interests and powers of the diverse protagonists in the life of the firm.

The search for the values that provide the foundation to the proxy manager and to how his decisions are put into practice has recently tended to view ethics as the key factor. “*Values nourish the organization and enhance the spirit of entrepreneurialism*” (Lamont, 2002). Values, therefore, are like roots, which inspire the strategic orientation of responsibility, constitute the most important source of identification inside the firm and the primary basis of external legitimation (Cerana, 2004).

The majority of top men in large firms consider it a factor of success and demonstrate that they are sensible towards social responsibility and business integrity (Longenecher, 1989; Longenecher *et alii*, 2006), which is no longer an option but an indispensable element for the creation and maintenance of positive relationships. Even if the CSR has yet to factor into the value structure of the entire management, it nevertheless increases its orientation towards an “exchange of abilities.” This model, imported from the Anglo-Saxon world, increases the space of dialogue on the terrain of governance and of competences and capabilities between the enterprise in the for-profit sector and non-profit organizations. Fronts of collaboration on projects and communal interventions are increased, there is a greater generation of multi-tasking managers – who are carri-

¹⁰ “When reasoning about the social responsibility and ethics of the firm, it is opportune to keep different cases separate. On one hand, there is the world of large, multinational companies who have a presence in many parts of the world, with their own gigantic organizations and with problems of insertion into cultures that are profoundly dissimilar. On the other hand, there is, instead, a system of small-sized companies, more strongly rooted in their place of origin, with quite simplified capitalistic structures and organizations. Thus it is possible to refer to different sides under the profile of the rapport between ownership and government of the enterprise, separating the context of the “public company,” prevalently North American, from that of the “family business” that is very diffuse in Europe. One can easily imagine that in these two cases, different levels of difficulty are assumed with respect to social responsibility and the introduction of ethical principles in corporate management” (Sciarelli, 2007, p. VIII).

¹¹ “Values are abstract ideals of those that are considered “good”, desirable, preferable; they don’t have a specific object or situation and construct models that guide and determine action, scope, attitudes, ideology or representation of itself in terms of others. Even the attitudes are beliefs possessed by people, but are less stable and always refer to a specific object or situation. Values and attitudes influence individual and collective behavior in many ways in the field of strategic management; those possessed by the entrepreneur or by the management are considered among the principle factors that determine the strategic decisions of the enterprises.” (Marchini, 2000, p. 92).

ers of supportive values – as well as the number of top-level executives that move to the third sector¹².

What changes when the entrepreneur is the owner-manager of the business?

A first distinguishing feature is that he is not a stakeholder, but is their own principle interlocutor. It is the same entrepreneur, and not his proxy, that seeks the right balance between personal interest and the interests of other stakeholders.

Secondly, his understanding that the solidity of the firm's success and the consequent relapse in terms of social power is also founded on respect for both economic balances and on moral values. (Quinn, 1997).

Entrepreneurial motivations and aims are placed at the base of the theory of social success of the entrepreneur. Success is measured by not only the results achieved by the enterprise, but more so by the achievement of respect gained from the surrounding community. Social leadership represents an endpoint of entrepreneurial activity and social power finds its counterbalance in social responsibility attributed to, and embraced by, the entrepreneur.

In large companies, due to the diverse grade of identification between the enterprise and the manager, and the non-persistence of the rapport with the enterprise, success fulfills an intermediate or instrumental aim. The proxy finds it difficult to define the subjects he is to promote, in fact, the entrepreneurial aims. Trust is cemented in the achievement of durable economic results for the shareholders, often negating the “luxury” of ethical principles and objectives in the company's management. Short-termism is privileged (Hosmer, 2001) over the construction of long-term values, and is connected with the firm's image and with the improvement of relationships among all of the stakeholders.

Regarding ethical principles, the manager may not have much discretion or may encounter limits. For the entrepreneur, the pervasiveness of ethical values in the company's decisions is maximized. *“In SMEs the owner-manager is both the driver and implementer of values. Managers exhibit their personal values through the exercise of managerial discretion and SMEs' owner-managers have the autonomy to exercise such discretion.”* (Hamingway and Maclagan, 2004).

For the owner-manager, the link between the company's success and his own is personal and more closely visible with respect to that which is realized in the contexts of proxy entrepreneurship and of public ownership. This aspect, together with other factors typical of SMEs (independence, polyvalence, the prevalence of personal and informal relationships (Spence, 1999) render the path from the ethics *in* the firm to the ethics *of* the firm (Sciarelli, 2007) more arduous for large-sized companies. This also stems from the fact that examples of top managers capable of

¹² The outcomes of a recent study conducted by Asa Amrop Hever, executive search society (*Il Sole 24 Ore*, Rapporto Responsabilità Sociale, 25th March 2008), confirms such a tendency, published in the third Report on Social Responsibility in Italy, Osservatorio Altis-Isvi, 2006.

arousing emulative behaviors and of transmitting to the whole organizational body values coherent with social and ethical profiles are less visible. And while there is a lack of will at the top of the enterprise, typical instead of small-sized firms is to measure the long-term benefits.

