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Motives and influencing factors of corporate  
regional engagement: industry and company  
specific patterns

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## **Motives and influencing factors of corporate regional engagement: industry and company specific patterns**

### **Abstract**

*Traditionally, regional endowments are viewed as external variables when it comes to location choices of companies. In most concepts on location choices and regional economics companies are thought to view the local labour market, the local innovation system or the general quality of life in a region as given and chose the location that best suits the company's needs. Increasingly however, scholars from different research fields are providing arguments to reverse that view and show that there can be good reasons for a company to engage in improving its location despite implicit externalities. In this paper we try to systematically analyse issue of corporate engagement in regions. We will show how strong and in which fields companies engage in their respective region, how this engagement can be related to their existing regional integration and what differences appear between industries and types of companies in this respect. In this study we draw upon extensive interviews with over thirty companies from three industrial sectors in the Austrian region of Styria: the metals industry, which dates back to medieval times and has gone through a deep process of economic restructuring, the automotive industry, the first industry in which a comprehensive cluster policy approach was applied in Austria and the software industry, a rather young industry that experienced high growth rates in the past years. We will conclude that even though there are differences between the industries and types of companies in terms of scope and scale of regional integration and regional engagement, there is a strong correlation between the two: the higher the regional integration, the higher corporate regional engagement and vice versa.*

### **1 Introduction**

Taking a region's endowments as given might be regarded as natural by companies. And indeed, why should companies engage in activities that improve the region as a whole? In most theories and concepts on location choices and regional economics, companies regard their location and regional environment as "given". In fact they chose suitable locations according to their requirements by assessing the characteristics and endowments of potential locations. Regional characteristics such as the availability of qualified labour, the presence of innovation systems or the general quality of life in the region are taken as external factors provided for by the region and its institutions.

The view that these endowments could also be actively shaped by companies, thus reversing the above argument, has been pointed out only occasionally by some approaches and scholars. These approaches argue that companies could have a considerable interest in becoming engaged in their region.

In the literature on industrial districts (Asheim 1996 and 2000, Amin 2003) it is argued that SMEs in a particular district often collectively improve their location environment through cooperation in certain fields such as R&D and marketing. This might lead to the setting up of collectively used organisations and infrastructure in the fields of research, development or education. A similar argument has been brought forward in the literature on industrial clusters (see for example Porter 1998). The argument is that firms should pursue long term goals for enhancing their competitiveness. Especially leading firms should make an effort to “upgrade” their respective locations in key areas such as innovation and qualifications. Porter argues that leading firms should use their location’s environment and the cluster as a strategic factor to enhance their competitiveness. This upgrading of the location’s environment should not only be left to policy makers and the public administration but should be actively pursued by the companies themselves. The literature on innovative milieux (Camagni 1991, Maillat 1995) and on high tech regions (Keeble et al 2000) argues that milieux are shaped by leading firms and “protagonists” especially by formal and informal networking through production links, knowledge flows or human capital. And the literature on corporate social responsibility broadly speaking argues that besides following their business responsibilities, companies are supposed to follow moral and sustainability considerations (Wallich and Mc Gowan 1970, Carroll 1979; for a good overview see Zadek 2004 or Lee 2008). As governments, activists and media are increasingly holding companies responsible for the consequences of their activities, companies have an increased interest to show responsibility or engagement in the region, improving their reputation at governments, communities and numerous stakeholders.

Existing literature from various schools thus identifies two main motives for corporate regional engagement: to improve the company’s long term competitiveness and the improvement of the company’s reputation.

Interestingly even though limits of corporate engagement are comprehensively treated in the literature, there is little reference to the dangers of corporate engagement in the region. A dominant engagement of a leading firm in the region could for example cause lock-in effects: A company’s engagement might steer in a direction not automatically beneficial for the region as a whole. Providing apprenticeships and strongly encouraging youngsters to start an apprenticeship in the company’s specific industry could lead to an overspecialisation of the

local labour force or to a lower than average share of academics in the region. More generally, social norms might not favour the overlapping and mixture of corporate activities and non-economic networks or institutions (Granovetter 2005). In times of economic crises the question of continuity of corporate engagement could be raised. Volatility of engagement in crisis, currently for example already visible in cultural sponsoring, or variability due to changes in the ownership can have strong consequences for the commune and the society. And given the strong externalities inherent in regional engagement, free riding poses a danger as it reduces the incentives to become and stay engaged, even though the benefits are apparent to the firm.

So even though there have been attempts to discuss the issue of corporate engagement in regions, so far there are few systematic studies on these aspects. This gap has been identified by the CURE research project, financed under the 6th EU Framework Programme for Research and Technological Development (FP6). The aim of the project was to systematically analyse the mutual influences between corporate regional engagement and the region with the specific value added of achieving findings in seven European regions. In this paper we will concentrate on the findings from one region, the Austrian province of Styria and will focus on three main points:

- How strong and in which fields are companies engaged in their respective region?
- How was this engagement related to their existing integration in these fields?
- Are there differences between industries (old / new) and types of companies in this respect?

In the beginning we will give a short overview of the region of analysis, the province of Styria and its quite diverse sub-regions with its different economic specialisations. We will go on describing our qualitative research design and give a picture of the interviewed sample of companies. We will then lay out the regional integration of the interviewed firms and their regional engagement, we will link regional integration to corporate regional engagement and will conclude with highlighting the main differences in engagement and integration between industries and company types.

## **2 The province of Styria**

The region of Styria, the second largest of Austria's nine provinces and situated in the South East of Austria, is one of the industrial heartlands of the national economy. The region has a long industrial tradition but also hosts new and fast growing industries, thus fitting well to

investigate regional corporate engagement and regional integration of companies. Like in other regions specialized in basic industries, Styria experienced a period of decline and crisis with severe job losses in the metals industry, but since the 1990s, a recovery of the Styrian regional economy could be observed. Economic regeneration has relied on the modernization of traditional industries as well as on the creation of new regional strengths in the automotive sector and knowledge based industry. However, precisely the automotive industry and its suppliers appear to have been hit strongly by the current global economic crises again putting strain on the overall economy of the region. The dimensions of the crisis, on the regional economy cannot yet be estimated; however uncertainty and serious concerns were prevailing throughout the interviews during the last empirical phase of the project.

Over the last 35 years the population growth in Styria has been stagnating and the region lags behind the Austrian average in terms of GDP and disposable income per capita, as shown in table 1. The growth rates of both indicators, however signal that a process of recovery has set in. Compared to the national average, the region has a large share of employees in the secondary sector and performs well regarding unemployment.

Table 1: Socioeconomic profile of the region of Styria

<b>Socioeconomic profile</b>	<b>Styria</b>	<b>Austria</b>
<b>Population</b>		
Population 2006	1.202.911	8.282.948
Population growth 1971-2006	0,6	10,4
Population 2006 (AT=100)	14,5	100,0
Population density (inhabitants per km <sup>2</sup> )	239	250
<b>Regional GDP</b>		
GDP in 2004 (in Mio EUR)	29.684	235.819
GDP growth 95-04 (%)	37,5	34,3
GDP/Capita 2004 (in EUR)	24800	28.800
GDP/Capita growth 95-04 (%)	36,3	30,3
GDP/Capita 2004 (Index AT= 100)	86,1	100,0
GDP/Capita 2004 (Index EU 27= 100)	115,3	133,9
<b>Gross Value Added 2004 (%)</b>		
Primary Sector	2,8	1,9
Secondary Sector	35,5	29,7
Tertiary Sector	61,6	68,4
<b>Disposable Income of Private Households</b>		
Disposable Income/Capita 2004 (in EUR)	16.700	17.700
Disposable Income/Capita growth 95-04 (%)	27,5	25,5
<b>Unemployment Rate (2005)</b>		
Men	3,9	4,9
Women	4,4	5,5
Total	4,1	5,2

Sources: Statistics Austria

Styria can be subdivided in five NUTS 3 regions the boundaries of which follow natural boundaries like rivers and mountain ranges. The sub regions of Upper Styria, with its strong industrial base and the agglomeration of Graz with its automotive cluster and high density of firms in information and communication technologies are of special interest for this study.

The sub region of **Eastern Upper Styria**, characterised by the rivers Mur and Mürz is mountainous with only 15% of the space being a designated settlement area. Regional centres are the cities of Leoben, Bruck and Kapfenberg all of which located at the rivers and which host over 50% of all jobs in this NUTS 3 area. Transport connections to Graz and Vienna can be considered as good, from an international perspective the sub region can however be characterised as peripheral, lacking links to international transport corridors. The Mur-Mürz region has traditionally been home to heavy industry and faced serious restructuring during the past thirty years, which also lead to a continuous population decline. Whereas Styria's and Austria's population have grown between 2001 and 2006 by 1,7% and 3,1%, the population of Mur-Mürz has declined by 3%, due to both, a decline in birth rates and a negative migration balance. The strong regional concentration and sectoral specialisation has made the region especially vulnerable to the structural change in the past 30 years. The job decline in the secondary sector from 45% of the total employment in 1991 to 35% in 2006 could be partly compensated by the job increases in the tertiary sector from 50% in 1991 to 59% in 2006. The average income in the Mur-Mürz region is strongly dominated by the secondary sector, with relatively high incomes. With mean incomes of 2.434 € (district of Mürzzuschlag), 2.262 € (district of Bruck) and 2.147 € (district of Leoben) the sub region reports incomes of 104% to 118% of the Austrian average. (Chamber of Commerce, 2006). The city of Leoben hosts a university specialised in metallurgy and mining and had 2300 students in the year 2007/08. (Statistics Austria) The technical college in the district Bruck/Mur currently runs 8 studies and had 575 students in 2005/06. (Landesstatistik Steiermark)

**Western Upper Styria**, along the upper end of the river Mur, is thinly populated, hosting only 9% of the Styrian population and has faced the second highest population loss in Styria between 2001 and 2006. The negative balance is caused by a negative migration balance and a negative birth balance. The economic base of the area is characterised by large industrial plants with a tradition in the heavy metal industry. Further to the east the district of Murau is dominated by agriculture and tourism. The regional GDP per capita is 76% of the Austrian average.



The region around the capital **Graz**, with 32% of the Styrian population, is the political, economic and cultural centre of the Styria. The region of Graz records high population growth rates, which is almost entirely due to inward migration. The sub region around the regional capital is economically one of the strongest regions in Austria reporting a GDP per capita of 118% of the Austrian value and contributing 43% to the regional GDP of Styria. In terms of start-ups, Graz and Graz Surroundings are also well above the Styrian average, with 4,2 and 3,3 new firm foundations per 1000 inhabitants in 2007 compared to 3,1 in Styria (Chamber of Commerce). Typically for regional centres Graz' economy is strongly dominated by the service industry employing 76% of the workforce in this industry. Graz is also the centre concerning tertiary education with its four universities with over 36.000 students in 2006 and two technical colleges (Source: Statistics Austria).

The sub region **East Styria** hosts 23% of the Styrian population and reports the strongest population growth rates apart from the region of Graz (Landesstatistik). The regional GDP per capita is however low compared to the other NUTS 3 regions, amounting to 65% of the Austrian value in 2003 (Eurostat). **South-and West Styria** hosts 19% of the Styrian population and as well reports growing population rates for the past 15 years, partly due to the geographic proximity to the agglomeration of Graz. The regional GDP per capita of 65% of the Austrian average is however also low. The NUTS 3 region of **Liezen** in the very north-west of Styria is mountainous and thinly populated with tourism being economically important. The regional GDP per capita is 74% of the Austrian value.

### **3 Investigated Industries**

Sector analysis' of the province of Styria show that strengths in the traditional industries persist, especially manufacture of fabricated metal products, manufacture of basic metals, and manufacture of machinery and equipment. However, also new sectors have emerged and now form pillars of the regional economy. Previous studies on the region conducted by members of our research team revealed that the metals and automotive industries would fit the research question of the project, i.e. corporate regional engagement and regional integration of companies especially well. Both have long traditions as key industries in the region and have gone through changing ownership structures and turbulent economic times. Both are also considered to be capital intensive suggesting a strong economic bond to the region. To contrast these traditional industries we chose a third, relatively new industry with a strong concentration in the regional capital Graz, namely the software industry.

### Steel and metal industry

Steel and metal processing firms have a long history in the region- some of the firms even emerged from medieval ironworks- and have adjusted to technological change, social change and changing market conditions many times. The metal industry thus belongs to the heritage of Styria (especially Upper Styria) and has created its image as an industrial region. Due to its long history this industry has strongly shaped the regional culture and the regional identity. People identify with the industry and support it in many ways.

Within the region, the metal industry has experienced the strongest transformation of all major industries. Until the 1980ies this sector was dominated by large Fordist firms, which were mostly state owned. As a result of the steel crisis, many of these large, vertically integrated firms were privatized and broken up into smaller, more flexible units concentrating on their core business. A lot of jobs were lost in this sector, which for long had been a main source of regional prosperity and growth, especially in Upper Styria. During the past years the former large steel companies have managed a turnaround and are again investing in the plants in the region. Thus, this sector stands for post-fordist restructuring and the cultural tensions and transformations, which are associated with this process.