In small businesses, the transmission of values is simplified by the flexibility and thinness of the organizational structure. The ethical principles are diffused through decisions of people who are influenced by strong moral values (trust, loyalty, equity), and who often have an innate attitude to perceive the ethical dilemmas inherent in such decisions and to evaluate the sustainability of their ethical choices for maintaining the firm's equilibrium. Attitudes further strengthen the adhesion to the practices and the instruments formalized by the CSR (codes of conduct, ethical codes, social, environmental, sustainability reports, etc.).

These last facets perform a plurality of roles (Matacena, 1984; Rusconi, 1988; Viviani, 1999; Vermiglio, 2000; Hinna, 2002): communication, organizational and managerial hiring, and identity (reinforcement of the organizational culture), institutional audit (measurement of the coherence between mission and management). Their strength and their ability to become real tools to govern relationships depend, however, on the spirit with which they are realized, how they are morally sustained, and how they are codified.

In large businesses these instruments, together with the institution of specific figures (ethics committees, sustainability controllers, ethics officers, CSR officers) often represent the only means of creating consent around the correct delegation of powers, to develop an ethical means of training employees, to create a space of dialogue and of comparison and to establish emulative processes, overcoming bureaucratic obstacles and the logic of the budget.

In this context, accountability – if it is conceptualized as an informative system that in for-profit firms facilitate dialogue and coordination among the management/entrepreneur and the principle internal/external interlocutors¹³ – produce reports that are able to be utilized to “give accounts and request accounts” of its mission, to converse and to “plan” with all those who contribute resources in their varied forms, to produce information on economic externalities and not those generated and assumed by the firm.

In this sense, the corporate social reporting (social-ethical-accounting-auditing reporting - SEAR -) is composed of a fusion of reports aimed at:

- illustrating the vision that the firm has about itself, about the world in which it operates and exists (for example, across codes of conduct and regulation);
- explaining the characteristics of its own governance and on its measurements, so as to reduce or mitigate conflicts of interest between shareholders and managers who are co-present in the strategic management (for example, providing information on the remuneration of top man-

¹³ On the relationship between information and communication (in stakeholder and corporate views) and corporate governance see Brondoni and Gnechi, 2007.

agement, on the presence of effective independent administrators, on the organs and instruments of internal audit, and on the movements of stocks owned by administrators);

- providing information about the processes of coordination with the stakeholders and their economic successes (production and distribution of added value statement), on private social costs, on the social costs assumed, on the internalized social proceeds and on the externalized private ones), as well as trying to explain this information in economic terms to make the costs that the firm is supporting understood, so as to effect the assumption of a specific line of social responsibility.

Finally, the social orientation of the firm and its reflection on accountability (Gray, Owen and Adams, 2000), is simplified in small and medium-sized firms, to see to it that the principle font of value and values are less invisible to accounting.

4 - Governance and CSR in SMEs: brief notes about the empirical context

One relevant aspect that emerges from the researches conducted on the diffusion of CSR in SMEs (MORI, 2000; Joseph, 2000; European Commission, 2002; European Union, 2004; Molteni *et alii*, 2006) is that the process of orientation towards CSR normally is promoted by the top organs/members of corporate government: entrepreneur, governing director, board of directors, president, managing director, general director; less frequently is it started by those responsible for the functions and organizational divisions who are directly impacted by the themes of CSR.

A second element of interest is the influence of the practices of CSR on the strategic profile, which is manifested overall in terms of the development of a culture of responsibility *in* and *of* the firm. Direct involvement in such problematics helps to elaborate the mission, or to rethink its tangible aspects, to formulate new strategies towards certain categories of stakeholders, to stimulate the introduction or the revision of the ethical code, to increase the attention paid by the board of directors towards the themes of CSR, to promote modifications to the internal audit system or to introduce new organs of control.

A third trait is the capacity of the instruments of CSR (and above all the social balance and global report) to act as a driver for sharpening certain aspects of the system of corporate governance, for responding to the demand for accountability, and for developing a strategic information system.

Regarding the performance indicators expressed through international and national standards (GBS, 2001, 2005; GRI, 2002; CSR-SC (Social Statement) Project promoted by the Italian Ministry for Labour and Social Policy, 2004), which that act as indicators of the effects of CSR on corporate governance, positive signs emerge, especially in terms of the space given to the representation of minority shareholders and to independent directors through frequent meetings of board of directors. These traits (involvement of managers, planning for succession, renewal of organs of government, exceeding the level of compliance and protection of the

organs of government, exceeding the level of compliance and protection of the petitions of stakeholders) make the divide between the large and small businesses' involvement in CSR less profound and significant. At the same time, it underscores the successful trend that the typical culture of patronage based on the centralization of responsibility and the traditional closed nature of family-owned SMEs is moving towards incorporating the participation of external subjects.

Although the path towards an emersion in best practices must be intensified, most small firms already “do the right thing” or, at least, “do many good things”, adopting mild instruments and instituting simple rules (for example, a list of values) that establish the beliefs of the firm, predispose rapports on best practices or articulate a code of responsibility and principles of governance. And where the communication of CSR is more structured (social, environmental and ethical accounting), as in the actual experiences of the firms analyzed below, they help to overcome the limits of financial and economic information of balance and the fragility of traditional accounting and informative systems, and open new paths of growth.

5. - Some experiences of excellent stakeholders relationship and social engagement profiles in Italian SMEs

5.1 - Research objectives

The scope of the following study is to individuate the particular traits of the mission, systems of governance and of accountability that characterize the SMEs which carry a business culture in which social responsibility is lived within the governance of the firm (Sacconi, 2004).

The explication of the research question (Ryan *et alii*, 2002) can also be articulated this way: to individuate the relation between social engagement, social commitment and governance in SMEs.

First, this requires attention to be focused on the elements of the trinomial mission-corporate governance-accountability and on their reciprocal relations, departing from the assumption that “in every business there must be an explicit and coherent coordination between mission, governance and accountability” (Matacena, 2005a).

Mission is used here to mean an explication and a synthesis of the company aims; corporate governance as the command structure and of the government present in the company; accountability as the informative responsibility of the company.

Second, this implies that one must identify those aspects of the system of governance in small and medium-sized firms which draw on the positive actions that orient the models of behavior of the SMEs who are capable of realizing socio-competitive synthesis (Molteni, 2004). Socio-competitive synthesis is itself derived from a stable and structured approach to CSR, incorporated in its own strategic orientation, in its underlying mode of governance and its system of internal and external reporting.

The underlying hypothesis is that in the presence of a solid ethical framework – promoted and shared by the top members of the company who guide the firm in its development of a socially responsible management style and towards the adoption of instruments (social statement) of communication (list of values, code of ethics, social, environmental, sustainability report, etc.) – the structure of governance and its qualifications encounter less tensions and can orient energies towards the good of the company, of its human resources, of the society and the environment in which it is found. Where CSR is a characteristic trait of corporate culture, the consensus at the top concerning what the firm intends to become, and the focus on the standards at the base of decisional criteria, characterize systems of corporate governance that are more transparent and concerted, and that reinforce organizational cohesion, the enterprise climate and the trust factor (commitment).

5.2 - Methodology

The following study was developed according to a qualitative approach and a methodology based on field case studies. Specifically, it was centered on the analysis of seven case studies relative to the Marchegian SMEs¹⁴ that belong to mature and emergent sectors, characterized by different social and environmental contexts, and represent the entrepreneurial and economic fabric of the Region.

The fieldwork approach, as suggested in the literature (Adams, 2002) facilitates the involvement of the researchers of business economics in the actual activities of the companies to study the processes and the organizational practices of social accounting¹⁵.

This methodology consists of individuating the internal factors (organizational 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.), explain the complexity of the social statement and that, other than influencing the nature and the extent of the corporate social reporting and of the social engagement profile, impact the system of governance.

In general terms, the case method¹⁶ has the double aim of detailing the principle characteristics of the phenomena, and to both understand and analyze the dynamics of a given process. Under the methodological profile, the development of a case study represents a “strategy of research that is concentrated on the comprehension of the dynamics that characterize specific contexts” (Eisenhardt, 1989, p. 532). The qualitative approaches and the forms of research in action (*re-*

¹⁴ In the definition of an SME, along with the attributes defined by the Recommendation of the Commission of the European Community on 6 May 2003; 2003/361/CE, the qualitative parameters were considered (independence of the economic subject, connection between ownership and control), following a setting diffusely adopted in the studies and in the research on small-sized businesses.

¹⁵ Among the researchers who have adhered to such a viewpoint see Contraffatto, 2005.

cherche-action)¹⁷ allow for one to describe, explain and understand the entrepreneurial situations in their own dynamics and in their own evolution.

Specifically, this constitutes a precious instrument for “capturing” the diverse manifestations of socially responsible government and of stakeholders relationships of the firms, and to utilize the results both with a cognitive aim as well as with normative merit; such “*cases for CSR or normative cases*” can indicate best practices and to suggest criteria for further action (Craig, 2003).

The study of the field first attempted to identify the central value present in the companies interviewed, its translation into a mission, its connection with the firm’s socially responsible orientation (driver), the presence and the depth of its philosophy of socially oriented management and, consequently, the impact on its relationships with stakeholders, its reflections on the structure of government, and the presence of instruments of accountability. The typology elaborated by Molteni (2004) was utilized to place the behaviors of the firms in the sphere of a grid of codified readings. Lamont’s (2002) theoretical diagram was employed to individuate the most relevant aspects of a “spirited business”.