### Automotive industry

The automotive cluster is one of the pillars of regional employment. Although Styria has a regional tradition in the production of transport equipment, the real boom of this sector was brought about by massive FDI inflow. Starting with the Chrysler-Eurostar joint venture, Styria has become a centre of car production for transnational corporations. With the growing involvement of the Canadian company Magna, which had been founded by a Styrian emigrant, tensions between the regional industrial and corporate culture and the “imported” culture of the multinationals became visible. The automotive cluster, therefore, could act as an example for the cultural conflicts that result from the confrontation of “home-grown” and “foreign” cultures. The cluster was founded in 1995 and today brings together more than 180 firms and R&D organisations related to the automotive sector. These companies employed more than 46.000 people in 2008. In the cluster there are not only car, or car components producers but also IT enterprises, service providers, consultants, logistics companies and public institutions. The Styrian automotive cluster is the oldest cluster organisation in Austria, which according to representatives of the Styrian business agency has spread a climate of cooperation between companies and knowledge providers in the whole region of Styria. It is

strongly dominated by one big firm, the Canadian company Magna, which assembles cars for different OEMs but also runs R&D activities in the region. Many of the cluster firms produce almost exclusively for Magna and thus are strongly dependent on the company's performance. However, there are also strong home grown companies in the cluster.

### Software industry

The software industry is the youngest of the three investigated industries. Supported by the strong university sector and the large regional R&D expenditures this sector has developed very dynamically in Styria. Its growth rates in Styria are far better than in many other Austrian provinces. The Styrian ICT sector has emerged in a cultural setting, which for long has been dominated by the old industrial culture of the metal related sectors. But the inherited industrial structure of the region and the well established regional universities did not pose an obstacle to the development of a dynamic software scene. On the contrary, they represented the framework conditions which allowed the rising software sector to find its own specialisations. Thus, the old structure was utilized as an advantage which gave Styrian companies a competitive edge in specific branches of the software industry: the modernizing Styrian metal and automotive industries needed specialized software products to upgrade their production processes.

## **4 Methodology**

The aim of this study was to understand exactly which dimensions of the region are considered important for different companies and to investigate the rational, the motives and the consequences of corporate engagement in regions. We thus chose a qualitative approach that allowed us to *generate* ideas and theories from our data in the process of conducting our research. The flexible research design made adaptations throughout all phases of the project possible. We conducted extensive open interviews with a wide variety of firms to better understand the interviewees' realities and conducted follow up in-depth studies to deepen our understanding of key issues.

To sharpen our research questions and to get the most valuable and dense information we decided to limit the scope of our analysis to specific industries. Previous studies on the region conducted by members of our research team revealed that the metals and automotive industries would fit the research question of the project, i.e. regional integration and

embeddedness of companies especially well. To contrast these traditional industries we chose a third, relatively new industry, namely the software industry.

In a first empirical research phase in June and July 2008 we conducted interviews with regional experts to discuss our industry selection and to verify the relevance of our main questions. The second empirical phase started with an intensive desk top research to select companies most suitable for our research question. Within each industry group we tried to include similar cases (i.e. companies), to test statements of the other interviewees and to specify our findings, and quite different cases to broaden the perspectives and discover fundamental differences between companies.

We contacted the companies per email, introducing the project and our institute and asking for a personal interview with the CEO. We were confronted with a surprisingly positive response, especially in the metals and software industry where 20 of the contacted 24 companies agreed to give an interview. In the automotive industry we had 15 refusals out of 26 contacted firms, this higher number possibly resulting from the current economic crises that had and still has especially severe effects on the automotive industry. In all but three companies we were able to interview the CEO or a member of the board of directors, another positive response suggesting a large interest from the side of the companies on this specific topic. A consequence being however, that the conducted company interviews certainly have a management bias. The findings must be interpreted as the management's view on the company's engagement in the region.<sup>1</sup>

Overall we have conducted 31 interviews with Styrian companies between August 2008 and October 2008 evenly divided among the three industries of analysis. As depicted in table 2 we succeeded to get a heterogeneous mix of companies: in two thirds of the interviewed companies the majority share of the company was held by one or more Styrian owner, in 6 cases there was an Austrian ownership and 4 companies were held by international owners. Only few of the interviewed companies were listed on the stock exchange. Half of the companies were founded more than 20 years ago, with one extreme case in the metal industry dating back to the 13th century, but a few with founding dates in the 19th and beginning of the 20th century. Due to the privatization processes in the 1990s in the metals industry and the brought about divestiture of these very large state-owned companies, a few interviewed companies emerged from these former giants and are actually older than their founding dates

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<sup>1</sup> To complement that view in one case, we concentrated one of our follow-up in-depth studies on a key enterprise of the region and conducted a number of interviews on this case, getting a wider picture of the regional engagement of this company.

suggest. Also in the automotive industry the majority of our cases were founded more than 20 years ago, including very traditional companies. The interviewed software firms were younger with only one company existing for over 20 years. We talked to 25 SME, only 3 of which were micro enterprises with less than 10 employees, and with 6 large enterprises with more than 250 employees. The market orientation of the interviewed enterprises was mainly international with only 6 companies operating mainly at the regional market. Six companies were part of an institutionalised cooperation network such as a cluster organisation or a state funded competence centre. According to the OECD classification our sample included eleven companies belonging to medium-high-technology industry and ten companies belonging to knowledge-intensive service industries. This classification was used to select the envisaged heterogeneous mix of companies. However, during the empirical phase we found 29 companies to be innovation intensive, and only 2 companies not to be R&D intensive.

Table 2: Overview of the interviewed firms

<b>1. Ownership</b>	<b>Geographical dimension</b>	<b>Majority owner from the region</b>	<b>Majority owner from Austria</b>	<b>Majority owner from another country</b>
	<b>Ownership structure</b>			
	<b>Listed on the stock exchange</b>	0	2	1
	<b>Not listed on the stock exchange</b>	21	4	3
	<b>Governmental involvement</b>	0		
<b>2. Time-dimension</b>		<b>Old company (&gt;20 yrs)</b>	<b>Medium age company (10-20 yrs)</b>	<b>Young Company (&lt; 10 years)</b>
		15	10	6
<b>3. Size</b>		<b>Micro (&lt; 10 employees)</b>	<b>Small – Medium-sized (10-250 employees)</b>	<b>Large (&gt;250 employees)</b>
		3	22	6
<b>4. Main market-orientation (dominant product markets)</b>		<b>Regional</b>	<b>National</b>	<b>International</b>
		6	8	17
<b>5. Cluster, Competence Centres (formal membership)</b>		<b>Yes</b>	<b>No</b>	
		6	25	
<b>6. Knowledge Intensity</b>		<b>Belonging to medium-high-technology (OECD)</b>	<b>Belonging to knowledge-intensive services (OECD)</b>	<b>Innovation intensive companies (acc. to interviews)</b>
		11	10	29
<b>7. Industries</b>		<b>Automotive</b>	<b>Metals</b>	<b>Software</b>
		11	10	10

The interviews were held in an open and narrative way at the beginning but included follow-up questions on certain key issues, if they have not been touched by the interviewee himself/herself. The interviews lasted between 45 minutes and 1,5 hours, were all recorded and then fully transliterated, not to run the danger of biased remembrance or fragmentary note

taking by the interviewer. For the analysis the full interview protocols were then coded in seven key questions, the meta-questions of the project.

## **5 Regional integration and corporate engagement**

In the following we will show how important the region was perceived to be by our sample, i.e. how strongly companies were economically integrated in the region and to which extent the companies influenced the region by their business activities and by supporting activities of regional importance.

In general, companies can be integrated into the region in many different ways. They can be integrated in the local markets, depending on local labour or having local suppliers and customers, they can be embedded in the local knowledge system, having close contacts to local knowledge generating institutions and conducting R&D projects with institutions or other companies, and they can further be embedded in the local society, having personal ties to the region and maintaining close contacts to the local political level and to the civic society (Matuschewski 2002, Maillat 1995, Storper and Kramer 2006). Certainly companies can be integrated into a region in all these mentioned dimensions. Starting our analysis we expected industry characteristics, ownership structure or size to play a crucial role. Here we will show in exactly which fields companies in our analysis were integrated into the region, i.e. which dimensions of the region they regarded as most important for their economic activity. We studied how important the region is perceived for the company's *innovation* activities and for its *human resources* as well as how important the companies perceived regional *environmental* standards and regulations and the overall *quality of life* to be for their economic activity. To visualise the company's statements we introduced four categories, ranging from "the region is considered highly important" to "the region is considered unimportant" for the company.

At this point it should be noted, that in the qualitative, open interviews the concepts of regional integration and the importance of the region were not considered to be distinctive from each other. Companies that considered the region as important for their economic activity were also well integrated into the region, depending on the local labour market, on the local product markets or local cooperation structures; And vice versa, companies that were well integrated into the region, considered the region important for their economic activities.

In a second step we will show how the level of integration into the region influenced the degree to which companies were willing to contribute to the improvement of the region, directly or indirectly. To describe the extent of a company's engagement in such activities more clearly we introduced the typologies presented in table 3, which we derived from classifications of Carroll (1979) and Mc Adam (1973) and their work on corporate social responsibility.

Table 3: Degree of corporate regional engagement

Initiator and framer	Sponsor and promoter	Hardly engaged	No engagement
<p>The engagement is:</p> <ul style="list-style-type: none"> <li>▪ Proactive</li> <li>▪ A substantial in relation to the firm size</li> <li>▪ Of personal interest of the CEO/ responsible person</li> <li>▪ Change/ impact oriented</li> <li>▪ Over and above of what society is expecting from a company</li> </ul>	<p>The engagement is:</p> <ul style="list-style-type: none"> <li>▪ support oriented: the initiative does not have to come from the company</li> <li>▪ Supports, sponsors or promotes a certain cause</li> <li>▪ Of substantial character in relation to the firm size</li> <li>▪ Somehow expected from society</li> </ul>	<p>The engagement is:</p> <ul style="list-style-type: none"> <li>▪ Asked for from society</li> <li>▪ Reactive</li> <li>▪ Carrying only little commitment from the company</li> </ul>	<ul style="list-style-type: none"> <li>▪ Company is only fulfilling the minimum required standards</li> </ul>

Linking integration and engagement we expected that the regional engagement rises with a company's regional integration: the more a company depends on the region, the more interest it should have in being viewed by society as a responsible actor, the more interest it should have in being viewed as a good cooperation partner by knowledge generating institutions, customers or suppliers and the more interest it should have in being viewed as a good employer by future employees. We thus expected that the degree of regional integration influenced the companies' regional engagement.

## 5.1 Empirical evidence

We start with giving an overview of the full sample, i.e. all 31 interviewed companies and then discuss in greater detail the observed differences between the three industries, namely metals, automotive and software.

Table 4 shows a summary of the **perceived importance of the region** as a space of activity for the individual firms of the full sample. For a large majority of firms the region was very important as a labour market. The presence of skilled labour seems to be a crucial location factor for the Styrian companies we interviewed. Many firms also named the region as a (very) important spatial level for pursuing innovation activities as it hosts specialized technical universities, technical colleges, other knowledge providers and corporate innovation partners.

Table 4: Importance of the region to the company (full sample: 31 companies)

	Highly Important	Important	Hardly important	Unimportant	Average Rating
<i>Rating</i>	1	2	3	4	
Innovation	5	12	9	5	2,45
Human Resources	19	6	5	2	1,69
Sustainability	1	1	7	22	3,61
Quality of life	2	8	11	10	2,94
Region in sum	10	13	6	2	2

The region’s quality of life and its specific environmental standards and regulations seemed to be of rather little importance for the companies investigated. It has to be noted however, that most relevant environmental standards are made either at international (EU) or national level, specific regional standards were perceived to be of minor importance for high-emission firms. Furthermore, especially in the software and automotive industry we interviewed many firms that were specialised in developing work with an emission-free production process, environmental standards thus played a negligible role in for these companies. This is however not to say, that companies didn’t strive to develop “green” products; we interviewed two very active players in this regard in the automotive industry. Indirect effects, e.g. the positive impact of high environmental quality on the attractiveness of the region for skilled labour from outside the region, were seemingly not taken into account by the interviewees or not considered to be important.

Given the high importance of regional HR and innovation activities the region “in sum” is of (very) high importance to more than two thirds of the interviewed firms. We used the term “in sum” to describe the overall estimation of importance, hence it is not meant to be the sum of the cells.

Table 5 gives an overview of the **regional engagement** of all 31 interviewed firms. It shows the absolute number of firms that are to various degrees engaged in the promotion of the four fields of investigation, namely innovation, human resources, sustainability and quality of life. Moreover, the table includes the residual category “other engagement” and an estimation of regional engagement in sum. However here again, “in sum” does not mean the sum of the cells but refers to an overall estimation of the degree of regional engagement. If a firm mentioned outstandingly high engagement in the field of human resource development and no engagement in the other fields of investigation we still categorised the firm as highly engaged at the regional level.



Table 5: Degree of the companies' engagement (full sample: 31 companies)

	Highly engaged: initiator and framer	Engaged: Sponsor and promoter	Hardly involved: dues-paying member	Not engaged	Average
<i>Rating</i>	1	2	3	4	
Innovation	2	10	9	10	2,87
Human Resources	7	7	4	13	2,74
Sustainability	1	4	5	21	3,48
Quality of life	1	11	8	11	2,94
Others	3	4	10	6	2,83
Region in sum	2	11	13	5	2,68

Interviewed firms engaged most strongly in human resource development. These activities include amongst others apprenticeship training, different further training schemes and cooperative training activities at the regional level. Seven of the interviewed firms not only engage in these activities but try to *promote* human resource activities in the region. However, almost half of the firms claim to be hardly or not at all involved in HR activities. A relatively large number of firms seem to be engaged in framing and promoting innovation in the region such as actively participating and shaping cluster organisations, competence centres and innovation networks. “Other activities” (mainly sponsoring of cultural events, charitable organisations and sports clubs) and activities focussing on the enhancement of the quality of life in the region were less frequently mentioned. About a third of the companies were engaged in such activities. Looking at the activities focussed at promoting sustainability and environmental responsibility in the region it shows that only few firms actively engaged in these issues. In this regard we have to stress that we explicitly did not count reducing energy consumption as an engagement to promote sustainability in the region.