The analysis was based on the collection of information acquired in May 2008 from diverse interviews with the top entrepreneurs/managers, on direct observation during the visits to the selected enterprises, and on the analysis of available documentary sources (content analysis).

The phases across which the empirical study was implemented and the decisions formulated are represented in the table below (Table 1).

Tab. 1- The phases and the choices of the empirical study

<i>Phases</i>	<i>Object of the Choices</i>	<i>Motivations of the Choices</i>
Specifics of industrial sectors referenced	Wood-furniture-interior decoration; paper industry; engineering, machine tools-components, metallurgist industry; electrical and electronics equipments, automatic equipment and plants-design-robots (high technology); financial and banking services	Traditional and mature sectors, and emerging sectors, characterized by different social and environmental impacts, representative of the entrepreneurial fabric of the Marches Region (Italy).
Choice of the enterprises	Small and medium firms	Cohesive/multi-certified firms
Selection of areas and organs on which attention was focused	Top level of the company (entrepreneur - founder/successor -, managing director, general manager)	Entrepreneurial/managerial team directly involved in corporate governance

¹⁶ On an analysis of cases see Yin (1994; 2003); on specificities of research on small businesses see Silvestrelli (1986), Ferraris Franceschi (1993).

¹⁷ “*Une stratégie possible de recherche semble s’imposer à nous: l’étude de cas. Elle suppose un contact approfondi avec le terrain et permet de recueillir des données d’une très grande richesse, utiles pour comprendre des processus relationnels, des modes de création et de fonctionnement organisationnels, des processus de décision entrepreneuriale et l’analyse des faits et des perceptions que les acteurs attachent aux actions.*” (Fayolle, 2004, p. 117).

Structuration of the research instruments	Administration of a semi-structured questionnaire (paper and pencil interview method), prepared interviews, note-taking, tabulation, transcription, validation and correction, telephone conversations and contact by e-mail	Qualitative/quantitative analysis and triangulation of methods
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The enterprises were selected based on the following criteria:

- those following strategies of social responsibility with an adhesion to CSR codes;
- those adopting processes of social and environmental certification;
- those (regularly) publishing their social and environmental reports;
- those with ample and significant initiatives of social responsibility both on the national and international level;
- those who obtained recognitions/awards for their robust activities of social responsibility.

The principle attributes of the seven enterprises are synthesized in the table below (Table 2).

Tab. 2 – Characteristics of the firms

<i>Company title - Registered office - Year of constitution, Sector - Corporate purpose - Employees - Total Sales (2007) - Economic subject</i>	<i>Instruments of implementing and communicating CSR, Year Introduced</i>
BoxMarche Spa, Corinaldo (AN); 1969 Paper industry: design and production of packaging in food and houseware sectors 50 employees; 11.000.000 euro; open family-owned business	ISO 9001, year 2001; OHSAS 18000-SA 8000, year 2003; Social report, year 2003; Global report ¹⁸ , year 2006
Banca di Credito Cooperativo di Gradara, Gradara (PU); 1911 Banking services: financial, financing and brokering 94 employees; 16.200.000 euro; co-operative society	List of company values (“charter of values”), year 2002; Social report and mission statement, year 2002; Code of ethics, year 2004
Gruppo FAAM Spa, Monterubbiano (AP); 1974 Engineering, metallurgist industry: production of lead-acid batteries and ecological vehicles 230 employees; 60.000.000 euro; diffuse shareholding (not cited)	Quality certification ISO 9000 and Vision 2000, year 1997; Code of ethics, year 1999; Environmental certification EMAS/ISO 14001, year 1999 (first in its sector in Europe); Social report, year 1999; Environmental report, year 2001
Gruppo Fbl Spa - Della Rovere Spa, Pesaro (PU); 1976 Wood-furniture-interior decoration: products for living rooms, bedrooms, office furniture and supplies 137 employees; 38.000.000 euro; open family-owned business	Certification ISO 14001, year 2001; Social report, year 2005
Gruppo Loccioni, Angeli di Rosora (AN); 1969 Electrical and electronics equipments, automatic equipment and plants-design-robots (high technology): engineering, design and development of innovative solutions personalized in industrial automation, telecommunica-	List of company values (“charter of values”), year 1969; Code of ethics, year 1996; Social report, year 1997; Intangibles impact, year 1997; Cause Related Marketing, year 1999

¹⁸ The Global Report contains asset and liability statement, social and environmental report, and an analysis of intellectual capital.

tions, environmental control, electrical plants 290 employees; 45.000.000 euro; open family-owned business PRB Srl, Fermignano (PU); 1972 Metallurgist industry (metal galvanizing): production and manufacture of zinc sheet metal 160 employees; 20.000.000 euro; closed family-owned business (first and second generation) TVS Spa, Fermignano (PU); 1968 Metallurgist and mechanics industry: production of aluminum non-stick saucepans 276 employees; 57.000.000 euro; closed family-owned business (first and second generation)	Environmental certification EMAS/ISO 14001, year 2001 Quality certification ISO 9000 and Vision 2000, year 1999; Social Accountability Standard- SA8000:2001, year 2004
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5.3 - The manifestations of social engagement

The first level of analysis was focused on the identification of common lines (Table 3) relative to the core values and to the behaviors of the entrepreneurs and top-level managers, to the reflections on their mission, to the presence of instruments of accountability and reporting of CSR, to structural characteristics and dynamics of governance.