### 5.1.1 Automotive industry

The overview of the full sample can only broadly describe tendencies, a more comprehensive picture emerges when analysing the three industries of investigation. The **automotive sector** has been one of the key strategic priorities of Styria's cluster policy approach. As noted earlier, the Styrian automotive cluster (AC Styria) is the oldest cluster initiative in Austria and was generally regarded as a successful example and role model for other Austrian clusters. This formalised cluster organisation is strongly dominated by one big firm, the Canadian company Magna, which assembles cars for different OEMs but also runs R&D activities in the region. Many of the cluster firms produce almost exclusively for Magna and thus are strongly dependent on the company's performance. However, there are also strong home grown companies in the cluster such as AVL, which develops amongst others diesel engines and drive trains or Pankl, a leading manufacturer of racing systems. Unfortunately some of

the big players in the cluster refused to give us interviews, which could have to do with the current economic crisis that hit the automotive industry already at an early stage, i.e. at the time when we started our empirical investigation. However, our sample includes two of the big players in the cluster but few other cluster firms. Small, home grown enterprises specialized in customized production and repair work are strongly represented, possibly leading to a small-firm bias in our automotive industry sample.

Table 6: Automotive firms: Importance of the region to the company

	Highly Important	Important	Hardly important	Unimportant	Average Rating
<i>Rating</i>	1	2	3	4	
Innovation	2	5	3	1	2,27
Human Resources	6	4	1	0	1,55
Sustainability	0	0	6	5	3,45
Quality of life	1	4	3	3	2,73
Region in sum	2	7	2	0	2

Table 6 shows the **importance of the region** as a space of activity for the interviewed automotive companies. The region is clearly considered the most important spatial level for recruiting **personnel**. Although some of the bigger companies claimed that they also try to hire engineers and scientists from abroad, the regional labour market was the most important one for all the firms. The firms were generally satisfied with the skills available in Styria ranging from skilled workers to highly specialized engineers. However, some firms criticized the limited number of university graduates specialized in specific fields of auto related engineering, however, not blaming the studies or the university system for the problem but arguing that this shortage was a national or even international problem. The satisfaction with the knowledge and skills of graduates was generally high. However, due to the apparent shortage, the more innovative firms have to start early to get in contact with talented university students in order to have an advantage in the recruitment process compared to other firms from within or outside the region. This will also be visible when looking at the regional engagement of these firms, strongly engaging in activities at the regional labour market. Given the current economic crisis, the shortage of qualified labour in the region might sound strange to the reader. However, during the time of the investigation there was a broad consensus among interviewed firms on this issue. During the past year this picture must have dramatically changed.

The region was also perceived to be a very important location for conducting **innovation activities**. Six of the eleven interviewed automotive firms pursued R&D cooperation with regional universities and technical colleges in order to develop new products and to get in

contact with potential future employees, supporting the findings of others studies such as Tödttling and Trippel (2005). However, the importance of the region was not always explained rationally by pointing at location factors characterizing the region. Especially CEOs of smaller companies mentioned emotional factors. These factors sometimes seemed to be more important than business considerations, as the following quotation reveals.

*CEO of a SME in the automotive industry (Auto 6): „That’s exactly my point. If I can’t produce a product here in Austria and make profit with it, I’d rather stop. I wouldn’t go abroad; I wouldn’t relocate parts of the production to another country. I have to produce in way that I can earn a profit here in the region.” (Auto 6)*

Cooperation with suppliers and customers in the region was also frequent among automotive companies. Surprisingly, only three of the interviewed firms were paying members of the Styrian automotive cluster organisation and these companies considered their membership as not very important for their innovative performance. They however stressed the clusters’ contribution to creating an image of the region, i.e. as an important centre of the automotive industry. The firms, which were part of the cluster, were not actively involved in its promotion and development. They claimed that big automotive companies become members of the cluster to give the regional authorities symbolic support for their economic policies. The cluster’s members all claimed that they can, and some in fact do, pursue their innovation strategies, their marketing activities and their human resource development without the help of a cluster organisation.

Other firms, which did not participate in the cluster also didn’t see the benefits of a membership. Some of them acknowledged the cluster’s role for branding the region but all of them claimed that they are able to find partners, suppliers and customers themselves without making use of an intermediary organisation. These reservations towards the cluster might also have to do with firm characteristics: Most of these firms were small, home grown companies serving the regional market. They were not typical components producers, did not supply OEMs and were not very innovative. One of the interviewed firms left the cluster organisation a few years ago. For the interviewee a cluster organisation is only important for firms, which cannot help themselves. Moreover, the cluster organisation in Styria was implicitly criticized for setting the wrong priorities. The firm’s representative is proud of the firm’s capacity to create its own international network, which he calls a cluster.

*Senior staff of a medium-sized company in the automotive industry (Auto 2): „We were part of the Auto Cluster Styria for a couple of years. And we might again become a member. But it is always a question of the output such a membership yields. A nice dinner, a study trip which only has one goal: not to be in the company for a week-*

*theses activities are not beneficial to us. We know all our potential partners. It is insignificant whether they are members of AC Styria or not. We have never had problems finding partners or suppliers. Those who need a cluster organisation have a problem with their staff; they simply employ the wrong people. We have created our own cluster, our own network.”*

Table 7: Automotive firms: Degree of the companies’ engagement

	Highly engaged: initiator and framer	Engaged: Sponsor and promoter	Hardly involved: dues-paying member	Not engaged	Average rating
<i>Rating</i>	1	2	3	4	
Innovation	0	4	5	2	2,82
Human Resources	1	5	1	4	2,73
Sustainability	0	1	4	6	3,45
Quality of life	1	5	2	3	2,64
Others	1	0	2	0	2,33
Region in sum	0	7	3	1	2,45

Looking at the companies’ **engagement** in activities with strong effects on the region (table 7) it shows that they tend to engage in the general enhancement of the quality of life in the region, mostly by sponsoring local voluntary associations, cultural events or sports clubs. One leading firm based in Graz showed outstanding involvement in cultural sponsoring: it built a concert hall and tried, according to our interview partner, to meet highest architectural standards when rebuilding its headquarters.

Firms in the Styrian automotive sector to some extent also tried to play an active role as promoters and sponsors of **HR development activities** in the region. One firm was involved in the creation of a collaborative apprenticeship training programme, which included a number of firms in the sub-region of western Styria. Some of the mentioned HR activities are hard to distinguish from innovation activities, such as firms awarding scholarships to students at regional technical universities. The firms claimed that the rationale behind these expenditures was to make the company known among students and to recruit young talent. The results of research work by students is also important, however due to a chronic shortage of graduates from engineering schools and technical universities scholarships seem to be mainly used for recruiting and not as an element of the companies’ innovation strategies. Typical **innovation activities** were the participation in cluster initiatives and innovation networks, or R&D cooperation with universities and/ or other firms. Most of these activities took place at the regional level, only two companies claimed to be part of international innovation networks. Concerning sustainability issues, the interviewed firms showed reluctance to do more than obeying the law. For firms, especially the bigger ones, it is

important to meet specific industry standards that sometimes go beyond legal obligations. Surprisingly, the firms did not show any activities specifically focussed at upgrading the regional environment.

Summarizing the results on regional engagement of automotive firms, we have to stress that only few firms showed proactive engagement to shape the regional innovation system or HR development activities at the regional level. The most active interviewed firms mainly concentrated on sponsoring or promoting already existing initiatives. About half of the firms showed hardly any regional engagement at all. In the field of sustainability the percentage of firms showing no regional engagement was even higher.

Recalling the findings on the importance of the region for the companies - especially the regional labour market and the region's knowledge system was regarded as very important - the rather limited proactive engagement of companies suggests that firms viewed the provision of qualified labour or the existence of knowledge infrastructure as an externality provided by the region. This finding can also be observed for the other two investigated industries, in the metals industry however to a lesser extent.

### 5.1.2 Metal and steel processing

Table 8 shows the high **importance of the region** for the metal and steel processing companies. Even more so than with automotive firms, the region was considered especially important as a labour market and as a location for conducting innovation activities.

Table 8: Metals firms: Importance of the region to the company

	Highly Important	Important	Hardly important	Unimportant	Average Rating
<i>Rating</i>	1	2	3	4	
Innovation	2	6	1	1	2,10
Human Resources	8	1	1	0	1,30
Sustainability	1	1	1	7	3,40
Quality of life	1	3	4	2	2,70
Region in sum	7	2	1	0	1,40

The high importance of the availability of skilled labour in the region might have to do with the capital intensity of the industry and the very limited possibility to relocate steel and metal plants. As the mobility of labour in Austria as well as internationally is rather limited, the firms are forced to live with the regional labour market and have to actively try to shape and qualify the regional labour pool according to their needs. The strong importance of innovation at the regional level reflects the successful restructuring of the formerly crisis ridden sector, which has been supported by regional actors of the political system and the knowledge

generating system, especially the University of Mining and Metallurgy of Leoben. This joint effort has created strong regional networks. These networks are connected to global innovation networks via the university and trans-national corporate innovation networks, thus guaranteeing the access to global knowledge flows. Because of the high importance of the labour market and regional innovation activities we believe that metal companies are deeply embedded in the region hence the importance of the “region in sum” comes out very strongly in table 8.

The **regional engagement** of steel and metal processing firms differed quite strongly from that of automotive firms. On average metal firms seemed to be more strongly engaged in supporting activities in the four fields of investigation that go beyond their daily business activities. Companies in the metals industry were more strongly involved in human resource development and more often tried to upgrade the regional innovation system by initiating, framing and promoting innovation at the regional level, as shown in table 9.

Table 9: Metals firms: Degree of the companies’ engagement

	Highly engaged: initiator and framer	Engaged: Sponsor and promoter	Hardly involved: dues-paying member	Not engaged	Average rating
<i>Rating</i>	1	2	3	4	
Innovation	2	4	2	2	2,40
Human Resources	5	1	2	2	2,10
Sustainability	1	3	1	5	3
Quality of life	0	5	4	1	2,60
Others	2	3	3	2	2,50
Region in sum	2	3	4	1	2,40

Engagement in the quality of life played a slightly smaller role for the steel and metal processing firms. This has not always been the case. Until the 1980s many of the big steel companies in Upper Styria were state owned. These companies and the big private ones offered a large variety of social services for their employees which also benefited the region as a whole. Among these, extensive training activities that went beyond the needs of the individual firms and thus created positive spillovers were of key importance. Moreover, the companies owned housing cooperatives that rented their apartments at low prices, kindergartens, football clubs and open air baths and in some cases even hospitals and cemeteries. In the 1970s and 1980s the international steel crisis also hit the Styrian metal companies. At the beginning, the state companies did not cut back employment and their big portfolio of social activities and thus accumulated more and more losses. Later on, in the 1980s the situation became unbearable and the Austrian government decided to privatize and

unbundle the big vertically integrated conglomerates. In this process, most of the social activities aimed at keeping the cost for the reproduction of the workforce (and thus the wages) low, were either stopped or handed over to the communes, which due to the crisis were already confronted with tight municipal budgets. Thus, some of the amenities (e.g. cheap housing) were lost, whereas others were supplied by the municipalities. Today, the steel and metal sector has recovered and many firms successfully compete on the global market. However, the number of employees in this industry has never again reached its historical height. The aftermath of the crisis can still be seen in declining population figures and continuing outmigration from the region.

Today, regional engagement of the metal companies was either more directly business oriented or rather symbolic. The companies have sought to professionalize and expand university- industry linkages, especially with the University of Mining and Metallurgy Leoben, to enhance their innovative performance. R&D cooperation was a frequent and strongly localised activity. Moreover, the political authorities, the university and corporate partners have supported a number of competence centres, partly sponsored by the Austrian federal level (e.g. the Materials Centre), a cluster initiative (Materials cluster) and other intermediary organisations supporting innovation (e.g. Laser centre Leoben, AreaM). In the field of human resource development, steel and metal companies offered support for students (scholarships) and apprenticeship programmes.

According to our interviews, there seemed to be a cleavage between big and small companies in this sector which impedes cooperation between companies in the fields of innovation and human resource development. On the one hand big companies often did not want to have SMEs as innovation partners because they believed they lack the skills and knowledge to really contribute to innovation projects and instead tried to only benefit from the expertise of the big companies. On the other, small companies were reluctant to participate in joint training activities because they feared that big companies would try to lure away their most talented apprentices or employees.

Whereas innovation and human resource activities were strongly business oriented, engagement for quality of life and sustainability issues were often symbolic and considered part of the company's PR budget. Firms regularly sponsored cultural events, sports clubs and voluntary organisations, although the sums spent did not seem to be very high. Individual entrepreneurs or CEOs have shown strong personal interest in promoting different topics of

public interest such as promoting safety standards for road transports or work in or support charitable organisation.

Comparing the regional integration of companies in the steel and metals industry and their engagement for regional issues, we can conclude that there is again a gap in the perceived importance of the region for the companies and their willingness to actively contribute to the improvement of the region. However, the gap is less apparent than in the other two investigated industries. The enhanced engagement in the regional labour market can on the one hand be attributed to the industries' history in the region, as *the* key employer since medieval times, and on the other hand to the companies' sizes, as investments, the need for specialised labour and the need for a large number of skilled labour ties companies to the region. These factors make them more dependent on the regional endowments.

The high engagement in the regional innovation system stems from the strong history of cooperation with the local and highly specialised university on mining and metallurgy. The common academic background of most of the engineers and managers in the companies builds the common culture, necessary for building trust and thus stable cooperation structures and informal contacts.