Tab. 3 – Key attributes of social commitment & engagement

<i>Key characteristics</i>	<i>Links</i>
Strong system of values Presence of a cohesive economic subject around base values.	“Values nourish the organization” (Lamont, 2002): diligence, labor, equity, trust, honesty, simplicity, integrity, parsimony, sense of family, team spirit, enthusiasm, energy, responsibility, communicative nature.
Orientation towards CSR strongly desired by the entrepreneur, visible and integrated in the enterprise, tendency to social success.	The top-level entrepreneurial/management commitment & engagement represented in “the first best practice”.
Affiliation in geographical zones historically characterized by a solid rural tradition, typical expression of Marchegian culture.	Rooted and engaged in spreading well-being in the local community in which the firm is located.
Decision-making process based on collaboration, sharing and transparency. Relational approach centered on trust value.	Organizational strength: participation. Climate is social and organizationally spread. Values, mission, objectives constantly reinforced across the culture and processes, articulated in a flexible and organic structure.
Instruments of accountability and communication of the socially oriented commitment.	Values and mission explicated and communicated that ensure consistency in decision-making and avoid value-gaps.
Cohesion to stakeholders as a source of mobilizing resources with far-reaching consequences.	Growth of intangible capital.
Affiliation in local, national, international networks of CSR.	Desire to testify to and understand best practices adhering to multiple occasions of exchange and comparison (workshops, forums, meetings, testimonies, etc.).

The second level of analysis is relative to the definition of the positioning of the firm with respect to the map of orientations towards CSR. Most of the firms considered (Table 4) possess characteristics of “cohesive” firms and of “multi-certified” firms (Molteni, 2004)¹⁹.

Tab. 4 – Types of orientations of the firms

BoxMarche Spa	Cohesive firm
BCC Gradara	Cohesive firm
Gruppo FAAM Spa	Cohesive firm
Gruppo Loccioni	Cohesive firm
Gruppo FBL-Della Rovere	Cohesive firm
PRB Srl	Multi-certified/naturally cohesive
TVS Spa	Multi-certified/naturally cohesive

In the first group of companies, the fronts 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;
- vast range of operations 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.)

On the whole, such behaviors increase the level of reputation and of consensus, and augment quali-quantitative development; the understanding of benefits extracted counter-distinguish the *Corporate Social Opportunity mentality* (Grayson and Hodges, 2004; Jenkins, 2006). Eventual forms of incentives are not important: these firms “run by themselves,” they follow a path, understood the fact that “things can be seen with different eyes to obtain great outcomes” (P. Picasso).

The firms that fall into the second group are located among the “multi-certified”. 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.). Although the orientation is more focused on procedural forms, diverse dynamics appear: they are multiplying the fronts of engagement towards CSR; they research more struc-

¹⁹ The Author identifies a typology of orientations among Italian firms, based on two coordinates (intensity of the phenomenon – that is, the socially responsible behavior – and qualitative aspects linked to the practice and to corporate behavior): cohesive firms, multi-certified, aware, able to be mobilized, skeptical.

tured forms of communication (projects to implement their social and environmental reports); they implement modifications to their system of government (familial succession, they nominate new top figures – outside of the family – general manager, managing director). The providing of measures of support (fiscal incentives, ratings for the participation in public competitions and bands for favorable financing, personalized consultancy, adhesion to moments of exchange of good experiences) can accelerate their development.

5.4 - Reflections of CSR's impact on governance

The third area of reflection more closely concerns the aspects connected to governance, which are presented below.

- Where there exists a family-based economic subject, even the non “director” share moments of reflection around values, strategic orientation of the firm and the rapport among members of the family-based government and stakeholders.
- In nearly all of the cases there was a strategic committee, in whose meetings those with distinctive competences (capabilities) who are responsible for the firm’s functioning participated.
- Managers outside of the family were present (even in the position of shareholders): the figure of an authorized and “illuminated” general manager/managing director performed with efficacy the role of the entrepreneur(s)’ alter ego and participated in the definition of strategic plans in which CSR was a substantial element.
- Even in the absence of a supervising organ on the governance (audit committee) there were forms of “social control”.
- In some enterprises (BoxMarche, Gruppo FAAM) the understanding of the necessity of separating house organs of governance and ownership was maturing, which contributes to the structure’s managerial evolution.
- In diverse cases (FBL, TVS, PRB) the cohabitation and the generational passage were facilitated by a sharing of personal and familial values, as well as values of the firm, that found their synthesis in practice and in the instruments of social responsible management.
- The frequency of meetings of board of directors is directed towards minimizing clashes and put to weekly meetings.
- The board of directors looks inside to independent councilors and minority shareholders (including women) and is extended to representatives of dependents.
- Tax breaks and services for partners and shareholders (specific initiatives, promotions, dedicated services and products; one can point out, for example, projects of formation on themes such as generational passage, tutoring activities – for instance, FAAM’s business school – or the facilitation institutionally provided of banks of co-operative credit).
- Forms of participation in capital on the part of dependents are favored; spin-off processes such as the Gruppo Loccioni’s way of growth, in which the birth of new enterprises often

comes through co-opting talented business collaborators, and supporting them in assuming entrepreneurial roles.