The interviews in the metals industry also revealed the strong variation of engagement throughout time and the consequences for the employees, the broad regional population and also the municipality. Services that were provided by these dominant and large companies were steadily cut back in economic downturn. Some had to be taken over by the municipality but others were lost. But not only the scale of engagement has changed also its scope underwent a reorientation. Nowadays corporate engagement is more strongly business oriented and puts little emphasis on the general well being of the region. Some managers claimed that the role of companies in the region has changed and that strong engagement is now outdated. The cut back of services was justified with a concentration on the companies' core business; anything in addition was often considered to be jeopardising the companies' competitiveness.

### **5.1.3 Software industry**

The **software industry** differed to a great extent from the automotive industry and the steel and metals industry. The interviewed software firms showed markedly less regional engagement and ranked the importance of the region for their economic success considerably lower than the firms of the two other investigated sectors.



This limited regional engagement of software firms could be triggered by a rather weak feeling of regional rootedness, as summarised in table 10. The interviewees frequently expressed the opinion that their company could easily be located somewhere else. The rather low importance of the region for innovation activities seems to support this assessment. However, some software firms did stress the importance and the good quality of the regional labour market and revealed a strong reliance on graduates from the region's universities. Although the interviewed firms hardly *cooperated* with universities, they claimed to maintain good informal contacts. Some of the companies were spin offs from the department of business administration at the University of Graz. These companies, which produce customized finance software, still keep contacts to the university institutes they emerged from. Institutionalized R&D cooperation and joint product development did not play a role for the software firms we interviewed. However, compared to the metals and the automotive industries the sector is still young and companies thus have not been able to construct and reconstruct ties to regional actors for many decades.

In addition, on average small in size, software companies disclosed strong family ties and personal affection for the region. Although relocation was considered as an option, no company mentioned concrete plans to relocate. Interestingly, although software entrepreneurs disclosed a strong emotional connection to the region, they did not consider their companies to be tied to the region, but considered relocation of their businesses an easy option.

This paradox, a low general regard of the region and at the same time a strong reliance on the regional labour market and on informal contacts to universities, might have to do with a specific self image of the entrepreneurs in the software sector which tend to overestimate the footloose character of their industry.

Table 10: Software firms: Importance of the region to the company

	Highly Important	Important	Hardly important	Unimportant	Average Rating
<i>Rating</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	
Innovation	1	1	5	3	3
Human Resources	5	1	3	2	2,18
Sustainability	0	0	0	10	4
Quality of life	0	1	4	5	3,40
Region in sum	1	4	3	2	2,60

If we look at the market area of the interviewed software firms many of the firms mainly served the local and regional markets, where they benefited from the regions industrial

structure and the demand for IT services typical for cities like Graz. Those who claimed to produce for the global market in fact found their customers most often in Germany. Only one company, a computer games publishing house, is selling its products actually globally. This firm was founded in a small town in Upper Styria and still has its headquarters there. However, since the company's IPO at the Vienna stock exchange, more and more functions were shifted to Vienna. For a truly global firm the limited availability of venture capital, sophisticated business service providers and international flight connections in Styria seemed to be a big disadvantage.

Looking at the **regional engagement** of software firms as depicted in table 11, it shows that only a few firms played an active role in framing and initiating activities in the four fields of investigation. Most of the firms showed only little engagement. None of the interviewed firms was a member of the software competence centre "Evolaris", nor did they engage in other networks. Even sponsoring activities were less frequent among these firms. The few firms which did sponsor regional activities focussed on small scale support of voluntary organisations. These activities were not strategic activities but were mainly motivated by personal interests of CEOs or entrepreneurs. The general low level of engagement could be due to the firms' characteristics and the self perception of the companies. Companies often claimed to be too small to be able to influence the region's endowments. On the other hand with a self-perception of belonging to a footloose industry regional engagement becomes useless.

Table 11: Software firms: Degree of regional engagement


	<b>Highly engaged: initiator and framer</b>	<b>Engaged: Sponsor and promoter</b>	<b>Hardly involved: dues-paying member</b>	<b>Not engaged</b>	<b>Average rating</b>
<i>Rating</i>	1	2	3	4	
Innovation	0	2	2	6	3,40
Human Resources	1	1	1	7	3,40
Sustainability	0	0	0	10	4
Quality of life	0	1	2	7	3,60
Others	0	1	5	4	3,30
Region in sum	0	1	6	3	3,20

Given the high reliance on the regional labour market, the often specialised production for the regional manufacturing industry and the strong personal ties to the region one can however not conclude that the software industry in Styria is footloose.

### 5.1.4 Common for all three investigated industries

Table 12 summarise the different activities undertaken by the firms in our sample and adds the disclosed motivations for the particular engagement. To better summarise the various activities we modified a typology introduced by Porter and Kramer (2004) and bundled activities in relation to the company’s operational activities, to the company’s competitive context and to generic social issues. Interestingly throughout the sample we found similar *motivations* to undertake certain activities. Regardless of the company size or the industry affiliation companies revealed comparable motivations for the activities. Broadly speaking we found engagement to be either driven by business and ethically considerations, in line with the findings of Zadek (2004) and Carroll (1979).

Table 12: Activities and the corresponding motivations

Engagement	Summary of concrete activities disclosed by the firms	Disclosed motivations	Types of Motivations
<b>Operational Activities</b>	▪ Employing regional labour	▪ Business	
	▪ Demanding regional products and services		
	▪ Paying corporate regional taxes		
<b>Competitive Context</b>	▪ Member of informal and formal innovation networks (bilateral R&D cooperation projects with knowledge generating institutions or other businesses, participation in institutionalised networks such as cluster organisations or competence centres, informal innovation networks, active involvement at university through lecturing or membership in the university boards)	▪ Enhance innovativeness and competitiveness ▪ Get the best employees ▪ Have an information lead	
	▪ In-house HR activities (apprentice programmes, advanced training for workers and employees, special support schemes for young workers and employees)	▪ Pressure from the labour market ▪ Keep employees (know-how)	
	▪ Joint HR activities with external partners, such as schools (sponsorship, excursions), tertiary education institutes (scholarships, sponsorship) or with public bodies (regional training cooperation)	▪ Enhance innovativeness and competitiveness ▪ Get the best employees	
	▪ Cost cutting and quality management activities in the field of the environment (improve energy efficiency, introduce industry standards)	▪ Cost considerations ▪ Demanded by customer	
	▪ Personal engagement of the CEO/ entrepreneur in regional institutions, universities, committees, activities	▪ Have an information lead ▪ Be present	
<b>Generic Social Issues</b>	▪ Environmental measures beyond the legal minimum standards	▪ Sustainability considerations ▪ Demanded by society ▪ Demanded by customer	
	▪ Sponsorship for social causes, cultural events or sports	▪ Philanthropy ▪ Reputation	

We found that most activities were driven by the one or the other business motivation. The prime motivations were of managerial and strategic nature, but reputation considerations also played a role. We also found ethically motivated activities, typically in social issues but also in the sponsorship of local events or local clubs. The motivations for the latter were often

mixed and often included some business considerations as well, such as expected reputation gains.

Furthermore we found that companies had difficulties revealing their motivations for engaging in activities that are peripheral to their business, like sponsorship or charitable giving. In most of these cases, a wild mix of motivations was mentioned. One company explained its sponsorship for a local ice-hockey club on the one hand with its wish to support youth work and on the other hand with the aim to please a customer who is involved in this very club. Another company justified its sponsoring of cultural events with the responsibility large companies have in a region, but quickly added that they expect reputation gains from the local politicians. The further away the activity was from the company's core business, the more often companies argued with a variety of motivations. It seemed like the CEO were aware of the expectations from society, i.e. that companies are to be responsible actors in the region, and thus argued with philanthropic arguments; But at the same time they are expected to be good business men and thus argued with strategic, rational business related motivations.

## **5.2 Integration and engagement: concluding analysis**

### **Differences attributed to industry affiliation**

The three sectors show similarities and differences in the way they engage in the region and in the estimation of the region's importance for their economic success. Companies of all three sectors tended to engage most strongly in human resource development and innovation activities. There is markedly less engagement on quality of life and sustainability issues.

The strongest engagement can be attributed to the metals processing companies. Their current engagement is however much smaller in scale than it used to be until the 1980s and 90s. The *scope* of regional engagement in the metals industry has also changed: whereas many of the bigger companies had offered a broad spectrum of social amenities, ranging from housing and health care services to training and leisure activities, they started to concentrate on more directly business oriented activities or symbolic forms of engagement like sponsoring of selected regional events. The automotive companies focus on similar topics. Until the start of the current economic crisis in 2008 the automotive companies lamented chronic labour shortages and thus tried to play an active role in human resource development in the region. The interviewed firms which supply OEMs also engaged in extensive innovation activities in the region. The other firms, which were focussed on small badge production and repair work for regional customers were less involved in innovation activities but felt strongly attached to the region due their concentration on regional markets. Software companies showed the

lowest degree of regional engagement and felt less tied to the region than the other industries. Although there are arguments for a footloose character of the industry, the strong dependence on highly skilled personal and the high regard of the regional labour market, as well as the contacts to university and personal ties might make this sector less footloose than some of the entrepreneurs think.

### **Differences attributed to company characteristics**

Although industrial affiliation seems to influence the scale and scope of regional engagement, it is not the only determining factor. Firm size, market orientation and the ownership structure also play important roles.

#### **Company size**

In terms of company characteristics we found that small companies act less strategic than large companies when it comes to conducting activities that are not part of their core business. Because of their size, SME often felt powerless to influence any economic condition at their location. SME usually have limited resources to develop a strategic approach for their engagement. In contrast to large enterprises that are usually run by employed managers who need to explain their actions, SME are usually run by their owners, by the entrepreneur, who is not in need for justification and is therefore not *obliged* to come up with a strategic approach.

However, even though small in size and power, many small enterprises did feel a certain responsibility towards their immediate environment, often driven by the personal conviction of the entrepreneur himself.<sup>2</sup> An individual proprietor of a SME in the metals industry (Metall 4) put it like this:

*“As a manager I have only one job: to ensure the economic success, to secure jobs and to look out, that the company is run reasonably well. For owners I see more responsibilities in the region: to contribute in a constitutive way, so that something changes economically.”*

With small firms personal motives of the CEO/entrepreneur or personal ties to the region were frequently mentioned motives for regional engagement. Large firms on the contrary tended to follow a more strategic, business oriented approach towards regional engagement. However, their activities were often hard to distinguish from conventional marketing or PR activities.

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<sup>2</sup> This feeling of responsibility was the *individual* responsibility experienced by the entrepreneur; one can therefore not speak about *corporate* responsibility of the company. For an interesting and highly debated division of these responsibilities, see Friedman, M. (1970)

### **Ownership structure**

Contrary to our expectations, subsidiaries of multinational companies often engaged strongly in regional affairs. Some of the foreign owned firms actually had a long history in the region but were taken over by a foreign owner at some point of time. These companies were often run by local managers and were able to maintain their regional ties and responsibilities. Regarding engagement in the fields of innovation and human resources the subsidiaries behaved similar to locally owned firms, which in part acted like good corporate citizens trying to shape the region and helping to construct regional advantage. It seems that especially knowledge intensive firms, even if they were controlled from headquarters situated outside the region sought to achieve some integration in the regional innovation and HR networks.

### **Market orientation**

In general and throughout the sample, engagement was strongly focused at the local level. Most companies engaged in activities that benefited the local labour market or the local innovation system, mostly driven by *pressures* from the markets. On the labour market companies disclosed a high competition for engineers, skilled workers and good apprentice, the pressure from the product markets stems from the constant need for product improvements and innovations.

## **6 Conclusions**

In this paper we have shown that there are considerable theoretical arguments supporting corporate engagement in the region *and* that there is notable empirical evidence that companies are aware of its benefits. We have tried to show different ways a company can be integrated in a region by analysing three distinct industries, namely the automotive, metals and software industry in the province Styria in Austria. Regardless of the industry affiliation, companies viewed the regional innovation system and the regional labour market to be most important for their economic activities. However, the region was regarded most important by companies in the metals industry and least important by companies in the software industry. These differences can be attributed to great differences in company size, in capital intensity and the importance of local knowledge links.

We could show, that companies throughout the industries contributed to the improvement of the region through their operational, strategic and peripheral business activities. Companies engaged especially in the fields that were closest to its core business activities, i.e. in activities supporting the local labour market and improving the regional innovation systems. However,

the degree of engagement showed strong differences between the industries: companies from the metals industry were most active in regional engagement whereas companies in the software industry engaged to a far lesser extent, suggesting industry affiliation and history in the region to be factors influencing corporate engagement. Our findings however also suggest that company size in terms of employees and capital intensity play a crucial role for corporate engagement.

Comparing the findings on regional integration and regional engagement we can conclude that there seems to be a strong correlation: the more a company depends on the region, the more interest it had in being viewed by society as a responsible actor, the more interest the company had in being viewed as a good cooperation partner by knowledge generating institutions, customers or suppliers and the more interest the company had in being viewed as a good employer by future employees.

Throughout the sample we found that the region was considered more important as the companies' engagement would suggest. Companies rated the regional labour market and the regional innovation system as important but showed markedly less intensive engagement. We therefore suppose that companies take certain regional endowments as a given externality provided for by the region, i.e. by someone else.

Engagement was mainly driven by business considerations and less so by ethical or philanthropic considerations. We found that the closer the engagement is to the companies' core and strategic business activities, the less volatile it was to the economic well being of the company. Companies that engaged in activities like sponsoring or philanthropic giving to charitable organisations had difficulties articulating their underlying motives and often declared that the giving is dependent on the economic success of the company.

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