- Multifarious are their initiatives, of which one can report the most relevant. They are financed to make the function of the government house organs more transparent, beyond the aforementioned adoption of the cited instruments of CSR: sharing all of the management data with associations/shareholders/financial partners (for instance, BoxMarche presents an “enrichment” of the Global Report, addressed to the banks containing the prospective triennial economic plan); occasions of yearly open-house meetings during the year aimed at specific categories of stakeholders (Gruppo Fbl); regional and local meetings (TVS); holding stakeholders forums in which the results achieved in the past financial year are presented and objectives for the future are discussed (with this form BoxMarche publicly presents its Global Report every year).
- Value orientations and ethical principles that guide strategic decisions constitute the principle facets of the process of social accountability and reinforce the organizational culture²⁰. Even in the absence of specific centers of responsibility (CSR committees), limited to a few figures or operative “nodes” of social management (one can cite TVS’ working group Social Lab), the flexibility and cohesion of the structure, together with the direct involvement of the entrepreneur – the first “managerial agent” – makes the process of corporate social reporting and the development of specific skills easier.
- Retribution and the compensation of business administrators, such as the distribution of profits, are illustrated in detail in the production statement and in the allocation of value added.
- The instruments of accountability facilitate the transition from a state of listening (consulting before making a decision) to a proactive state (entrepreneur/management guided by stakeholders).

5.5 - Mission, governance, accountability in “spirited businesses”

That which follows (Table 5), corresponding to the most significant elements pertaining to the relationship between values, mission, social engagement and commitment, and qualification of governance, some testimony – in the words of the corporate protagonists interviewed – is offered.

Tab. 5 - Attributes of a “spirited business”

<i>Play factors</i>	<i>Case study examples</i>
<p><i>Mission</i> connoted by strong values (ethical, moral, social, as well as economic).</p>	<p>BoxMarche Spa <i>“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 is a narrative identity, it tells a story, it constructs its own self. For this reason, it has a soul and it</i></p>

²⁰ “The views and the attitudes of key corporate players to aspects of reporting, they should provide important insights into what companies are trying to achieve in their reporting.” (Adams, 2002, p. 231).

	<p><i>has those intangible assets linked to the spirit and to the dignity of the person.</i>" (Tonino Dominici, Managing director and shareholder BoxMarche, Nomination 2005 Sodalitas Social Award, multi-stakeholder counterpart for the Italian CSR Forum)</p>
Values guide the decision-making process in adherence to the socially oriented vision and create an entrepreneurial vocation that makes all the difference.	<p>Gruppo Loccioni <i>"Values sustain actions; actions that are positive and responsible generate a type of development that respects humans and the environment. (...) Large business "look to the quarterly reports" and are not disposed to sow the seed for the long term, to live on trust."</i> (Enrico Loccioni, entrepreneur of the year 2007, Ernst & Young Award for Quality of life)</p> <p>The FAAM dream <i>"The challenge of the market can be won on one's values. FAAM operates at all levels so as to reinforce that criteria of social, environmental and regional respect that characterizes its activity. The recipe of FAAM on the path to development has Man as its endpoint. Our reality expresses the passions, valorizes relationships, and communicates quickly to a territory attentive to traditions, towards which it nurtures a sentimental bond."</i> (Federico Vitali, President Gruppo FAAM, President Confindustria Marche)</p> <p>BoxMarche Spa <i>"Our Global Report is not only a report of numbers, but also of values. It permits our stakeholders to have a dependable idea of how the business fulfills that sort of delegation that civil society has conferred to produce a better world for all goods, services and human relationships. (...) First CSR, which is a fact of "faith", then good governance, which is its outcome."</i> (T. Dominici, BoxMarche, Italian Oscar di Bilancio 2007)</p>
The attention to people's lives creates a supportive environment and renders possible the maximization of creativity.	<p>Gruppo Loccioni <i>"Ours is a mode of being an open enterprise from the very beginning, born to welcome interlocutors as carriers of value; formation, collaboration, team work are our practices. (...) From a strong shared culture and from driven human resources can raise the commitment for the Common Good and the strength to face the market."</i> (E. Loccioni)</p> <p>BoxMarche Spa <i>"The technology we are most proud about is the one that comes home in the evening."</i> (T. Dominici)</p> <p>Gruppo FBL-Della Rovere <i>"We are a company made up of people. Strong human relationships unite the network, that throughout the years has been consolidated, transmitting experiences and visions that are at the foundation of our success. Our activity is the carrier of change both in the lives of our clients and around our team."</i> (Roberto Forni, General Manager Della Rovere)</p>
Inserting everyone into the center of the company and rendering it a protagonist of CSR. Holistic approach to CSR.	<p>BoxMarche Spa <i>"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 like a communal good, recognizing the entrepreneurial spirit that I've had the good fortune to know"</i> (T. Dominici)</p> <p>PRB Srl <i>"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."</i> (Paolini Fiorella, entrepreneur, President Gruppo Giovani Confindustria Pesaro-Urbino)</p>
Development of intangible resources.	<p>Gruppo Loccioni <i>"Our intangible values: 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."</i> (E. Loccioni)</p>
The generation of profit is necessary to the success of CSR, but its maximization is not the <i>raison</i>	<p>Gruppo FBL-Della Rovere <i>"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."</i> (R. Forni)</p> <p>BCC Gradara <i>"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</i></p>

d'être of the business. oneself with the local economy, starting from the region and having the capacity to render it a protagonist. 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)

The entrepreneur-proprietor is responsible for the principles and the actions of CSR. TVS Spa
“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)

Source: our adoption of Lamont, 2002.

The cases considered present evident profiles of that *genius loci* marked by work ethic, by savings, by a strong sense of feeling like active members of one community in which each person rediscovers the taste and the utility to work with trust. This mode of operating and being an enterprise characterizes the many enterprises who were born under intensely local conditions but who serve as carriers of Italian creativity and talent into the world at large. They plunge their roots into a territorial model based on “moral agriculture” (“holy agriculture” – Fuà and Zacchia, 1983) that has characterized the Marches Region from the first half of the 1800s to the post-WWII era. These “champions” of CSR, inserted into a territory rich in testimonies of socially responsible behaviors, many of whom must yet emerge, are also due to their ability to communicate their own engagement and to their ability to manage relationships with multiple stakeholders. They demonstrate themselves capable of influencing and of molding the socio-economic terrain from which they come.

Indeed, the thoughts of one entrepreneur interviewed articulates this best: “*Our ability, though we are a small firm compared to other companies is to card threads (through the determination to follow the “dream” of an enterprise and of the environment in which it is inserted), is to pull thread (through cohesion and collaboration inside and outside of the firm) and to stretch thread (through the motivation that feeds creativity, understanding, sensibility, the capacity to listen) of a network. A network made, in primis, by Men. And this comes from the richness and the appeal of its own virtuous testimony, transferred through appropriate instruments and actions, called to “imitate the virtues.”*

6 - Conclusive remarks

The benefits of CSR are not always easily quantifiable. For that reason, one can say that the adhesion to a philosophy of socially oriented management is above all an “act of faith,” but these benefits closely touch on governance that, especially in small firms, is configured as one in a more “reserved” environment, in which the effects are as relevant as they are also difficultly translatable, but that does not take that the link among philosophy centered on sharing CSR, strategy, governance and accountability is even more significant.

First, because the process is desired by the top levels of the company and their effects reverberate across their styles of government, each expresses the will of the firm and translates it into the operations of the business.

Second, because the influx on the strategic profile is manifested above all in terms of development of the culture of CSR, it is a process that seems to be the fruit of the entrepreneur's intense and sincere involvement in the multiple manifestations of socially responsible actions. And this often becomes an occasion to reinforce the mission and, often, to create that necessary convergence around personal, family and firm values, which facilitate the succession process in many family businesses.

Thirdly, this is because the accountability and the communication of the firms' CSR engagement creates effects on the organizational structure: it influences the micro-processes of the firm and produces effects induced by the governance, in terms of transparency of the decision-making process, the sharing of corporate policies, the diffusion of the instrument of delegation, greater team participation by the top of the decision-makers in the firm, and the multiplication of formal and informal occasions for reflection and for comparison.

In the SMEs where CSR is a characteristic trait of the corporate culture, the consensus of the owner-entrepreneur/top management and the focus on referents at the base of decisions characterize systems of corporate governance that are more transparent and "harmonized", reinforce the organizational cohesion, the business climate, and the trust factor (commitment).

From the cases considered here, a model characterized by forms of stakeholders relationships based on instruments that provide for transparency and representation of those qualities of the firm and its principle actors arises. Through this way, one can view the co-penetration of the two drivers of socially oriented governance: *discipline* and *commitment*. The first is formalized and codified (formal rules and roles in the organizational structure), the second is informal, emergent and *value-based*²¹.

The social strategy of the enterprises observed – which is produced to obtain and to create consensus and lasting support *by* and *for* various categories of stakeholders – is based on an effective government of systems of relations within the firm whose principle actor is the small business entrepreneur/owner-manager. The successful entrepreneur always appears to be the one who helps to rediscover values, and who is capable of creating solid rapports and "true" relationships with interlocutors. The focus is on his moral level and on his capacity to realistically create an ethical corporate culture, a unified cultural environment, a common language – the first element for introducing ethical aspects into the processes of decision-making and governing – and,

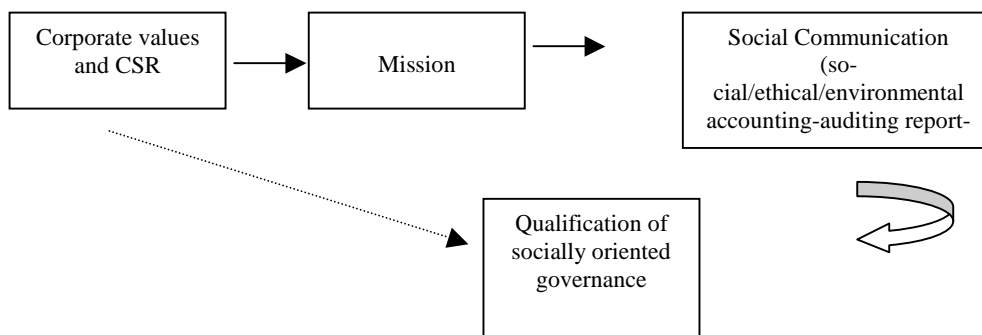
²¹ "While the first one is a formal, codified, explicit approach aiming at fostering ethical and social behavior through a set of rules and tools, the second one is often a more emergent, value-based, "strategy driver" approach, that leads employees to a strong CSR commitment through a high level of identification in their company's strategy, deeply embedded in a set of values and based on a non-hierarchical set of both economic and social goals" (Minoja and Romano, 2006, p. 3).

in other words, for a socially oriented governance. Equally emergent is the value of trust and of true relationships with respect to governance, nurtured by the desire of the top level in deciding and in acting in coherence with a given platform of values. They mould the rich fabric of values of all who operate in the enterprise – from those with management responsibility to those who work at various levels in the company – and are innately linked to morality.

Beyond the formal application of operational methodologies aimed at conceptualizing the different phases²² in which the management of stakeholders relationships is articulated (Grunig, 1992), those businesses are able to taking on efficacious forms of engagement and stakeholders relationships, so that they are capable of “grasping their essence,” pinpointing their expectations, responding to and offering solutions, and creating cohesion around projects and values of ample breadth. These are testimonies of entrepreneurial passion; they are given organizational strength and intangible riches.

The profiles of “convivial enterprises” (Balloni and Trupia, 2005) that emerge do not correspond to a codified managerial model, but to a business “way of being” in which the natural mode of working on a daily basis is nurtured by a socially oriented philosophy, and in which conviviality is not merely a sentiment, but is an operative practice and a model for organization and governance (Figure 1).

Fig. 1- The relationship between values and communication



Source: our elaboration.

In such contexts the capacity of individual initiatives, in absence of rigid forms of hierarchical and centralized coordination, remains vibrant; it is spurred on by the sense of belonging (the status of the collaborators prevails in the organizational arrangement) and on diffuse empowerment. That which is given achieves superior goals with respect to the forms of government that privilege the achievement of objectives in the logic of “executiveness” where the manager has

²² The phases of the model are as follows: visioning; identifying and listening to stakeholders; identifying the firm’s objectives; differentiating the variables that influence the fulfillment of those goals; selecting “non-stakeholder influ-

autonomy and is based on a system of checks and balances. “Enlarged” governance and control is a sort of “effect” of a socially oriented philosophy and of the relative instruments of accountability, which institutionalize and give representation and transparency to the quality of the firm.

These last elements signal the passage from one model of informal responsibility, still prevalent in the universe of small-sized firms, towards a new, proactive model “from the concept of enlightened entrepreneur to CSR policy.”

In the face of large-scale corporations’ power and impact, however, one cannot but mention the possible new and important 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 of *integrity strategies* (Paine, 1994)²³, capable of generating trust towards the firm and the entrepreneurial conduct.

This permits us to conclude by affirming that between CSR and corporate governance there exists a successful nexus. SMEs are especially revelatory, because it is not essential that the extraordinary or eclectic actions are prominent, but rather that those exemplary ones stand out, they bear small things with great intentions.

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ences” for every objective; distinguishing key messages; preliminary tests of key messages; implementing the operational strategy; transferring the message to influential interlocutors; listening, verifying and measuring the results.

²³ The Author distinguishes between socially oriented strategies of adhesion or of observation (compliance strategy) and strategies of ethical probity (integrity strategy). The first, more diffuse across large-scale firms, is based on legal norms and standards imposed from the outside. The second is aimed at results that are not only material; it is inspired by principles, values, ideals and is based on autodiscipline of the managers according to standards that are liberally chosen.

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